REPORT FOR THE I HALF OF 2011

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated half-year report PSr 2011
(year)

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

for the half of the reporting year 2011 that is for the period from 01.01.2011 to 30.06.2011, 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).

5 August 2011
(submission date)

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

	POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA (full name of the Issuer)	
PKN ORLEN (abbreviated name of the issuer)		**OIL& GAS** (industrial sector in line with classification of Warsaw Stock Exchange)
09-411 (zip-code)		**PŁOCK** (location)
CHEMIKÓW (street)		**7** (number)
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PKN ORLEN S.A. CAPITAL GROUP
SELECTED FINANCIAL DATA

(Translation of a document originally issued in Polish)

SELECTED CONSOLIDATED FINANCIAL DATA	PLN thousand		EUR thousand	
	I half of 2011 cummulative data	I half of 2010 cummulative data	I half of 2011 cummulative data	I half of 2010 cummulative data
I. Sales revenues	48 315 099	38 510 499	12 178 333	9 706 979
II. Profit from operations	2 348 375	1 587 286	591 933	400 092
III. Profit before tax	2 494 317	908 876	628 719	229 092
IV. Net profit attributable to equity holders of the parent	2 003 159	587 866	504 917	148 178
V. Net profit	2 065 906	653 088	520 733	164 618
VI. Total comprehensive income attributable to equity holders of the parent	2 194 989	837 041	553 270	210 985
VII. Total comprehensive income	2 342 577	980 113	590 471	247 048
VIII. Net cash provided by operating activities	965 452	2 883 984	243 352	726 939
IX.Net cash (used in) investing activities	(1 010 093)	(956 391)	(254 604)	(241 069)
X. Net cash (used in) financing activities	(811 541)	(2 723 926)	(204 558)	(686 594)
XI. Net (decrease) in cash and cash equivalents	(856 182)	(796 333)	(215 810)	(200 724)
XII. Net profit and diluted net profit per share attributable to equity holders of the parent (in PLN/EUR per share)	4.68	1.37	1.18	0.35
	as at 30/06/2011	as at 31/12/2010	as at 30/06/2011	as at 31/12/2010
XIII. Non-current assets	28 509 926	30 430 874	7 151 439	7 633 290
XIV. Current assets	25 962 312	20 718 918	6 512 395	5 197 140
XV. Total assets	54 472 238	51 149 792	13 663 833	12 830 430
XVI. Long-term liabilites	10 124 408	10 684 821	2 539 610	2 680 184
XVII. Short-term liabilities	17 797 650	16 225 018	4 464 368	4 069 889
XVIII. Equity	26 550 180	24 239 953	6 659 856	6 080 357
XIX. Equity attributable to equity holders of the parent	23 825 703	21 627 938	5 976 447	5 425 159
XX. Share capital	1 057 635	1 057 635	265 297	265 297
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)	55.71	50.57	13.97	12.68

SELECTED SEPARATE FINANCIAL DATA	PLN thousand		EUR thousand	
	I half of 2011 cummulative data	I half of 2010 cummulative data	I half of 2011 cummulative data	I half of 2010 cummulative data
I. Sales revenues	35 729 040	28 031 754	9 005 883	7 065 701
II. Profit from operations	1 650 938	1 324 816	416 136	333 934
III. Profit before tax	2 342 400	225 780	590 427	56 910
IV. Net profit	1 963 683	220 355	494 967	55 543
V. Total comprehensive income	2 065 030	49 169	520 513	12 394
VI. Net cash provided by/ (used in) operating activities	(278 784)	1 892 513	(70 270)	477 028
VII.Net cash (used in) investing activities	(909 319)	(755 497)	(229 203)	(190 431)
VIII. Net cash provided by /(used in) financing activities	212 386	(2 141 878)	53 534	(539 883)
IX. Net (decrease) in cash and cash equivalents	(975 717)	(1 004 862)	(245 940)	(253 286)
X. Net profit and diluted net profit per share (in PLN/EUR per share)	4.59	0.52	1.16	0.13
	as at 30/06/2011	as at 31/12/2010	as at 30/06/2011	as at 31/12/2010
XI. Non-current assets	23 917 595	24 663 871	5 999 497	6 186 693
XII. Current assets	19 551 717	15 230 187	4 904 359	3 820 345
XIII. Total assets	43 469 312	39 894 058	10 903 856	10 007 038
XIV. Long-term liabilites	8 189 284	8 350 861	2 054 203	2 094 733
XV. Short-term liabilities	13 675 949	12 004 148	3 430 479	3 011 124
XVI. Equity	21 604 079	19 539 049	5 419 174	4 901 181
XVII. Share capital	1 057 635	1 057 635	265 297	265 297
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)	50.51	45.68	12.67	11.46

The above data for I half of 2011 and I half of 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 June 2011 – 3.9866 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 June 2011 – 3.9673 PLN/EUR.

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ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

(all amounts in PLN thousand)

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

Consolidated statement of financial position

	Note	as at 30/06/2011 (unaudited)	as at 31/12/2010
ASSETS			
Non-current assets			
Property, plant and equipment		26 814 411	27 403 013
Investment property		74 026	71 976
Intangible assets		1 264 396	1 102 709
Perpetual usufruct of land		95 712	96 354
Investments accounted for under equity method		33 783	1 501 016
Financial assets available for sale		77 606	42 783
Deferred tax assets		35 007	163 893
Other non-current assets		114 985	49 130
		28 509 926	**30 430 874**
Current assets			
Inventories		14 460 544	11 294 851
Trade and other receivables		7 823 408	6 288 802
Other short-term financial assets	3.2.	264 121	224 601
Income tax receivable		25 739	48 273
Cash and cash equivalents		1 958 954	2 820 742
Non-current assets held for sale	3.3.	**1 429 546**	**41 649**
		25 962 312	**20 718 918**
Total assets		**54 472 238**	**51 149 792**
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Share capital		1 057 635	1 057 635
Share premium		1 227 253	1 227 253
Hedging reserve		162 258	63 872
Foreign exchange differences on subsidiaries from consolidation		(56 048)	(149 492)
Retained earnings		21 434 605	19 428 670
Total equity attributable to equity holders of the parent		**23 825 703**	**21 627 938**
Non-controlling interest		**2 724 477**	**2 612 015**
Total equity		**26 550 180**	**24 239 953**
LIABILITIES			
Long-term liabilities			
Interest-bearing loans and borrowings	3.5.	8 508 728	9 123 987
Provisions	3.4.	627 427	635 618
Deferred tax liabilities		819 257	818 581
Deferred income		16 718	16 960
Other long-term liabilities		152 278	89 675
		10 124 408	**10 684 821**
Short-term liabilities			
Trade and other liabilities		14 927 191	13 435 998
Interest-bearing loans and borrowings	3.5.	1 333 821	1 543 740
Income tax liability		245 541	23 370
Provisions	3.4.	658 488	1 002 428
Deferred income		518 485	74 959
Other financial liabilities		99 899	144 523
Liabilities directly associated with non-current assets classified as held for sale		**14 225**	**-**
		17 797 650	**16 225 018**
Total liabilities		**27 922 058**	**26 909 839**
Total equity and liabilities		**54 472 238**	**51 149 792**

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

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2011
Half-year condensed consolidated financial statements
(all amounts in PLN thousand)

(Translation of a document originally issued in Polish)

Consolidated statement of comprehensive income

	Note	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Income statement					
Sales revenues	3.6.	48 315 099	25 641 150	38 510 499	21 068 424
Cost of sales	3.7.	(43 616 730)	(23 440 217)	(34 670 565)	(18 775 409)
Gross profit on sales		**4 698 369**	**2 200 933**	**3 839 934**	**2 293 015**
Distribution expenses		(1 784 843)	(906 976)	(1 661 557)	(864 821)
General and administrative expenses		(691 424)	(361 850)	(669 041)	(349 169)
Other operating revenues	3.8.	363 870	199 193	290 504	188 568
Other operating expenses	3.8.	(237 597)	(121 733)	(212 554)	(144 490)
Profit from operations		**2 348 375**	**1 009 567**	**1 587 286**	**1 123 103**
Financial revenues	3.9.	406 479	159 060	308 358	79 416
Financial expenses	3.9.	(447 675)	(172 502)	(1 111 912)	(1 170 797)
Financial revenues and expenses		**(41 196)**	**(13 442)**	**(803 554)**	**(1 091 381)**
Share in profit from investments accounted for under equity method		187 138	122 901	125 144	85 830
Profit before tax		**2 494 317**	**1 119 026**	**908 876**	**117 552**
Income tax expense	3.10.	(428 411)	(201 388)	(255 788)	(74 060)
Net profit		**2 065 906**	**917 638**	**653 088**	**43 492**
Items of other comprehensive income					
Hedging instruments valuation		50 747	(422 890)	(241 933)	(192 737)
Hedging instruments settlement		68 454	70 794	30 591	1 920
Foreign exchange differences on consolidation		180 118	10 119	498 212	667 786
Deferred tax on other comprehensive income items		(22 648)	66 898	40 155	36 255
		276 671	**(275 079)**	**327 025**	**513 224**
Total net comprehensive income		**2 342 577**	**642 559**	**980 113**	**556 716**
Net profit attributable to:		**2 065 906**	**917 638**	**653 088**	**43 492**
equity holders of the parent		2 003 159	898 649	587 866	(5 245)
non-controlling interest		62 747	18 989	65 222	48 737
Total comprehensive income attributable to:		**2 342 577**	**642 559**	**980 113**	**556 716**
equity holders of the parent		2 194 989	611 412	837 041	377 646
non-controlling interest		147 588	31 147	143 072	179 070
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent (in PLN per share)		4.68	2.10	1.37	(0.01)

