

Results of the PKN ORLEN Group for the II quarter of 2010

(Translation of a document originally issued in Polish)

Summary of the results

Table 1

Q1 2010	Q2 2010	Q2 2009	% change	Key financial data, PLNm	2010	2009	% change
1	2	3	4 = (2-3) / 3	5	6	7	8 = (6-7) / 7
17 442	21 068	16 770	25.6	Sales revenues	38 510	31 472	22.4
1 065	1 735	1 317	31.7	Profit/loss from operations plus depreciation and amortisation (EBITDA)	2 800	1 648	69.9
464	1 123	661	69.9	Profit/loss from operations, including:	1 587	340	366.8
482	843	420	100.7	PKN ORLEN S.A.	1 325	27	4807.4
54	102	-67	-	Unipetrol Group	156	-115	-
-103	-13	39	-	ORLEN Lietuva	-116	-12	-866.7
31	191	269	-29.0	Other	222	440	-49.5
				Operating segments, including:			
426	983	770	27.7	Refining	1 409	654	115.4
105	122	-172	-	Petrochemical	227	-244	-
75	216	223	-3.1	Retail	291	310	-6.1
-142	-198	-160	-23.8	Corporate Functions ¹	-340	-380	10.5
601	612	656	-6.7	Depreciation and amortisation, including:	1 213	1 308	-7.3
307	313	335	-6.6	Refining	620	662	-6.3
185	192	201	-4.5	Petrochemical	377	405	-6.9
81	79	95	-16.8	Retail	160	182	-12.1
28	28	25	12.0	Corporate Functions ¹	56	59	-5.1
610	43	1 169	-96.3	Net profit/loss	653	77	748.1
593	-5	1 171	-	Profit/loss attributable to equity holders of the Parent	588	76	673.7
49 212	52 105	50 120	4.0	Assets	52 105	50 120	4.0
22 131	22 678	21 296	6.5	Equity	22 678	21 296	6.5
10 291	9 752	13 264	-26.5	Net debt	9 752	13 264	-26.5
416	2 468	1 921	28.5	Net cash provided by operating activities	2 884	3 072	-6.1
-575	-381	-1 708	77.7	Net cash (used in) investing activities	-957	-2 560	62.6
776	600	1 282	-53.2	Investment expenditures (CAPEX)	1 376	1 999	-31.2
4.7	5.9	-2.6	-	Return on capital employed (ROACE) (%)²	5.9	-2.7	-
46.9	44.7	66.4	-21.7p.p.	Financial leverage (%)³	45.1	61.7	-16.6p.p.
2.14	1.97	7.38	-73.3	Net debt/Profit from operations plus depreciation and amortisation for the last four quarters (EBITDA)⁴	1.97	7.38	-73.3
3.43	2.69	3.20	-15.9	Net debt/Profit from operations plus depreciation and amortisation based on the LIFO method for the last four quarters (EBITDA)⁵	2.69	3.20	-15.9
1.39	-0.01	2.74	-	Net profit/loss attributable to equity holders of the Parent per share (EPS)	1.37	0.18	661.1
0.00	0.00	0.00	-	Dividend per share	0.00	0.00	-
Q1 2010	Q2 2010	Q2 2009	% change	Financial data adjusted by the effect of inventory valuation based on the LIFO method, PLNm	2010	2009	% change
49	682	-267	-	Profit/loss from operations	731	-342	-
-415	-441	-928	52.5	Effect on inventory valuation ⁶ based on LIFO method on profit from operations, including:	-856	-682	-25.5
-319	-465	-562	17.3	PKN ORLEN S.A.	-784	-229	-242.4
-81	-21	-135	84.4	Unipetrol Group	-102	-169	39.6
-25	47	-216	-	ORLEN Lietuva	23	-271	-
273	-312	421	-	Net profit/loss	-39	-471	91.7

1) Includes Corporate Functions of the ORLEN Group companies, as well as companies not included in any of the above segments.

2) ROACE = profit from operations for the last four quarters after tax/average capital employed (equity + net debt).

3) Financial leverage = net debt/equity - calculated using the average carrying values in the period.

4) Interest bearing debt net of cash and cash equivalents as at the end of the period / (EBITDA + dividend received from Polkomtel) for the last four quarters.

5) Interest bearing debt net of cash and cash equivalents as at the end of the period / (EBITDA + dividend received from Polkomtel) based on the LIFO method for the last four quarters.

6) Calculated as a difference between profit from operations determined using the LIFO method of inventory valuation and profit from operations determined using the weighted average method of inventory valuation.

Commentary

Reported results from operations and impact of the LIFO method of inventory valuation

The reported profit from operations of the ORLEN Capital Group („ORLEN Group”) for the II quarter of 2010 amounted to PLN 1,123 million as compared to PLN 661 million in the analogous period of the prior year. The cumulative result from operations of the ORLEN Group for the I half of 2010 reached the level of PLN 1,587 million as compared to PLN 340 million in the I half of 2009.