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

(all amounts in PLN thousand)

Polski Koncern Naftowy ORLEN Spółka Akcyjna

Consolidated statement of cash flows

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Cash flows - operating activities				
Net profit	**2 065 906**	**917 638**	**653 088**	**43 492**
Adjustments for:				
Share in profit from investments accounted for under equity method	(187 138)	(122 901)	(125 144)	(85 830)
Depreciation and amortisation	1 131 074	576 743	1 212 985	612 366
Foreign exchange (gain)/loss	66 948	(2 741)	188 022	524 702
Interest and dividend, net	191 695	116 433	211 225	88 752
Loss/(Profit) on investing activities	9 138	32 202	(75 890)	(89 754)
Change in receivables	(1 225 069)	(407 120)	(1 489 761)	(1 046 995)
Change in inventories	(3 193 895)	(1 653 213)	(155 294)	(409 009)
Change in liabilities	1 866 128	1 478 033	2 308 561	2 729 600
Change in provisions	289 154	132 702	231 591	121 653
Income tax expense	428 411	201 388	255 788	74 060
Income tax (paid)	(134 180)	(74 477)	(162 668)	(127 920)
Other adjustments	(342 720)	(187 327)	(168 519)	32 724
Net cash provided by operating activities	**965 452**	**1 007 360**	**2 883 984**	**2 467 841**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(1 250 995)	(401 260)	(1 197 909)	(600 225)
Disposal of property, plant and equipment and intangible assets	273 381	99	198 043	144 819
Disposal of shares	3 415	213	12 984	12 908
Disposal of other securities	71 721	60 511	37 090	37 090
Acquisition of shares	(12 471)	(12 397)	-	-
Acquisition of short-term securities and deposits	(91 814)	(38 096)	(37 666)	(7 837)
Interest received	6 423	2 491	31 082	29 938
Other	(9 753)	(14 115)	(15)	2 384
Net cash (used in) investing activities	**(1 010 093)**	**(402 554)**	**(956 391)**	**(380 923)**
Cash flows - financing activities				
Proceeds from loans and borrowings	12 682 800	9 642 359	8 205 493	3 415 968
Repayment of loans and borrowings	(13 225 917)	(10 766 665)	(10 652 659)	(5 666 865)
Interest paid	(253 437)	(154 921)	(259 643)	(112 424)
Payment of liabilities under finance lease agreements	(13 109)	(6 585)	(13 521)	(6 499)
Dividends paid to shareholders/non-controlling interest	-	-	(444)	(444)
Other	(1 878)	842	(3 152)	72
Net cash (used in) financing activities	**(811 541)**	**(1 284 970)**	**(2 723 926)**	**(2 370 192)**
Net (decrease) in cash and cash equivalents	**(856 182)**	**(680 164)**	**(796 333)**	**(283 274)**
Effect of exchange rate changes	(5 606)	945	192	776
Cash and cash equivalents, beginning of the period	**2 820 742**	**2 638 173**	**2 941 039**	**2 427 396**
Cash and cash equivalents, end of the period	**1 958 954**	**1 958 954**	**2 144 898**	**2 144 898**
incl. restricted cash	69 281	69 281	111 870	111 870

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

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2011
Half-year condensed consolidated financial statements
(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		
1 January 2011	2 284 888	63 872	(149 492)	19 428 670	21 627 938	2 612 015	24 239 953
Total comprehensive income	-	98 386	93 444	2 003 159	2 194 989	147 588	2 342 577
Change in the structure of non-controlling interest	-	-	-	2 776	2 776	(22 222)	(19 446)
Dividends	-	-	-	-	-	(12 904)	(12 904)
30 June 2011	**2 284 888**	**162 258**	**(56 048)**	**21 434 605**	**23 825 703**	**2 724 477**	**26 550 180**
(unaudited)							
1 January 2010	2 284 888	14 849	(266 789)	17 004 955	19 037 903	2 669 308	21 707 211
Total comprehensive income	-	(171 187)	420 362	587 866	837 041	143 072	980 113
Dividends	-	-	-	-	-	(9 540)	(9 540)
30 June 2010	**2 284 888**	**(156 338)**	**153 573**	**17 592 821**	**19 874 944**	**2 802 840**	**22 677 784**
(unaudited)							

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

Explanatory notes to the half- year condensed consolidated financial statements

1. Information on principles adopted for the preparation of the half-year condensed consolidated financial statements for the I half of 2011

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed consolidated financial statements („financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation") and present the PKN ORLEN S.A. Capital Group's ("Group","Capital Group") financial position as at 30 June 2011 and 31 December 2010, financial results and cash flows for the period of 6 and 3 months ended 30 June 2011 and 30 June 2010.

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

The foregoing half-year condensed consolidated financial statements, except for the 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 half-year 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 half-year condensed consolidated financial statements and comparative data were prepared in compliance with the Group accounting principles in force and that they reflect true and fair view on financial status and financial result of the Group and that the Management Board Report on the operations of the Group presents true overview of development, achievements and business situation of the Group, including description of basic risks and exposures.

1.2.2. Concerning entity authorized to conduct review of the half-year condensed consolidated financial statements

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

1.2.3. Applied accounting principles and IFRS changes

These foregoing half-year 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 half-year condensed consolidated financial statements, the significant assumptions 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 half-year condensed consolidated financial statements in accordance with their effective date. The possible impact of these amendments to IFRSs on the Group's future financial statements is being analyzed.

(all amounts in PLN thousand)

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

a) functional currency and presentation currency

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

CURRENCY	average exchange rate for the 6 month period ended		exchange rate at the end of the period	
	30/06/2011	30/06/2010	30/06/2011	31/12/2010
PLN/EUR	3.9522	4.0042	3.9866	3.9603
PLN/USD	2.8178	3.0573	2.7517	2.9641
PLN/CZK	0.1624	0.1556	0.1641	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 C.2.

Revenues, expenses and financial result by operating segments

for 6 months ended 30 June 2011

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	25 984 233	15 345 724	6 939 200	45 942	-	48 315 099
Transactions with other segments	11 483 164	57 199	1 612 187	108 255	(13 260 805)	-
Total sales revenues	37 467 397	15 402 923	8 551 387	154 197	(13 260 805)	48 315 099
Total operating expenses	(35 967 868)	(15 171 676)	(7 746 313)	(467 948)	13 260 808	(46 092 997)
Other operating revenues	124 770	37 411	132 464	69 254	(29)	363 870
Other operating expenses	(86 659)	(49 571)	(32 135)	(69 261)	29	(237 597)
Segment operating profit/(loss)	**1 537 640**	**219 087**	**905 403**	**(313 758)**	**3**	**2 348 375**
Financial revenues						406 479
Financial expenses						(447 675)
Share in profit from investments accounted for under equity method	(196)	-	(274)	187 608	-	187 138
Profit before tax						**2 494 317**
Income tax expense						(428 411)
Net profit						**2 065 906**