Using the LIFO method of inventory valuation, the ORLEN Group realized profit from operations of PLN 682 million in the II quarter of 2010 as compared to loss from operations of PLN (-) 267 million in the II quarter of 2009.

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

- in PKN ORLEN S.A. profit from operations was higher by PLN 423 million (y/y) and amounted to PLN 843 million, mainly as a consequence of the improvement in the refining segment result by PLN 313 million (y/y), petrochemical segment by PLN 149 million (y/y), retail segment by PLN 8 million (y/y) and higher corporate functions costs by (-) PLN 47 million (y/y), mainly due to revaluation of provisions. Changes of macroeconomic factors including Ural/Brent differential, refining margins and exchange rates (“macroeconomic factors”), as well as optimization of segment’s operating expenses, positively affected the result from operations of the refining segment. Higher crude oil prices had a negative impact on inventory valuation, which negatively affected segment’s result from operations by PLN (-) 89 million (y/y). Improvement of the results of the petrochemical segment was achieved mainly as the effect of increase of petrochemical margins despite lower sales volume due to planned shutdown of Olefins Installation. Result of the retail segment was higher by PLN 8 million (y/y) as a result of increase in sales volume and improvement of non-fuel margins, accompanied by observed decrease in fuel margins.
- in the ORLEN Lietuva Group („ORLEN Lietuva”) result from operations decreased by PLN (-) 52 million (y/y) and amounted to PLN (-) 13 million. Lower result from operations of the refining segment by PLN (-) 51 million (y/y) reflects unfavourable influence of changes in crude oil prices on inventory valuation in the amount of PLN (-) 264 million, accompanied by positive influence of macroeconomic factors, increasing sales volume and positive influence of lower fixed costs and payroll costs (y/y).
- in the Unipetrol Group („Unipetrol Group”) result from operations increased by PLN 169 million (y/y) and amounted to PLN 102 million. Result from operations of the refining segment was higher by PLN 80 million (y/y), mainly as a consequence of positive impact of macroeconomic factors accompanied by the negative impact of changes in crude oil prices on inventory valuation in the amount of PLN (-) 73 million (y/y). The result of petrochemical segment was higher by PLN 103 million (y/y), mainly due to higher sales volume and higher petrochemical margins (y/y) accompanied by negative impact of changes in prices of petrochemical products on inventory valuation in the amount of PLN (-) 41 million (y/y). Lower result of the retail segment by PLN (-) 9 million is a result of lower margins realized on sales of fuel and non-fuel products accompanied by similar sales volume.

Total impact of macroeconomic factors including Ural/Brent differential, model margins and foreign exchange rates on the reported result from operations of the ORLEN Group was positive and amounted to PLN 794 million (y/y).

The positive impact of increasing crude oil prices on the reported profit from operations in the II quarter of 2010 was lower by PLN (-) 487 million (y/y) in comparison to the comparable data and amounted to PLN 441 million.

The increase of sales volume of the retail segment by 5% (y/y), achieved mainly on the Polish and German market, increase of sales in the refining segment by 8% (y/y) achieved in all entities of the segment and maintaining the level of sales of olefins and polyolefins, accompanied by lower sales volume of PVC and fertilizers, resulted in a positive impact on the reported result from operations in the total amount of PLN 51 million (y/y).

In the II quarter of 2010, the following significant shutdowns of production installations were performed:

- PKN ORLEN S.A. - planned repair shutdown of Reforming V installation (45 days), Fluid Catalytic Cracking Installation (37 days), Olefins II Installation (21 days) and Diesel Oil Hydrodesulphurisation Unit V (14 days);
- Unipetrol Group - planned shutdown of Polypropylene (12 days), Visbreaking (22 days) and Hydrocracking (24 days) Installations;
- Anwil Group – planned shutdown of Plastics Complex (21 days) and emergency breakdown of Electrolysis installation in the Chlorine and Lye Plant (4 days), which is a part of this Complex.

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Savings in the area of payroll costs exceeded by PLN 2 million the increase of fixed costs mostly due to higher costs of repairs carried out on production installations. After consideration of lower depreciation and amortisation costs, reported result from operations increased by PLN 47 million (y/y).

Negative impact of the result on other operating activities amounted to PLN (-) 11 million (y/y). Lack of positive effects on revaluation of impairment allowances of property, plant and equipment and intangible assets in the amount of PLN (-) 46 million (y/y), that occurred in the II quarter of 2009, and negative impact of revaluation of reserves in the amount of PLN (-) 59 million (y/y) were compensated with profit from sale of non-financial non-current assets in the amount of PLN 26 million (y/y), including profit from sale of CO₂ emission rights in the amount of PLN 13 million (y/y) and revenues from grants in the amount of PLN 61 million (y/y), received mainly in effect of reduction of nitrous suboxide emission on Nitrogenous Acid Installation in Anwil S.A.

Financial revenues and expenses and net result

Depreciation of PLN against foreign currencies observed in May and June of the current year had positive impact on results from operations but resulted in recognition of net foreign exchange losses on revaluation of loans and settlements denominated in foreign currencies. As a consequence, the result on financing activities was negative in the II quarter 2010 and amounted to PLN (-) 1,091 million. The main position comprised net foreign exchange losses in the amount of PLN (-) 1,041 million, including foreign exchange losses on revaluation of loans in foreign currencies in the amount of PLN (-) 468 million. Other foreign exchange losses in the amount of PLN (-) 573 million concerned revaluation of trade and investment settlements, of which PLN (-) 301 million included unrealized differences. In case of an appreciation of PLN against foreign currencies in the next periods unrealized foreign exchange losses may reverse.

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 (-) 628 million and foreign exchange losses on revaluation of subsidiaries in the amount of PLN (-) 336 million were recognized in equity in line foreign exchange losses on subsidiaries from consolidation, according to IAS 39 (Financial instruments: recognition and measurement) and IAS 21 (The effects of changes in foreign exchange rates), respectively.

After consideration of share in profit from investments accounted for under equity method and tax charges, net profit of the PKN ORLEN Group for the II quarter of 2010 amounted to PLN 43 million.

Indebtedness and cash flows

As at 30 June 2010 net indebtedness of the ORLEN Group amounted to PLN 9,752 million and decreased by PLN (-) 511 million as compared to the end of 2009. The decrease of net indebtedness is the result of the repayment of loans and borrowings of (-) PLN 1,651 million accompanied by increases of PLN 1,140 million, mainly due to revaluation of loans as a result of depreciation of PLN against USD and EUR.

In the II quarter of 2010 net indebtedness decreased by PLN (-) 539 million, of which repayment of loans and borrowings and change in the balance of cash and cash equivalents amounted to PLN (-) 1,970 million, and was accompanied by increases of PLN 1,431 million, due to mainly unrealized foreign exchange differences on revaluation.

Net cash provided by operating activities amounted to PLN 2,468 million in the II quarter of 2010. Operating cash flows included mainly net profit for the II quarter of 2010 increased by depreciation and amortization and foreign exchange differences in the total amount of PLN 1,180 million and positive change in the level of net working capital amounting to PLN 1,259 million.

Net cash used in investing activities in the II quarter of 2010 amounted to (-) PLN 381 million. The expenditures due to acquisition of property, plant and equipment and intangible assets amounted to PLN (-) 600 million and related mainly to realized investment programs and purchase of CO₂ emission rights in the amount of PLN (-) 108 million. On the other hand, proceeds from disposal of property, plant and equipment and intangible assets in the II quarter 2010 included PLN 114 million related to sale of CO₂ emission rights.

Dividends received, interest and net proceeds from acquisition and sale of short-term securities amounted to PLN 59 million.

Net cash used in financing activities in the II quarter of 2010 amounted to PLN (-) 2,370 million and comprised mainly net repayment of loans and borrowings in the amount of PLN (-) 2,251 million and debt costs in the amount of PLN (-) 113 million.

Consequently, the balance of cash and cash equivalents decreased by PLN (-) 282 million in the II quarter of 2010.

Detailed comments regarding revenues and operating results of particular segments were presented further on in this report.

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Macroeconomic Commentary

Crude oil prices, Ural/Brent differential and model margins

Table 2

Item	Quarter			% change
	Q1 2010	Q2 2010	Q2 2009	
1	2	3	4	5=(3-4)/4
Brent crude oil (USD/bbl)	76.4	78.3	59.1	32.5
Brent / Ural differential (USD/bbl)	1.4	1.8	0.9	100.0
Model refining margin (USD/bbl)	4.0	4.7	4.6	2.2
Model petrochemical margin (EUR/t)	629	724	487	48.7
Quotations of margins (crack spreads) (USD/t)				
Refining products				
Gasoline	158	154	153	0.7
Diesel fuel	77	103	69	49.3
Light heating oil	63	84	47	78.7
A-1 jet fuel	110	131	94	39.4
Heavy heating oil	-133	-156	-124	-25.8
Petrochemical products (EUR/t)				
Polyethylene	199	210	195	7.7
Polypropylene	258	338	263	28.5
Ethylene	504	497	374	32.9
Propylene	454	528	212	149.1
Toluene	200	223	103	116.5
Benzene	322	362	130	178.5
Butadiene	557	809	93	769.9

Exchange rates

Table 3

Currency	Average exchange rate ¹			% change	Year end exchange rate ¹			% change
	Q1 2010	Q2 2010	Q2 2009		Q1 2010	Q2 2010	Q2 2009	
1	2	3	4	5=(3-4)/4	6	7	8	9=(7-8)/8
PLN/USD	2.88	3.16	3.27	-3.3	2.87	3.39	3.17	6.9
PLN/EUR	3.99	4.01	4.45	-9.9	3.86	4.15	4.47	-7.2
PLN/CZK	0.1542	0.1569	0.1669	-6.0	0.1517	0.1609	0.1727	-6.8
LTL/USD	2.49	2.71	2.54	6.7	2.55	2.82	2.46	14.6
LTL/EUR	3.45	3.45	3.45	-	3.45	3.45	3.45	-
CZK/USD	18.7	20.2	19.6	3.1	18.9	20.9	18.3	14.2
CZK/EUR	25.9	25.6	26.7	-4.2	25.4	25.7	25.9	-0.8

1) Based on daily exchange rates of NBP, Czech Republic National Bank and Bank of Lithuania.