(all amounts in PLN thousand)

for 3 months ended 30 June 2011

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	13 681 557	8 407 446	3 526 629	25 518	-	25 641 150
Transactions with other segments	6 172 307	30 452	841 381	54 892	(7 099 032)	-
Total sales revenues	19 853 864	8 437 898	4 368 010	80 410	(7 099 032)	25 641 150
Total operating expenses	(19 372 378)	(8 238 936)	(3 931 659)	(265 121)	7 099 051	(24 709 043)
Other operating revenues	58 579	26 885	95 101	18 642	(14)	199 193
Other operating expenses	(29 938)	(33 288)	(10 805)	(47 716)	14	(121 733)
Segment operating profit/(loss)	**510 127**	**192 559**	**520 647**	**(213 785)**	**19**	**1 009 567**
Financial revenues						159 060
Financial expenses						(172 502)
Share in profit from investments accounted for under equity method	(61)	-	17	122 945	-	122 901
Profit before tax						**1 119 026**
Income tax expense						(201 388)
Net profit						**917 638**

for 6 months ended 30 June 2010

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

for 3 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	11 388 525	7 011 391	2 637 318	31 190	-	21 068 424
Transactions with other segments	4 455 368	29 491	564 139	51 290	(5 100 288)	-
Total sales revenues	15 843 893	7 040 882	3 201 457	82 480	(5 100 288)	21 068 424
Total operating expenses	(14 851 431)	(6 846 393)	(3 165 146)	(226 710)	5 100 281	(19 989 399)
Other operating revenues	28 546	43 483	102 446	14 211	(118)	188 568
Other operating expenses	(37 870)	(22 107)	(16 795)	(67 836)	118	(144 490)
Segment operating profit/(loss)	**983 138**	**215 865**	**121 962**	**(197 855)**	**(7)**	**1 123 103**
Financial revenues						79 416
Financial expenses						(1 170 797)
Share in profit from investments accounted for under equity method	729	-	370	84 731	-	85 830
Profit before tax						**117 552**
Income tax expense						(74 060)
Net profit						**43 492**

Assets by operating segments

	as at 30/06/2011 (unaudited)	as at 31/12/2010
Refining Segment	30 385 084	26 965 016
Retail Segment	6 147 558	5 530 917
Petrochemical Segment	14 437 916	13 264 657
Total segment assets	**50 970 558**	**45 760 590**
Corporate Functions	4 111 362	5 718 371
Adjustments	(609 682)	(329 169)
	54 472 238	**51 149 792**

(all amounts in PLN thousand)

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Property ,plant and equipment				
Increase	(22 053)	(19 106)	(28 928)	(6 525)
Decrease	23 919	19 677	39 214	14 317
Intangible assets				
Increase	-	-	(277)	(146)
Decrease	11 807	8 623	401	29
Financial assets available for sale				
Increase	(131)	(6)	(7)	(2)
Decrease	315	315	1 008	938
Receivables				
Increase	(44 299)	(26 758)	(48 850)	(25 769)
Decrease	45 604	17 847	28 954	17 373
Inventories				
Increase	(93 993)	(53 075)	(138 112)	(57 885)
Decrease	55 741	36 718	148 491	64 367
Non-current assets held for sale				
Increase	(2 598)	60	(9 463)	(7 557)
Decrease	3 321	602	3 312	3 108

3.2. Other short-term financial assets

	as at 30/06/2011 (unaudited)	as at 31/12/2010
Cash flow hedge instruments	**228 637**	**175 498**
foreign currency forwards	39 594	35 042
commodity swaps	189 043	140 456
Derivatives not designated as hedge accounting	**3 140**	**3 002**
foreign currency forwards	2 676	1 662
other	464	1 340
Embedded derivatives	**686**	**1 026**
foreign currency swap	686	1 026
Bonds/other debt securities	**20 703**	**34 876**
Loans granted	**6 279**	**5 710**
Other	**4 676**	**4 489**
	264 121	**224 601**

3.3. Non-current assets held for sale

As at 30 June 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 approval of Office of Competition and Consumer Protection is required to conduct the transaction.

3.4. Provisions

	long-term		short-term		Total	
	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010
Environmental provision	331 866	329 033	26 068	36 101	357 934	365 134
Jubilee and post-employment benefits provision	242 772	242 475	32 719	33 315	275 491	275 790
Business risk provision	31 121	40 402	80 537	80 006	111 658	120 408
Shield programs provision	-	-	34 740	41 426	34 740	41 426
Provision for CO_2 emission	-	-	323 306	644 703	323 306	644 703
Other	21 668	23 708	161 118	166 877	182 786	190 585
	627 427	**635 618**	**658 488**	**1 002 428**	**1 285 915**	**1 638 046**

(all amounts in PLN thousand)

3.5. Interest-bearing loans and borrowings

	long-term		short-term		Total	
	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010
Bank loans	8 110 746	7 662 239	530 424	1 289 840	8 641 170	8 952 079
Borrowings	21 752	345 134	645	215 225	22 397	560 359
Debt securities	376 230	1 116 614	802 752	38 675	1 178 982	1 155 289
	8 508 728	**9 123 987**	**1 333 821**	**1 543 740**	**9 842 549**	**10 667 727**

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

3.6. Sales revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Revenues from sales of finished goods and services, net	38 600 197	20 498 897	29 554 716	16 564 917
Revenues from sales of merchandise and raw materials, net	9 714 902	5 142 253	8 955 783	4 503 507
	48 315 099	**25 641 150**	**38 510 499**	**21 068 424**

3.7. Operating expenses

Cost of sales

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Cost of finished goods and services sold	(34 499 952)	(18 608 462)	(26 128 079)	(14 473 942)
Cost of merchandise and raw materials sold	(9 116 778)	(4 831 755)	(8 542 486)	(4 301 467)
	(43 616 730)	**(23 440 217)**	**(34 670 565)**	**(18 775 409)**

Cost by kind

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Materials and energy	(33 223 169)	(17 904 375)	(24 371 069)	(13 364 971)
Cost of merchandise and raw materials sold	(9 116 778)	(4 831 755)	(8 542 486)	(4 301 467)
External services	(1 933 219)	(1 015 233)	(1 784 866)	(968 084)
Payroll, social security and other employee benefits	(1 009 564)	(518 168)	(982 021)	(511 475)
Depreciation and amortisation	(1 131 074)	(576 743)	(1 212 985)	(612 366)
Taxes and charges	(225 925)	(107 984)	(209 903)	(101 020)
Other	(416 666)	(208 196)	(376 795)	(230 156)
	(47 056 395)	**(25 162 454)**	**(37 480 125)**	**(20 089 539)**
Change in inventories	560 833	237 107	199 297	(71 971)
Cost of products and services for own use	164 968	94 571	67 111	27 621
Operating expenses	**(46 330 594)**	**(24 830 776)**	**(37 213 717)**	**(20 133 889)**
Distribution expenses	1 784 843	906 976	1 661 557	864 821
General and administrative expenses	691 424	361 850	669 041	349 169
Other operating expenses	237 597	121 733	212 554	144 490
Cost of sales	**(43 616 730)**	**(23 440 217)**	**(34 670 565)**	**(18 775 409)**

(all amounts in PLN thousand)

3.8. Other operating revenues and expenses

Other operating revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Profit on sale of non-financial non-current assets	37 999	6 239	52 778	40 055
Reversal of provisions	36 812	24 628	23 667	11 650
Reversal of receivables impairment allowances	38 930	14 807	22 598	14 293
Reversal of impairment allowances of property, plant and equipment and intangible assets	30 398	27 818	32 674	9 253
Penalties and compensations earned	86 219	45 920	34 216	19 259
Grants	24 811	10 272	63 619	62 108
Other	108 701	69 509	60 952	31 950
	363 870	**199 193**	**290 504**	**188 568**

Penalties and compensation earned for the 6 and 3 month period ended 30 June 2011 include the compensation for Anwil S.A. of PLN 39,031 thousand due to the fire in the electrolytic installation at chlorine and soda lye plant. Additionally, in the I quarter of 2011 the Group received PLN 30,163 thousand from ENERGA–OPERATOR S.A. due to the revoke of unfavorable sentence for PKN ORLEN S.A. by the Supreme Court.
Grants received in the 6 and 3 month period ended 30 June 2011 and 30 June 2010 concern mainly revenues from reduction of nitrous suboxide emission in Anwil S.A.

The line “other” mainly includes the effect of the settlement of CO_2 emission rights received in relation to actual emission in the 6 and 3 months period ended 30 June 2011.

Other operating expenses

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Loss on sale of non-financial non-current assets	(32 584)	(21 954)	(14 231)	(9 606)
Recognition of provisions	(32 209)	(15 181)	(74 575)	(71 304)
Recognition of receivables impairment allowances	(36 443)	(22 699)	(41 897)	(22 358)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(22 053)	(19 106)	(29 205)	(6 671)
Cost of damages, breakdowns and compensations	(27 949)	(7 821)	(9 058)	(4 717)
Other	(86 359)	(34 972)	(43 588)	(29 834)
	(237 597)	**(121 733)**	**(212 554)**	**(144 490)**

The line “other” mainly includes the valuation of CO_2 emission rights provision of PLN 30,004 thousand and PLN 6,710 thousand in the 6 and 3 month period ended 30 June 2011.