Fuel Consumption

According to estimations based on data provided by Agencja Rynku Energii S.A. (The Energy Market Agency) consumption of gasolines in Poland in the II quarter of 2010 decreased by (-) 7.0% (y/y) and amounted to 1,046 thousand tonnes.

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Consumption of diesel oil in the II quarter of 2010 increased by 1.9% (y/y) and amounted to 2,725 thousand tonnes.

Based on estimates from the Lithuanian market, consumption of gasolines in the II quarter of 2010 decreased by (-) 23.1% (y/y) and amounted to 78 thousand tonnes, while the consumption of diesel oil increased by 17.0% (y/y), and amounted to 253 thousand tonnes.

Based on estimates from the Czech market, consumption of gasolines in the II quarter of 2010 decreased by (-) 9.1% (y/y) and amounted to 472 thousand tonnes, while the consumption of diesel oil dropped by (-) 6.2% (y/y), and amounted to 952 thousand tonnes.

According to estimates from the German market, consumption of gasolines in the II quarter of 2010 decreased by (-) 1.5% (y/y) and amounted to 5,186 thousand tonnes. The consumption of diesel oil increased by 1.9% (y/y), to 7,880 thousand tonnes.

Presentation changes

In segment data relating to the half-year condensed consolidated statement of comprehensive income for the period of 6 and 3 months ended 30 June 2009 (disclosed in note 2 to the half-year condensed consolidated financial statements) a reclassification adjustment was made from sales revenues and operating expenses of the refining segment to sales revenues and to operating expenses of the retail segment in the amount of PLN 554 million and PLN 323 million respectively. The adjustment reflects sales volumes generated through DOFO channel (Dealer Owned Franchise Operated), previously presented in the refining segment.

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

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Segment commentary – Refining Segment

Table 4

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
13 383	15 844	12 109	30.8	Sales revenues, including:	29 227	22 673	28.9
9 266	11 389	8 512	33.8	Sales to external customers	20 654	16 187	27.6
4 117	4 455	3 597	23.9	Transactions with other segments	8 573	6 486	32.2
-12 972	-14 851	-11 422	30.0	Operating expenses	-27 823	-22 123	25.8
15	-10	83	-	Other operating revenues/expenses, net	5	104	-95.2
426	983	770	27.7	Profit/Loss from operations	1 409	654	115.4
51	530	-121	-	Profit/Loss from operations under LIFO	581	55	956.4
733	1 296	1 104	17.4	EBITDA	2 029	1 316	54.2
132	191	305	-37.4	CAPEX	323	568	-43.1
4 737	5 683	5 249	8.3	Sales of products (thousand tonnes)	10 420	10 736	-2.9

In the II quarter of 2010 profit from operations of the refining segment of the ORLEN Group amounted to PLN 983 million and increased by PLN 213 million (y/y) as compared to the analogous period of the previous year.

Change in macroeconomic factors including Ural/Brent differential, refining margin and foreign exchange rates led to improvement of profit from operations by PLN 519 million (y/y). Positive impact of changes in crude oil prices on inventory valuation was lower by PLN (-) 438 million (y/y).

The increase in refining sales volume of 8% (y/y) recognized in all segment's entities resulted in the improvement of segment's profit from operations by PLN 52 million (y/y).

Lower fixed costs, payroll costs and depreciation and amortisation costs additionally improved reported result from operations by PLN 68 million (y/y).

In the II quarter of 2010 as compared to the II quarter of the prior year, the segment's CAPEX decreased by PLN (-) 114 million (y/y) to the level of PLN 191 million.

The most significant investments carried out in the II quarter of 2010 comprised: construction of HON VII Installation and Claus II Installation together with infrastructure, reconstruction of cauldron on Catalytic Cracking Installation II and continuation of fuel pipeline Ostrów Wielkopolski – Wrocław construction in PKN ORLEN S.A.

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Segment commentary – Retail Segment

Table 5

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
5 586	7 041	6 104	15.4	Sales revenues, including:	12 627	11 074	14.0
5 559	7 011	6 089	15.1	Sales to external customers	12 571	11 046	13.8
27	30	15	100.0	Transactions with other segments	56	28	100.0
-5 506	-6 846	-5 891	16.2	Operating expenses	-12 352	-10 748	14.9
-5	21	10	110.0	Other operating revenues/expenses, net	16	-16	-
75	216	223	-3.1	Profit/Loss from operations	291	310	-6.1
156	295	318	-7.2	EBITDA	451	492	-8.3
21	56	54	3.7	CAPEX	77	97	-20.6
1 541	1 785	1 693	5.4	Sales of products (thousand tonnes)	3 325	3 176	4.7

In the II quarter of 2010 profit from operations of the retail segment of the ORLEN Group amounted to PLN 216 million as compared to PLN 223 million in the analogous period of the previous year.