3.9. Financial revenues and expenses

Financial revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Interest	26 019	15 309	37 496	19 510
Foreign exchange gains surplus	346 002	130 343	129 050	-
Decrease in receivables impairment allowances	6 674	3 040	6 356	3 080
Settlement and valuation of financial instruments	25 393	10 045	128 478	50 909
Decrease in investment impairment allowances	315	315	1 008	938
Other	2 076	8	5 970	4 979
	406 479	**159 060**	**308 358**	**79 416**

(all amounts in PLN thousand)

Financial expenses

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Interest	(198 992)	(118 974)	(212 836)	(94 773)
Foreign exchange losses surplus	(100 003)	(29 827)	(827 946)	(1 040 783)
Increase in receivables impairment allowances	(7 856)	(4 059)	(6 953)	(3 411)
Settlement and valuation of financial instruments	(132 252)	(16 147)	(43 834)	(22 944)
Increase in investment impairment allowances	(144)	(13)	(38)	(33)
Other	(8 428)	(3 482)	(20 305)	(8 853)
	(447 675)	**(172 502)**	**(1 111 912)**	**(1 170 797)**

Borrowing costs capitalized in the 6 and 3 month period ended 30 June 2011 and 6 and 3 month period ended 30 June 2010 amounted to PLN 45,002 thousand and PLN 12,223 thousand and PLN 82,807 thousand and PLN 40,168 thousand, respectively.

3.10. Income tax expense

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Current income tax	(378 522)	(131 582)	(187 686)	(117 636)
Deferred income tax	(49 889)	(69 806)	(68 102)	43 576
	(428 411)	**(201 388)**	**(255 788)**	**(74 060)**

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 profit or loss. 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 30/06/2011 (unaudited)		as at 31/12/2010	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Quoted shares	1 344		1 151	-
Embedded derivatives and hedging instruments		296 936	-	179 526
	1 344	**296 936**	**1 151**	**179 526**
Financial liabilities				
Embedded derivatives and hedging instruments		152 261	-	132 051
	-	**152 261**	**-**	**132 051**

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

(all amounts in PLN thousand)

3.12. Finance lease payments

As at 30 June 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 30/06/2011 (unaudited)	as at 31/12/2010
Future value of minimum lease payments	97 215	96 276
Present value of minimum lease payments	83 153	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 June 2011 and 31 December 2010 the value of future liabilities resulting from investment contracts signed until this day amounts to PLN 559,345 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 half-year 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 30/06/2011 (unaudited)
Anti-trust proceedings of the OCCP	18 500	(4 500)	14 000
Other legal cases at court	19 950	2 437	22 387
	38 450	**(2 063)**	**36 387**

3.18. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2011 and 31 December 2010 amounted to PLN 1,718,046 thousand and PLN 1,663,831 thousand, respectively.
Guarantees granted as at 30 June 2011 and 31 December 2010 amounted to PLN 186,715 thousand and PLN 107,191 thousand, respectively.

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

On 29 July 2011 PKN ORLEN purchased 559,569 shares in Anwil S.A., constituting 4.15% share capital of the company. As a result of the transaction PKN ORLEN's share in share capital of Anwil S.A. increased to 94.5%.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS OF PKN ORLEN S.A. FOR THE PERIOD ENDED 30 JUNE 2011 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

(all amounts in PLN thousand)

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

Separate statement of financial position

	Note	as at 30/06/2011 (unaudited)	as at 31/12/2010
ASSETS			
Non-current assets			
Property, plant and equipment		12 331 984	12 379 779
Intangible assets		334 349	383 190
Perpetual usufruct of land		90 330	90 812
Shares in related parties		10 391 614	11 529 773
Financial assets available for sale		41 012	40 828
Deferred tax assets		73 757	198 686
Other non-current assets	3.2.	654 549	40 803
		23 917 595	**24 663 871**
Current assets			
Inventories		9 981 953	7 450 787
Trade and other receivables		7 577 817	5 853 469
Other short-term financial assets	3.3.	400 948	506 067
Income tax receivable		1 121	15 568
Cash and cash equivalents		419 713	1 396 060
Non-current assets held for sale	3.4.	**1 170 165**	**8 236**
		19 551 717	**15 230 187**
Total assets		**43 469 312**	**39 894 058**
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Share capital		1 057 635	1 057 635
Share premium		1 227 253	1 227 253
Hedging reserve		165 221	63 874
Retained earnings		19 153 970	17 190 287
Total equity		**21 604 079**	**19 539 049**
LIABILITIES			
Long-term liabilities			
Loans	3.6.	7 708 666	7 937 850
Provisions	3.5.	359 918	363 053
Other long-term liabilities		120 700	49 958
		8 189 284	**8 350 861**
Short-term liabilities			
Trade and other liabilities		11 083 209	10 038 858
Interest-bearing loans and borrowings	3.6.	1 555 359	1 164 699
Income tax liability		198 279	-
Provisions	3.5.	351 340	512 570
Deferred income		287 248	64 609
Other financial liabilities		200 514	223 412
		13 675 949	**12 004 148**
Total liabilities		**21 865 233**	**20 355 009**
Total equity and liabilities		**43 469 312**	**39 894 058**

The accompanying notes disclosed on pages 21 - 28 are an integral part of the foregoing half-year condensed separate financial statements

PKN ORLEN S.A. CAPITAL GROUP
Report for the I half of 2011
Half-year condensed separate financial statements
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

Separate statement of comprehensive income

	Note	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Income statement					
Sales revenues	3.7.	35 729 040	18 972 800	28 031 754	15 248 440
Cost of sales	3.8.	(32 825 962)	(17 604 352)	(25 486 012)	(13 740 842)
Gross profit on sales		**2 903 078**	**1 368 448**	**2 545 742**	**1 507 598**
Distribution expenses		(965 849)	(481 852)	(896 049)	(453 772)
General and administrative expenses		(299 573)	(162 273)	(288 598)	(153 714)
Other operating revenues	3.9.	143 851	50 237	106 242	55 052
Other operating expenses	3.9.	(130 569)	(63 641)	(142 521)	(111 918)
Profit from operations		**1 650 938**	**710 919**	**1 324 816**	**843 246**
Financial revenues	3.10.	919 935	641 491	363 894	288 667
Financial expenses	3.10.	(228 473)	(130 897)	(1 462 930)	(1 671 819)
Financial revenues and expenses		**691 462**	**510 594**	**(1 099 036)**	**(1 383 152)**
Profit/(Loss) before tax		**2 342 400**	**1 221 513**	**225 780**	**(539 906)**
Income tax expense	3.11.	(378 717)	(167 262)	(5 425)	142 197
Net profit/(loss)		**1 963 683**	**1 054 251**	**220 355**	**(397 709)**
Items of other comprehensive income					
Hedging instruments valuation		49 678	(436 465)	(241 933)	(192 737)
Hedging instruments settlement		75 441	77 782	30 591	1 920
Deferred tax on other comprehensive income items		(23 772)	68 150	40 156	36 256
		101 347	**(290 533)**	**(171 186)**	**(154 561)**
Total net comprehensive income		**2 065 030**	**763 718**	**49 169**	**(552 270)**
Net profit/(loss) and diluted net profit/(loss) per share (in PLN per share)		4.59	2.46	0.52	(0.93)

The accompanying notes disclosed on pages 21 - 28 are an integral part of the foregoing half-year condensed separate financial statements.

(all amounts in PLN thousand)