Increasing fuel prices caused a strong pressure on the level of fuel margins on all markets, which caused the decrease of the segment's result from operations by PLN (-) 55 million (y/y). Unfavorable influence of fuel margins was partially compensated by the 5% increase in fuel sales volume achieved on the Polish and German market, which consequently improved segment's result from operations by PLN 21 million (y/y).

Further savings in the area of fixed costs and payroll costs amounted over PLN 1 million (y/y). After consideration of lower depreciation and amortisation costs and higher margin on sale of non-fuel merchandise and services segment's reported profit from operations increased by PLN 19 million (y/y).

At the end of June 2010 the number of catering points such as Stop Café and Stop Café Bistro amounted to 612, which reflects an increase of 145 (y/y).

In the II quarter of 2010 as compared to the II quarter of 2009, there was a increase in segment's CAPEX by PLN 2 million (y/y) to the level of PLN 56 million.

During the analyzed period 3 new petrol stations were launched (2 in Poland and 1 in Germany) and 18 petrol stations were reconstructed (10 in Poland and 8 in the Czech Republic) in the ORLEN Group.

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Segment commentary – Petrochemical Segment

Table 6

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
3 274	3 201	3 201	0.0	Sales revenues, including:	6 475	6 154	5.2
2 598	2 637	2 154	22.4	Sales to external customers	5 235	4 204	24.5
676	564	1 047	-46.1	Transactions with other segments	1 240	1 950	-36.4
-3 190	-3 165	-3 363	-5.9	Operating expenses	-6 355	-6 411	-0.9
21	86	-10	-	Other operating revenues/expenses, net	107	13	723.1
105	122	-172	-	Profit/Loss from operations	227	-244	-
65	134	-209	-	Profit/Loss from operations under LIFO	199	-328	-
290	314	31	912.9	EBITDA	604	162	272.8
619	339	892	-62.0	CAPEX	958	1 293	-25.9
1 239	1 077	1 197	-10.0	Sales of products (thousand tonnes)	2 316	2 442	-5.2

In the II second quarter of 2010 segment's profit from operations amounted to PLN 122 million as compared to loss from operations of PLN (-) 172 million in the II quarter of 2009.

Impact of macroeconomic factors connected with the increase of petrochemical margins (y/y) together with changes in foreign exchange rates increased the segment's result from operations by PLN 275 million (y/y).

The effect of changes in prices of petrochemical products on inventory valuation decreased reported profit from operations of the segment by PLN (-) 49 million (y/y).

Observed deterioration of demand, particularly noticeable in the area of fertilizers and PVC, together with stable level of sales of olefins and polyolefins resulted in decrease of the reported profit from operations by PLN (-) 22 million (y/y).

The increase in fixed costs in the amount of PLN (-) 14 million (y/y), due to shutdowns on production installations was partially limited by lower payroll costs by PLN 1 million (y/y). After consideration of lower depreciation and amortisation costs segment's reported result from operations decreased by PLN (-) 4 million (y/y).

Positive effect on other operating activities in the amount of PLN 96 million (y/y) comprised mainly proceeds from grants received mainly for reduction of nitrous suboxide emission in Anwil S.A. and profits from sale of CO₂ emission rights.

During the II quarter of 2010 the segment's CAPEX decreased by PLN (-) 553 million (y/y) to the level of PLN 339 million.

The most significant investments realized in the II quarter half of 2010 comprised continuation of construction works on paraxylene and terephthalic acid production plant (PX/PTA) in PKN ORLEN S.A., construction of new Butadiene Unit in the Unipetrol Group, as well as installation of media in terephthalic acid production plant (PTA) and construction of oxygen plant in the Anwil Group.

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Segment commentary – Corporate Functions

Table 7

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
65	82	68	20.6	Sales revenues, including:	148	133	11.3
19	31	15	106.7	Sales to external customers	50	35	42.9
46	51	53	-3.8	Transactions with other segments	98	98	0.0
-211	-227	-198	14.6	Operating expenses	-438	-432	1.4
4	-53	-30	76.7	Other operating revenues/expenses, net	-50	-81	-38.3
-142	-198	-160	-23.8	Profit/Loss from operations	-340	-380	10.5
-114	-170	-136	-25.0	EBITDA	-284	-321	11.5
5	13	32	-59.4	CAPEX	19	41	-53.7

Higher costs of corporate functions segment by PLN (-) 38 million (y/y) resulted mainly from negative influence of revaluation of provisions in the amount of PLN (-) 41 million (y/y).

During the II quarter of 2010 the segment's CAPEX of PLN 13 million related mainly to investments within the IT area.

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Half-year condensed consolidated financial statements

POLSKI KONCERN NAFTOWY ORLEN S.A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for 3 and 6 months ended 30 June 2010 and 30 June 2009

Table 8

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
17 442	21 068	16 770	25.6	Sales revenues	38 510	31 472	22.4
-15 895	-18 775	-14 944	25.6	Cost of sales	-34 670	-28 675	20.9
1 547	2 293	1 826	25.6	Gross profit on sales	3 840	2 797	37.3
-797	-865	-855	1.2	Distribution expenses	-1 662	-1 731	-4.0
-320	-349	-365	-4.4	General and administrative expenses	-669	-747	-10.4
102	188	210	-10.5	Other operating revenues	291	335	-13.1
-68	-144	-155	-7.1	Other operating expenses	-213	-314	-32.2
464	1 123	661	69.9	Profit from operations	1 587	340	366.8
518	80	743	-89.2	Financial revenues	309	462	-33.1
-230	-1 171	-162	622.8	Financial expenses	-1 112	-884	25.8
288	-1 091	581	-	Financial revenues and expenses, net	-803	-422	90.3
39	86	93	-7.5	Share in profit from investments accounted for under equity method	125	146	-14.4
791	118	1 335	-91.2	Profit before tax	909	64	1 320.3
-181	-75	-166	-54.8	Income tax expense	-256	13	-
610	43	1 169	-96.3	Net profit	653	77	748.1
				Items of other comprehensive income:			
-49	-193	119	-	Hedging instruments valuation	-242	-14	1 628.6
29	2	41	-95.1	Hedging instruments settlement	31	84	-63.1
-170	668	-230	-	Foreign exchange differences on consolidation	498	666	-25.2
4	36	-30	-	Deferred tax on other comprehensive income	40	-13	-
-186	513	-99	-	Total items of other comprehensive income	327	724	-54.8
423	557	1 069	-47.9	Total comprehensive income	980	800	22.5
610	43	1 169	-96.3	Net profit attributable to:	653	77	748.1
593	-5	1 171	-	equity holders of the parent	588	76	673.7
17	48	-2	-	non-controlling interest	65	1	6 400.0
423	557	1 069	-47.9	Total comprehensive income attributable to:	980	800	22.5
459	378	1 046	-63.9	equity holders of the parent	837	569	47.1
-36	179	23	678.3	non-controlling interest	143	231	-38.1
1.39	-0.01	2.74	-	Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)	1.37	0.18	661.1

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(Translation of a document originally issued in Polish)

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2010 and 31 December 2009

Table 9

31.03.2010	30.06.2010	% change	Item, PLNm	31.12.2009	% change
1	2	3=(2-1)/1	4	5	6=(2-5)/5
ASSETS					
27 048	28 438	5.1	Property, plant and equipment	27 070	5.1
70	73	4.3	Investment property	71	2.8
1 078	854	-20.8	Intangible assets	690	23.8
98	97	-1.0	Perpetual usufruct of land	96	1.0
1 440	1 504	4.4	Investments in associates	1 402	7.3
189	437	131.2	Deferred tax assets	291	50.2
56	56	0.0	Financial assets available for sale	60	-6.7
49	53	8.2	Non-current loans and receivables	47	12.8
30 028	31 512	4.9	Total non-current assets	29 727	6.0
10 327	11 024	6.7	Inventory	10 620	3.8
5 940	6 994	17.7	Trade and other receivables	5 417	29.1
196	173	-11.7	Short-term financial assets	181	-4.4
31	25	-19.4	Income taxes receivable	34	-26.5
229	202	-11.8	Prepayments	208	-2.9
2 427	2 145	-11.6	Cash and cash equivalents	2 941	-27.1
34	30	-11.8	Non-current assets held for sale	32	-6.3
19 184	20 593	7.3	Total current assets	19 433	6.0
49 212	52 105	5.9	Total assets	49 160	6.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
		-			-
1 058	1 058	0.0	Share capital	1 058	0.0
1 227	1 227	0.0	Share premium	1 227	0.0
-2	-156	7700.0	Hedging reserve	15	-
-384	153	-	Foreign exchange differences on subsidiaries from consolidation	-267	-
17 598	17 593	0.0	Retained earnings	17 005	3.5
19 497	19 875	1.9	Total equity attributable to equity holders of the parent	19 038	4.4
2 634	2 803	6.4	Non-controlling interest	2 669	5.0
22 131	22 678	2.5	Total equity	21 707	4.5
9 654	9 252	-4.2	Interest-bearing loans and borrowings	11 611	-20.3
649	648	-0.2	Provisions	662	-2.1
832	932	12.0	Deferred tax liabilities	836	11.5
129	125	-3.1	Other long-term liabilities	133	-6.0
11 264	10 957	-2.7	Total long-term liabilities	13 242	-17.3
10 923	14 259	30.5	Trade and other liabilities	11 495	24.0
3 064	2 645	-13.7	Interest-bearing loans and borrowings	1 594	65.9
56	39	-30.4	Income tax liability	24	62.5
960	660	-31.3	Provisions	847	-22.1
715	555	-22.4	Deferred income	134	314.2
99	312	215.2	Other financial liabilities	117	166.7
15 817	18 470	16.8	Total short-term liabilities	14 211	30.0
27 081	29 427	8.7	Total liabilities	27 453	7.2
49 212	52 105	5.9	Total liabilities and shareholders' equity	49 160	6.0

Results of the PKN ORLEN Group for the II quarter of 2010
(Translation of a document originally issued in Polish)