Separate statement of cash flows

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	**1 963 683**	**1 054 251**	**220 355**	**(397 709)**
Adjustments for:				
Depreciation and amortisation	448 916	236 317	433 207	212 554
Foreign exchange (gain)/loss	(229 520)	(81 841)	802 258	1 065 388
Interest and dividend, net	(249 801)	(291 663)	(112 769)	(196 224)
(Profit)/Loss on investing activities	(8 476)	12 082	(9 983)	(18 628)
Change in receivables	(1 341 702)	(664 070)	(1 359 566)	(1 576 024)
Change in inventories	(2 527 510)	(1 454 142)	(243 388)	(619 450)
Change in liabilities	1 298 670	1 218 416	2 257 159	2 881 278
Change in provisions	189 839	78 840	217 168	159 688
Income tax expense	378 717	167 262	5 425	(142 197)
Income tax (paid)	(64 834)	(46 707)	(124 427)	(105 866)
Other adjustments	(136 766)	(109 332)	(192 926)	(86 866)
Net cash provided by/(used in) operating activities	**(278 784)**	**119 413**	**1 892 513**	**1 175 944**
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(717 237)	(213 992)	(772 973)	(363 220)
Disposal of property, plant and equipment and intangible assets	239 230	2 096	36 795	25 810
Disposal of shares	100	100	-	-
Acquisition of shares	(12 279)	(12 279)	-	-
Additional payments to subsidiaries' equity	-	-	(2 450)	-
Disposal of other securities	-	-	1 000	-
Interest and dividends received	35 453	31 474	118 236	117 397
Additional repayable payments to subsidiaries' equity	(23 000)	(23 000)	(70 042)	(14 497)
Proceeds from additional repayable payments to subsidiaries' equity	5 000	5 000	3 500	-
Long-term loans granted	(561 380)	(561 380)	-	-
Proceeds from/(outflows from) short-term loans granted	261 973	(16 361)	-	-
(Outflows)/Proceeds from cash pool facility	(128 299)	(114 667)	(65 804)	21 639
Other	(8 880)	(8 780)	(3 759)	(871)
Net cash (used in) investing activities	**(909 319)**	**(911 789)**	**(755 497)**	**(213 742)**
Cash flows - financing activities				
Proceeds from loans received	10 946 310	9 078 276	3 067 997	1 390 895
Debt securities issued	3 002 523	1 695 915	3 599 979	2 180 294
Repayment of loans	(10 686 014)	(9 105 876)	(5 197 037)	(2 780 558)
Redemption of debt securities	(2 848 847)	(1 654 180)	(3 385 872)	(2 266 460)
Interest paid	(226 007)	(139 004)	(203 304)	(84 900)
Payment of liabilities under finance lease agreements	(2 682)	(1 605)	(1 362)	(644)
Proceeds / (outflows) from cash pool facility	27 103	10 019	(22 279)	53 401
Net cash provided by / (used in) financing activities	**212 386**	**(116 455)**	**(2 141 878)**	**(1 507 972)**
Net (decrease) in cash	**(975 717)**	**(908 831)**	**(1 004 862)**	**(545 770)**
Effect of exchange rate changes	(630)	1 313	161	734
Cash, beginning of the period	**1 396 060**	**1 327 231**	**1 964 403**	**1 504 738**
Cash, end of the period	**419 713**	**419 713**	**959 702**	**959 702**

The accompanying notes disclosed on pages 21 - 28 are an integral part of the foregoing half-year condensed separate financial statements.

(all amounts in PLN thousand)

Separate statement of changes in equity

	Share capital and share premium	Hedging reserve	Retained earnings	Total equity
1 January 2011	2 284 888	63 874	17 190 287	19 539 049
Total comprehensive income	-	101 347	1 963 683	2 065 030
30 June 2011	**2 284 888**	**165 221**	**19 153 970**	**21 604 079**
(unaudited)				
1 January 2010	2 284 888	14 850	14 833 160	17 132 898
Total comprehensive income	-	(171 186)	220 355	49 169
30 June 2010	**2 284 888**	**(156 336)**	**15 053 515**	**17 182 067**
(unaudited)				

The accompanying notes disclosed on pages 21 - 28 are an integral part of the foregoing half-year condensed separate financial statements.

Explanatory notes to the half-year condensed separate financial statements

1. Information on principles adopted for the preparation of the half-year condensed separate financial statements for the I half of 2011

1.1. Statement of compliance and general principles for preparation

The foregoing half-year condensed separate financial statements ("financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation") and present the PKN ORLEN S.A. ("Company", "Parent Company", "PKN ORLEN") financial position as at 30 June 2011 and 31 December 2010, financial results and cash flows for the period of 6 and 3 months ended 30 June 2011 and 30 June 2010.

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

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

1.2. Statement of the Management Board

1.2.1. Concerning reliability of preparation of half-year condensed separate 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 half-year condensed separate financial statements and comparative data were prepared in compliance with the Company's accounting principles in force and that they reflect true and fair view on financial status and financial result of the Company.

1.2.2. Concerning entity authorized to conduct review of the half-year condensed separate financial statements

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

1.2.3. Applied accounting principles and IFRS changes

These foregoing half-year condensed separate financial statements have been prepared according to principles described in PKN ORLEN S.A. separate 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 separate financial results and separate equity.

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

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

2. Segment data

The Company'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 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.

(all amounts in PLN thousand)

Revenues, expenses and financial result by operating segments

for 6 months ended 30 June 2011

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	24 863 694	7 984 128	2 854 585	26 633	-	35 729 040
Transactions with other segments	9 642 268	-	1 381 860	33 129	(11 057 257)	-
Total sales revenues	34 505 962	7 984 128	4 236 445	59 762	(11 057 257)	35 729 040
Total operating expenses	(33 230 991)	(7 818 019)	(3 766 429)	(333 202)	11 057 257	(34 091 384)
Other operating revenues	54 257	23 871	4 610	61 113	-	143 851
Other operating expenses	(37 421)	(46 061)	(3 184)	(43 903)	-	(130 569)
Segment operating profit/(loss)	**1 291 807**	**143 919**	**471 442**	**(256 230)**	**-**	**1 650 938**
Financial revenues						919 935
Financial expenses						(228 473)
Profit before tax						**2 342 400**
Income tax expense						(378 717)
Net profit						**1 963 683**

for 3 months ended 30 June 2011

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	12 999 602	4 420 456	1 538 381	14 361	-	18 972 800
Transactions with other segments	5 207 347	-	724 698	15 780	(5 947 825)	-
Total sales revenues	18 206 949	4 420 456	2 263 079	30 141	(5 947 825)	18 972 800
Total operating expenses	(17 768 410)	(4 272 129)	(1 959 066)	(196 697)	5 947 825	(18 248 477)
Other operating revenues	14 986	19 192	3 112	12 947	-	50 237
Other operating expenses	(6 253)	(32 168)	-	(25 220)	-	(63 641)
Segment operating profit/(loss)	**447 272**	**135 351**	**307 125**	**(178 829)**	**-**	**710 919**
Financial revenues						641 491
Financial expenses						(130 897)
Profit before tax						**1 221 513**
Income tax expense						(167 262)
Net profit						**1 054 251**

for 6 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	19 880 234	6 356 285	1 770 700	24 535	-	28 031 754
Transactions with other segments	7 070 510	-	1 094 532	32 511	(8 197 553)	-
Total sales revenues	26 950 744	6 356 285	2 865 232	57 046	(8 197 553)	28 031 754
Total operating expenses	(25 666 985)	(6 135 516)	(2 769 365)	(296 346)	8 197 553	(26 670 659)
Other operating revenues	8 506	58 136	11 654	27 946	-	106 242
Other operating expenses	(10 825)	(50 834)	(2 141)	(78 721)	-	(142 521)
Segment operating profit/(loss)	**1 281 440**	**228 071**	**105 380**	**(290 075)**	**-**	**1 324 816**
Financial revenues						363 894
Financial expenses						(1 462 930)
Profit before tax						**225 780**
Income tax expense						(5 425)
Net profit						**220 355**

for 3 months ended 30 June 2010

	Refining Segment (unaudited)	Retail Segment (unaudited)	Petrochemical Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
Sales to external customers	10 905 629	3 606 946	721 637	14 228	-	15 248 440
Transactions with other segments	4 703 356	-	187 605	16 227	(4 907 188)	-
Total sales revenues	15 608 985	3 606 946	909 242	30 455	(4 907 188)	15 248 440
Total operating expenses	(14 762 456)	(3 455 045)	(884 107)	(153 908)	4 907 188	(14 348 328)
Other operating revenues	7 749	34 417	740	12 146	-	55 052
Other operating expenses	(22 468)	(18 274)	(5 493)	(65 683)	-	(111 918)
Segment operating profit/(loss)	**831 810**	**168 044**	**20 382**	**(176 990)**	**-**	**843 246**
Financial revenues						288 667
Financial expenses						(1 671 819)
Profit before tax						**(539 906)**
Income tax expense						142 197
Net (loss)						**(397 709)**

(all amounts in PLN thousand)

Assets by operating segments

	as at 30/06/2011 (unaudited)	as at 31/12/2010
Refining Segment	19 594 617	16 107 697
Retail Segment	3 350 134	3 263 192
Petrochemical Segment	6 453 500	5 979 633
Total segment assets	**29 398 251**	**25 350 522**
Corporate Functions	14 071 061	14 543 536
	43 469 312	**39 894 058**

3. Other explanatory notes

3.1. Impairment allowances of assets

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Property,plant and equipment				
Increase	(20 602)	(17 918)	(26 588)	(5 245)
Decrease	12 428	11 719	29 835	8 340
Financial assets available for sale				
Increase	(131)	(6)	(7)	(2)
Decrease	315	315	1 008	938
Receivables				
Increase	(30 315)	(17 308)	(18 590)	(6 203)
Decrease	36 364	12 231	23 253	14 548
Inventories				
Increase	(1 558)	(61)	(18 475)	(14 778)
Decrease	2 013	1 817	1 541	517
Non-current assets held for sale				
Increase	-	-	-	-
Decrease	490	-	-	-

3.2. Other non-current assets

	as at 30/06/2011 (unaudited)	as at 31/12/2010
Loans granted	589 476	39 603
Cash flow hedge instruments (commodity swaps)	64 473	-
Additional payments to equity	500	1 000
Financial assets	**654 449**	**40 603**
Other long-term receivables	100	200
Non-financial assets	**100**	**200**
	654 549	**40 803**

(all amounts in PLN thousand)

3.3. Other short-term financial assets

	as at 30/06/2011 (unaudited)	as at 31/12/2010
Cash flow hedge instruments	**221 893**	**175 496**
foreign currency forwards	32 850	35 040
commodity swaps	189 043	140 456
Derivatives not designated as hedge accounting	**308**	**811**
foreign currency forwards	308	811
Embedded derivatives	**686**	**1 026**
foreign currency swap	686	1 026
Loans granted	**16 380**	**295 670**
Cash pool	**161 681**	**33 064**
	400 948	**506 067**

3.4. Non-current assets held for sale

As at 30 June 2011 non-current assets held for sale comprise mainly shares in Polkomtel S.A. of PLN 1,159,190 thousand. Detailed information regarding the above mentioned assets are presented in note 3.3 to half-year condensed consolidated financial statements.