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
for 3 and 6 months ended
30 June 2010 and 30 June 2009

Table 10

Q1 2010	Q2 2010	Q2 2009	% change	Item, PLNm	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Cash flows – operating activities							
610	43	1 169	-96.3	Net profit	653	77	748.1
				Adjustments for:			
-39	-86	-93	-7.5	Share in profit from investments accounted for under equity method	-125	-146	-14.4
601	612	656	-6.7	Depreciation and amortisation	1 213	1 308	-7.3
-337	525	-381	-	Foreign exchange loss/(gain)	188	463	-59.4
122	89	113	-21.2	Interest and dividends	211	208	1.4
14	-90	-57	57.9	(Profit)/loss on investing activities	-76	-41	85.4
-428	-1 062	-294	261.2	Change in receivables	-1 490	-318	368.6
254	-409	-1 628	74.9	Change in inventories	-155	-1 098	85.9
-421	2 730	2 794	-2.3	Change in liabilities	2 309	2 898	-20.3
110	122	-523	-	Change in provisions	231	-478	-
181	74	166	-55.4	Income tax expense	256	-13	-
-35	-128	-21	509.5	Income tax (paid)/received	-163	170	-
-216	48	20	140.0	Other adjustments	-168	42	-
416	2 468	1 921	28.5	Net cash provided by operating activities	2 884	3 072	-6.1
Cash flows - investing activities							
-597	-600	-785	-23.6	Acquisition of property, plant and equipment and intangible assets	-1 198	-1 669	-28.2
53	145	19	663.2	Disposal of property, plant and equipment and intangible assets	198	53	273.6
0	13	1	1 200	Disposal of shares	13	1	1 200
0	-	-1 018	-	Acquisition of shares	-	-1 018	-
-30	-8	0	-	Acquisition of short-term securities	-38	0	-
0	37	0	-	Proceeds from sale of short-term securities	37	0	-
1	30	76	-60.5	Interest and dividend received	31	78	-59.7
0	0	0	-	Dividends paid to non-controlling interest	0	0	-
-2	2	-1	-	Other	0	-5	-
-575	-381	-1 708	77.7	Net cash (used in) investing activities	-957	-2 560	62.6
Cash flows - financing activities							
4 790	3 416	1 787	91.2	Proceeds from loans and borrowings	8 206	5 280	55.4
-4 986	-5 667	-2 471	129.3	Repayment of loans and borrowings	-10 653	-5 631	89.2
-147	-113	-210	-46.2	Interest paid	-260	-326	-20.2
-7	-6	-10	-40.0	Payment of liabilities under finance lease agreements	-13	-54	-75.9
-4	0	0	-	Other	-3	1	-
-354	-2 370	-904	-162.2	Net cash (used in) financing activities	-2 723	-730	-273.0
-513	-283	-691	-59.0	Net change in cash and cash equivalents	-796	-218	265.1
-1	1	-11	-	Effect of exchange rate changes	0	-1	-
2 941	2 427	1 827	32.8	Cash and cash equivalents, beginning of the period	2 941	1 344	118.8
2 427	2 145	1 125	90.7	Cash and cash equivalents, end of the period	2 145	1 125	90.7
107	112	31	261.3	incl. cash and cash equivalents not available for use	112	31	261.3

Results of the PKN ORLEN Group for the II quarter of 2010
(Translation of a document originally issued in Polish)

Operating Data

POLSKI KONCERN NAFTOWY ORLEN S.A.
PRODUCTION VOLUMES
for 3 months ended
30 June 2010 and 30 June 2009

Table 11

Output (‘000 tonnes)	Q2 2010	Q2 2009	y/y change %	Q2 2010	% share	Q2 2010	% share	Q2 2010	% share		
1	2	3	4=(2-3)/3	5	6=5/total segment	7	8=7/total segment	9	10=9/total segment		
Refining Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		ORLEN Lietuva			
Crude oil throughput	6 901	6 560	5.2	3 506	-	1 082	-	2 257	-		
Gasoline	1 568	1 555	0.8	684	22.1	192	16.9	692	31.6		
Diesel fuel	2 778	2 543	9.2	1 474	47.7	463	40.8	854	38.9		
Light heating oil	139	139	0.0	115	3.7	14	1.2	1	0.0		
A-1 jet fuel	223	153	45.8	99	3.2	18	1.6	106	4.8		
Heavy heating oil	717	603	18.9	255	8.2	24	2.1	402	18.3		
LPG	170	144	18.1	65	2.1	41	3.6	83	3.8		
Bitumens	357	338	5.6	0	0.0	100	8.8	37	1.7		
Engine oils	81	53	52.8	0	0.0	18	1.6	0	0.0		
Other	221	202	9.4	400	12.9	265	23.3	18	0.8		
Total products	6 254	5 730	9.1	3 092	-	1 135	-	2 193	-		
Petrochemical Segment	ORLEN Group	ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		BOP		Anwil Group	
Polyethylene	109	100	9.0	0	0.0	74	7.8	35	56.5	0	0.0
Polypropylene	84	81	3.7	0	0.0	57	6.0	27	43.5	0	0.0
Ethylene	65	53	22.6	91	43.1	118	12.4	0	0.0	0	0.0
Propylene	35	45	-22.2	55	26.1	68	7.2	0	0.0	0	0.0
Toluene	5	16	-68.8	9	4.3	0	0.0	0	0.0	0	0.0
Benzene	62	60	3.3	8	3.8	54	5.7	0	0.0	0	0.0
Ortoxylene	0	6	-100.0	0	0.0	0	0.0	0	0.0	0	0.0
Acetone	3	5	-40.0	3	1.4	0	0.0	0	0.0	0	0.0
Butadiene	11	12	-8.3	11	5.2	0	0.0	0	0.0	0	0.0
Glycol	12	16	-25.0	12	5.7	0	0.0	0	0.0	0	0.0
Ethylene oxide	4	4	0.0	4	1.9	0	0.0	0	0.0	0	0.0
Phenol	5	8	-37.5	5	2.4	0	0.0	0	0.0	0	0.0
PVC	71	89	-20.2	0	0.0	0	0.0	0	0.0	71	15.9
PVC granulate	12	10	20.0	0	0.0	0	0.0	0	0.0	12	2.7
CANWIL	63	87	-27.6	0	0.0	0	0.0	0	0.0	63	14.1
Ammonium nitrate	116	158	-26.6	0	0.0	0	0.0	0	0.0	116	26.0
Other	764	783	-2.4	13	6.2	577	60.9	0	0.0	184	41.3
Total products	1 421	1 533	-7.3	211	-	948	-	62	-	446	-
Total output	7 675	7 263	5.7	3 303	-	2 083	-	62	-	446	-

Results of the PKN ORLEN Group for the II quarter of 2010
(Translation of a document originally issued in Polish)

POLSKI KONCERN NAFTOWY ORLEN S.A.
SALES OF KEY PRODUCTS
for 3 and 6 months ended
30 June 2010 and 30 June 2009

Table 12

Q1 2010	Q2 2010	Q2 2009	% change	Sales (‘000 tonnes)	6 months 2010	6 months 2009	% change
1	2	3	4=(2-3)/3	5	6	7	8=(6-7)/7
Refining Segment							
1 038	1 275	1 250	2.0	Gasoline	2 313	2 597	-10.9
1 760	2 192	2 013	8.9	Diesel fuel	3 953	4 138	-4.5
285	125	128	-2.3	Light heating oil	409	416	-1.7
140	222	186	19.4	A-1 jet fuel	363	312	16.3
668	695	537	29.4	Heavy heating oil	1 363	1 163	17.2
97	129	137	-5.8	LPG	225	213	5.6
42	331	334	-0.9	Bitumens	373	382	-2.4
34	28	36	-22.2	Engine oils	63	63	0.0
673	686	628	9.2	Other	1 358	1 452	-6.5
4 737	5 683	5 249	8.3	Total products	10 420	10 736	-2.9
Retail Segment							
556	652	658	-0.9	Gasoline	1 208	1 237	-2.3
812	973	893	9.0	Diesel fuel	1 785	1 649	8.2
86	105	96	9.4	LPG	191	148	29.1
87	55	46	19.6	Other	141	142	-0.7
1 541	1 785	1 693	5.4	Total products	3 325	3 176	4.7
6 278	7 468	6 942	7.6	(Refining + Retail) Segment	13 745	13 912	-1.2
Petrochemical Segment							
106	125	127	-1.6	Polyethylene	231	242	-4.5
106	95	105	-9.5	Polypropylene	201	199	1.0
74	75	58	29.3	Ethylene	149	125	19.2
55	47	46	2.2	Propylene	101	95	6.3
17	3	19	-84.2	Toluene	20	37	-45.9
75	62	58	6.9	Benzene	137	119	15.1
5	1	6	-83.3	Ortoxylyene	6	10	-40.0
6	3	5	-40.0	Acetone	9	10	-10.0
17	12	14	-14.3	Butadiene	29	25	16.0
17	13	18	-27.8	Glycol	30	35	-14.3
4	4	4	0.0	Ethylene oxide	9	8	12.5
9	6	9	-33.3	Phenol	14	17	-17.6
65	81	98	-17.3	PVC	146	186	-21.5
13	14	16	-12.5	PVC granulate	26	28	-7.1
111	69	72	-4.2	CANWIL	181	183	-1.1
140	107	139	-23.0	Ammonium nitrate	247	314	-21.3
419	360	403	-10.7	Other	780	809	-3.6
1 239	1 077	1 197	-10.0	Total products	2 316	2 442	-5.2
7 517	8 545	8 139	5.0	ORLEN Group – total	16 061	16 354	-1.8

*) In the volume data regarding Q2 2009 and 6 months of 2009 reclassification adjustment of sales volumes between the refining segment and the retail segment in the amount of 170 and 313 thousand tonnes respectively has been performed. The adjustment reflects sales volumes made through DOFO channel, previously presented in the refining segment.