3.5. Provisions

	long-term		short-term		Total	
	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010
Environmental provision	238 914	242 049	17 425	24 510	256 339	266 559
Jubilee and post-employment benefits provision	121 004	121 004	20 415	20 415	141 419	141 419
Business risk provision	-	-	21 942	15 700	21 942	15 700
Shield programs provision	-	-	33 341	35 322	33 341	35 322
Provision for CO_2 emission	-	-	166 389	338 018	166 389	338 018
Other	-	-	91 828	78 605	91 828	78 605
	359 918	**363 053**	**351 340**	**512 570**	**711 258**	**875 623**

3.6. Interest- bearing loans and borrowings

	long-term		short-term		Total	
	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010
Bank loans	7 708 666	7 176 786	180 244	912 560	7 888 910	8 089 346
Borrowings	-	-	207 390	312	207 390	312
Debt securities	-	761 064	1 167 725	251 827	1 167 725	1 012 891
	7 708 666	**7 937 850**	**1 555 359**	**1 164 699**	**9 264 025**	**9 102 549**

(all amounts in PLN thousand)

3.7. Sales revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Revenues from sales of finished goods and services, net	19 837 056	10 601 541	15 187 732	8 112 771
Revenues from sales of merchandise and raw materials, net	15 891 984	8 371 259	12 844 022	7 135 669
	35 729 040	**18 972 800**	**28 031 754**	**15 248 440**

3.8. Operating expenses

Cost of sales

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Cost of finished goods and services sold	(17 159 937)	(9 322 659)	(12 897 534)	(6 737 825)
Cost of merchandise and raw materials sold	(15 666 025)	(8 281 693)	(12 588 478)	(7 003 017)
	(32 825 962)	**(17 604 352)**	**(25 486 012)**	**(13 740 842)**

Cost by kind

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Materials and energy	(16 863 353)	(9 166 632)	(12 711 892)	(6 649 875)
Cost of merchandise and raw materials sold	(15 666 025)	(8 281 693)	(12 588 478)	(7 003 017)
External services	(974 955)	(517 306)	(889 523)	(470 825)
Payroll, social security and other employee benefits	(304 487)	(150 245)	(291 025)	(153 638)
Depreciation and amortisation	(448 916)	(236 317)	(433 207)	(212 554)
Taxes and charges	(155 622)	(72 914)	(146 615)	(71 859)
Other	(212 722)	(107 593)	(207 603)	(146 051)
	(34 626 080)	**(18 532 700)**	**(27 268 343)**	**(14 707 819)**
Change in inventories	260 401	126 892	396 082	238 186
Cost of products and services for own use	143 726	93 690	59 081	9 387
Operating expenses	**(34 221 953)**	**(18 312 118)**	**(26 813 180)**	**(14 460 246)**
Distribution expenses	965 849	481 852	896 049	453 772
General and administrative expenses	299 573	162 273	288 598	153 714
Other operating expenses	130 569	63 641	142 521	111 918
Cost of sales	**(32 825 962)**	**(17 604 352)**	**(25 486 012)**	**(13 740 842)**

3.9. Other operating revenues and expenses

Other operating revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Profit on sale of non-financial non-current assets	31 537	2 206	32 109	22 246
Reversal of provisions	4 005	968	2 567	650
Reversal of receivables impairment allowances	31 322	10 229	18 106	11 778
Reversal of impairment allowances of property, plant and equipment and intangible assets	12 865	11 708	28 581	7 836
Penalties and compensations earned	38 193	3 297	9 303	-
Other	25 929	21 829	15 576	12 542
	143 851	**50 237**	**106 242**	**55 052**

Penalties and compensations earned in the I quarter of 2011 includes return of PLN 30,163 thousand from ENERGA–OPERATOR S.A. due to the revoke of unfavorable sentence for PKN ORLEN S.A. by the Supreme Court.

The line “other” mainly includes the effect of the settlement of CO_2 emission rights received in relation to actual emission in the 6 and 3 month period ended 30 June 2011.

(all amounts in PLN thousand)

Other operating expenses

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Loss on sale of non-financial non-current assets	(12 005)	(6 984)	(7 113)	(3 620)
Recognition of provisions	(15 081)	(12 089)	(57 942)	(57 283)
Recognition of receivables impairment allowances	(27 233)	(16 831)	(16 186)	(5 891)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(20 602)	(17 918)	(26 588)	(5 245)
Costs of damages, compensations	(9 247)	(2 488)	(6 024)	(3 240)
Other	(46 401)	(7 331)	(28 668)	(36 639)
	(130 569)	**(63 641)**	**(142 521)**	**(111 918)**

The line "other" mainly includes the valuation of CO_2 emission rights provision of PLN 20,540 thousand in the 6 month period ended 30 June 2011.

3.10. Financial revenues and expenses

Financial revenues

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Interest	11 502	6 739	21 010	9 730
Foreign exchange gains surplus	493 915	204 635	-	-
Dividends	400 702	389 972	260 456	260 456
Settlement and valuation of financial instruments	5 034	35 650	73 949	13 134
Decrease in receivables impairment allowances	5 042	2 001	5 147	2 770
Decrease in investment impairment allowances	315	315	1 008	938
Other	3 425	2 179	2 324	1 639
	919 935	**641 491**	**363 894**	**288 667**

Financial expenses

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Interest	(159 316)	(103 650)	(154 567)	(67 707)
Foreign exchange losses surplus	-	-	(1 267 149)	(1 588 988)
Settlement and valuation of financial instruments	(63 440)	(24 915)	(31 646)	(13 579)
Increase in receivables impairment allowances	(3 082)	(477)	(2 407)	(314)
Increase in investment impairment allowances	(131)	(6)	(7)	(2)
Other	(2 504)	(1 849)	(7 154)	(1 229)
	(228 473)	**(130 897)**	**(1 462 930)**	**(1 671 819)**

Borrowing costs capitalized in the 6 and 3 month period ended 30 June 2011 and in the 6 and 3 month period ended 30 June 2010 amounted to PLN 42,491 thousand and PLN 9,354 thousand and PLN 79,088 thousand, and PLN 37,974 thousand, respectively.

3.11. Income tax expense

	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Current income tax	(277 561)	(86 770)	(138 067)	(85 251)
Deferred income tax	(101 156)	(80 492)	132 642	227 448
	(378 717)	**(167 262)**	**(5 425)**	**142 197**

(all amounts in PLN thousand)

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

The Company 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 Company 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 profit or loss. 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 30/06/2011 (unaudited)		as at 31/12/2010	
	Note	Level 1	Level 2	Level 1	Level 2
Financial assets					
Quoted shares		1 344	-	1 151	-
Embedded derivatives and hedging instruments	3.2.; 3.3.	-	287 360	-	177 333
		1 344	**287 360**	**1 151**	**177 333**
Financial liabilities					
Embedded derivatives and hedging instruments		-	115 701	-	99 624
		-	**115 701**	**-**	**99 624**

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

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

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

3.14. Future liabilities resulting from signed investment contracts

As at 30 June 2011 and 31 December 2010 the value of future liabilities resulting from investment contracts signed until that day amounts to PLN 344,869 thousand and PLN 405,131 thousand, respectively.

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

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

3.16. 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 30/06/2011 (unaudited)
Anti-trust proceedings of the OCCP	18 500	(4 500)	14 000
Other legal cases at court	19 950	(151)	19 799
	38 450	**(4 651)**	**33 799**

3.18. Supplementary information

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure as at 30 June 2011 and 31 December 2010 amounted to PLN 1,156,742 thousand and PLN 1,224,802 thousand, respectively.
Guarantees as at 30 June 2011 and 31 December 2010 amounted to PLN 151,213 thousand and PLN 90,602 thousand, respectively.

3.19. Significant events after the end of the reporting period which were not reflected in the half-year condensed separate financial statements

On 29 July 2011 PKN ORLEN purchased 559,569 shares in Anwil S.A., constituting 4.15% share capital of the company. As a result of the transaction PKN ORLEN's share in share capital of Anwil S.A. increased to 94.5%.

MANAGEMENT BOARD REPORT ON THE OPERATIONS OF THE CAPITAL GROUP FOR THE I HALF OF 2011

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

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

1. Principal activity

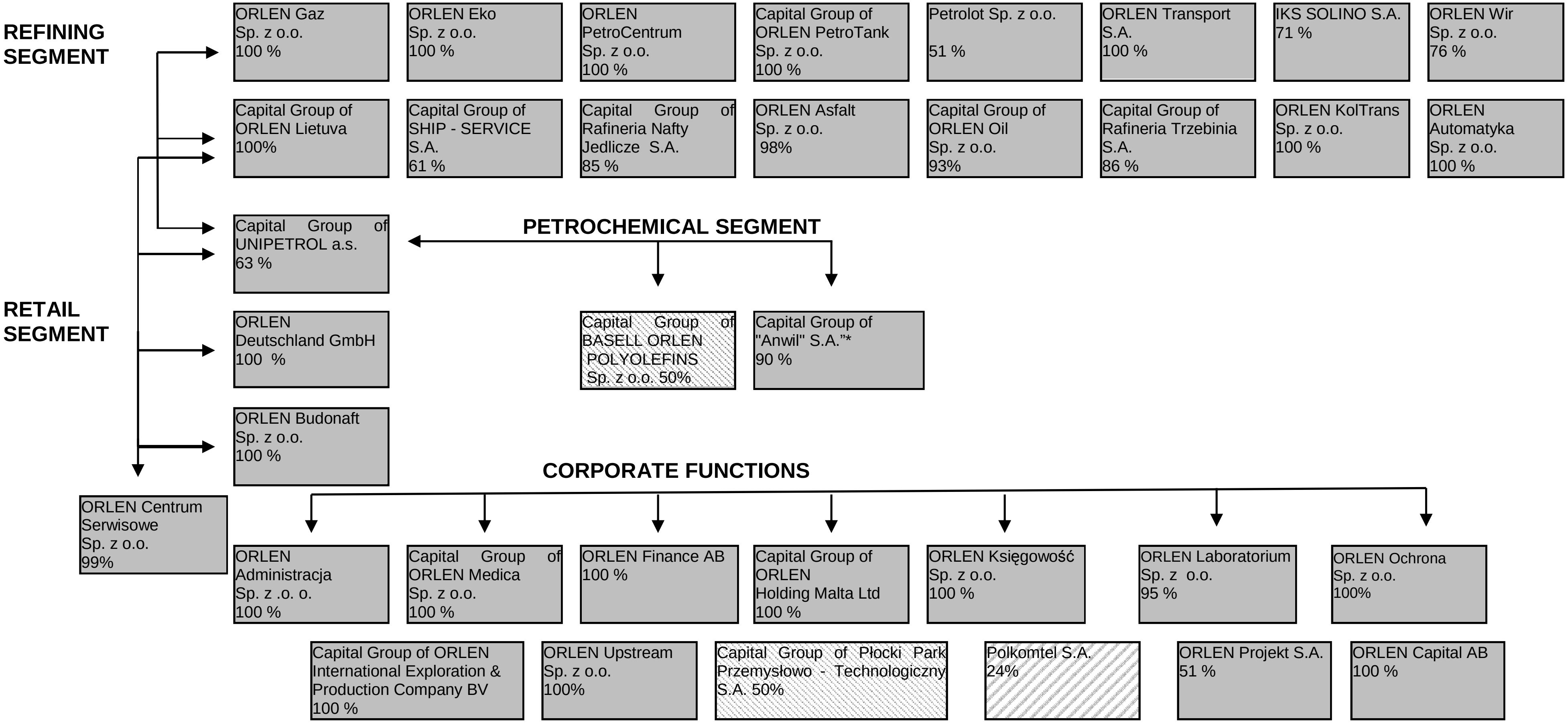
The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group ("Group", "Capital Group") is Polski Koncern Naftowy ORLEN S.A. ("Company", "PKN ORLEN" ,"Parent Company"), seated in Płock, 7 Chemików Street.

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.

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
* On 29 July 2011- purchase of 4.15% shares in ANWIL. Detailed information was presented in note 3.19 to the consolidated financial statements

fully consolidated entities — entities consolidated under proportionate method — entities consolidated under equity method

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

name of the group		Share in total voting rights	
		30/06/2011	31/12/2010
1. Capital Group of ORLEN PetroTank Sp. z o.o.		100%	100%
Petro-Mawi Sp. z o.o. in liquidation	2)	60%	60%
2.Capital Group of Rafineria Trzebinia S.A		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%
3. Capital Group of Rafineria Nafty Jedlicze S.A	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 Przepracowanych – Organizacja Odzysku S.A.		81%	81%
Ran-Watt Sp. z o.o. in liquidation	2)	51%	51%
4. Grupa kapitałowa ORLEN Oil Sp. z o.o.	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.		24%	24%
Petro-Oil Podlaskie Centrum Sprzedaży Sp. z o.o.		24%	24%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.		24%	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.		22%	22%
5. Capital Group of ORLEN Lietuva		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%
6. Capital Group of UNIPETROL a.s.		63%	63%
Capital Group of UNIPETROL RPA s.r.o		100%	100%
UNIPETROL DOPRAVA s.r.o.		100%	100%
CHEMOPETROL a.s	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		100%	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%

The list of consolidated entities belonging to the Capital Groups on lower levels, continued

name of the group		Share in total voting rights 30/06/2011	31/12/2010
7. Capital Group of "Anwil" S.A		90%	90%
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.		100%	100%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.		99%	99%
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.		56%	56%
Spolana a.s.		100%	100%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.		49%	49%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.		49%	49%
Apex-Elzar Sp. z o.o.	4)	-	47%
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.		46%	46%
8. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.		50%	50%
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.		100%	100%
9. Capital Group of ORLEN Medica Sp. z o.o.		100%	100%
Sanatorium Uzdrowiskowe "KRYSTYNKA" Sp. z o.o.	2)	99%	99%
10. Capital Group of ORLEN Holding Malta Ltd.		100%	100%
ORLEN Insurance Ltd.		100%	100%
11. Capital Group of Płocki Park Przemysłowo-Technologiczny S.A		50%	50%
Centrum Edukacji Sp. z o.o.	2)	69%	69%
12. Capital Group of Orlen International Exploration & Production Company BV		100%	100%
SIA Balin Energy		50%	50%

[1] share in consolidated financial data is 93%

[2] entities not consolidated in the 6 month period ended 30 June 2011/ in the 12 month period ended 31 December 2010

[3] entity founded in the I quarter of 2011

[4] entity sold in the I quarter of 2011

[5] increase in % share in the II quarter 2011

In the reporting period the Group purchased non-controlling interest in Rafineria Nafty Jedlicze S.A. and ORLEN Wir Sp. z o.o.

3. Financial situation

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

Sales

In the I half of 2011 ORLEN Group achieved higher revenues from sale by PLN 9,804,600 thousand (y/y) to the level of PLN 48,315,099 thousand.
The increase in sales in the I half of 2011 results mainly from the increase of revenues from sale of the refining segment by PLN 8,240,126 thousand (by 28.2%) (y/y), as a result of higher sales volume by 3.3% (y/y) and higher quotation of main segment products. In comparison to I half of 2010 gasoline quotations increased by 34.2% (y/y), diesel oil quotations by 41.7% (y/y), light heating oil quotations increased by 40.9% (y/y) and Jet A-1 fuel quotations by 44.1% (y/y).
Revenues from retail segment increased by PLN 2,776,056 thousand (by 22.0%) (y/y), mainly as a result of higher sales volume by 3.3% (y/y) and increasing fuel prices, as well as higher non-fuel sales.
Increase in revenues from sale of petrochemical segment by PLN 2,075,790 thousand (by 32.1%) (y/y) is a result of higher sales volume by 6.6% (y/y) due to commencement of sales of terephthalic acid (PTA) and increase in quotations of main segment products i.e. polyethylene by 19.6% (y/y), polypropylene by 21.2% (y/y), ethylene by 24.7% (y/y) and propylene by 25.3% (y/y).

Result from operations

The reported profit from operations of the ORLEN Group for the I half of 2011 amounted to PLN 2,348,375 thousand and was higher by PLN 761,089 thousand (y/y).

As a result of increasing crude oil prices, the effect of inventory valuation increasing the result from operations was higher by PLN 272,104 thousand (y/y) and amounted to PLN 1,127,932 thousand in the I half of 2011.

Total impact of macroeconomic factors including: refining and petrochemical margins, the URAL/Brent differential and changes of PLN exchange rates against foreign currencies decreased the operating result in the I half of 2011 by PLN (-) 371,000 thousand (y/y).

Higher total sales volume in the retail segment, refining segment and petrochemical segment positively influenced reported result from operations of the ORLEN Group by approximately PLN 247,000 thousand (y/y).

Turnover and change in the structure of operating inventory in the I quarter of 2011, that limited the effect of shutdowns as well as repurchase of mandatory reserve sold in March 2010 had a significant impact on result from operations in ORLEN Group (y/y) of PLN 507,000 thousand (y/y).

The impact of other factors amounted to PLN 105,985 thousand (y/y) and related to lower depreciation and amortisation and positive result on other operating activities.

In the I half of 2011 significant shutdowns regarded:

- PKN ORLEN S.A.: the Hydrocracking installation and Desulphurisation of Heavy Residue and Hydrogen Production Plant I and II,
- Unipetrol Group: Hydrocracking installation, Diesel Oil Desulphurisation Installation, Fluid Catalytic Cracking Installation, Visbreaking Installation and Paramo refinery,
- ORLEN Lietuva: periodic maintenance shutdown of the refinery

Results of companies belonging to ORLEN Group

Changes of operating results of the core entities belonging to the ORLEN Group as compared to results for the I half of 2010 were as follows:

- in PKN ORLEN profit from operations was higher by PLN 326,122 thousand (y/y), as a result of improvement of refining segment result by PLN 10,367 thousand (y/y), petrochemical segment results by PLN 366,062 thousand (y/y), and corporate functions results by PLN 33,845 thousand (y/y), accompanied by lower profit of retail segment by PLN (-) 84,152 thousand (y/y).
- in ORLEN Lietuva Group result from operations was higher by PLN 219,887 thousand (y/y), as a result of improvement of refining segment result by PLN 227,426 thousand (y/y) and retail segment results by PLN 671 thousand (y/y), accompanied by higher cost of corporate functions by PLN (-) 8,211 thousand (y/y).
- in Unipetrol Group result from operations was lower by PLN (-) 39,761 thousand (y/y) as a result of lower refining segment result by PLN (-) 135,681 thousand (y/y) and retail segment result by PLN (-) 10,372 thousand (y/y) accompanied by higher result of petrochemical segment by PLN 105,123 thousand (y/y) and lower corporate function costs by PLN 1,169 thousand (y/y).

Operating segments

- **Refining Segment**

The profit from operations of refining segment of the ORLEN Group for the I half of 2011 amounted to PLN 1,537,640 thousand and was higher by PLN 128,287 thousand (y/y).

Increasing crude oil prices had a positive effect on inventory valuation and increased reported results by PLN 222,681 thousand (y/y) in comparison to the I half of 2010.

Total negative impact of the changes in URAL/Brent differential, refining margins, changes of exchange rates and higher sales volume amounted to PLN (-) 715,000 thousand (y/y).

In order to minimize the effects of shutdowns of conversion installations in the I quarter of 2011, PKN ORLEN S.A. increased the share of crude oil with low sulfur content in the total crude oil throughput as well as in the operating inventories. As a result, the operating inventories of REBCO crude oil acquired in previous years decreased, what had a positive impact on the result from operations of the I quarter of 2011 of PLN 296,000 thousand (y/y).

Additional positive influence on operating results had a transaction concluded in the II quarter of 2011 for the repurchase of first part of mandatory reserves from LAMBOURN Sp. z o.o. sold in March 2010. The repurchase price of this transactions has been hedged by the forward contract and was effectively close to the last year's sale price, which was lower from the current market quotations. The above transaction had a positive effect on operating result of PLN 211,000 thousand (y/y).

The positive effect of other factors amounted to PLN 113,606 thousand and included mainly lower depreciation and amortization of the segment and profit on other operating activities.

In the I half of 2011 as compared to the analogous period of the previous year, the segment's CAPEX increased by PLN 79,457 thousand (y/y) to the level of PLN 402,104 thousand.

The most significant investments in the I half of 2011 comprised: construction of K8 boiler in Heat and Power station, construction of Claus II Installation together with infrastructure, modernization and intensification of Alkylation HF installation, modernization of Hydrogen Plant I, completion of the start-up of Diesel Oil Desulphurisation Installation VII together with infrastructure, replacement of high pressure elements on Hydrocracking Installation in PKN ORLEN S.A., development of warehouse in Wrocław ,as well as replacement of the part of reactor of Fluid Catalytic Cracking installation in ORLEN Lietuva.

- **Retail Segment**

In the I half of 2011 profit from operations of the retail segment of the ORLEN Group amounted to PLN 219,087 thousand and decreased by PLN (-) 72,245 thousand (y/y).

The increase in sales volume of the retail segment by 3.3% (y/y), achieved on Polish, German and Czech markets compensated negative effects of lower fuel margins.

The result on other operating activities decreased segment's operating result by PLN (-) 28,735 thousand (y/y) and was mainly a result of lack of positive effects regarding sales and revaluation of impairment allowances of assets that were noted in the I half of 2010.

Other positions related mainly to higher costs of fuel stations as a result of higher sales volume and improvement of result on sales of merchandise and non-fuel services of PLN (-) 43,510 thousand (y/y).

In the I half of 2011 segment's CAPEX increased by PLN 34,095 thousand (y/y) to the level of PLN 111,515 thousand.

In the I half of 2011 in the ORLEN Group 2 new fuel stations were launched in Poland, 1 in Czech Republic and 42 in Germany, of which 38 had been bought in November 2010 from OMV. In the I half of 2011 12 fuel stations in Poland and 3 fuel stations in Czech Republic were modernized and 2 fuel stations in Germany were shut down.

- **Petrochemical Segment**

In the I half of 2011 profit from operations of petrochemical segment amounted to PLN 905,403 thousand and increased by PLN 678,362 thousand in comparison to I half of 2010.

Positive effect of changes in prices of petrochemical products on valuation of inventories in the I half of 2011 was higher by PLN 49,423 thousand (y/y).

Positive impact of macroeconomic factors connected with the increase of petrochemical margins together with changes in foreign exchange rates increased the segment's result from operations by PLN 293,000 thousand (y/y).

Increase of sales volume of fertilizers and PVC and starting sales of terephthalic acid accompanied by stable sales of olefins and polyolefins resulted in an increase of segment's profit from operations by PLN 258,000 thousand (y/y).

The effect of other factors of PLN 77,939 thousand (y/y), included the effect of lower operating expense, depreciation and amortisation as well as higher efficiency of sale of fertilizers.

During the I half of 2011 the segment's CAPEX decreased by PLN (-) 720,977 thousand (y/y) and amounted to PLN 236,647 thousand.

The most significant investments carried out in the I half of 2011 comprised: completion works connected with PX/PTA complex in PKN ORLEN S.A and construction of oxygen generating plant and media supply installation for PTA plant in the Anwil Group, as well as construction of synthesis gas drying installation in Anwil Group and pyrolitic furnace reconstruction and power transformers replacement at Olefins installation in Unipetrol Group.

- **Corporate Functions**

Corporate functions costs amounted to PLN (-) 313,758 thousand and were lower by PLN 26,682 thousand (y/y).

Capital expenditure ("CAPEX") of corporate functions in the I half of 2011 increased by PLN 55,058 thousand (y/y) to the level of PLN 73,690 thousand and related mainly to the IT area.

Financial expenses and net result

Net financial expenses in the I half of 2011 amounted to PLN (-) 41,196 thousand, of which PLN (-) 172,973 thousand related to net interest expenses and PLN (-) 106.859 thousand related to negative balance of settlement and valuation of financial instruments. Above positions were partially compensated with the positive balance of foreign exchange differences on valuation of loans and borrowings and other trade and investment positions of PLN 245,999 thousand.

After consideration of share in profit from investments accounted for under equity method and tax charges, net profit of the ORLEN Group for the I half of 2011 amounted to PLN 2,065,906 thousand and was higher by PLN 1,412,818 thousand in comparison to I half of previous year.

Statement of financial position

As at 30 June 2011, total assets of the ORLEN Group amounted to PLN 54,472,238 thousand and were higher by PLN 3,322,446 thousand (by 6.5%) as compared to 31 December 2010.

Total non-current assets decreased as compared to 31 December 2010 by PLN 1,920,948 thousand (by 6.3%) and reached the value of PLN 28,509,926 thousand as at 30 June 2011. The above change was mainly influenced by the decrease of investments accounted for under equity method by PLN (-) 1,467,233, mainly due to reclassification of ORLEN Group's share in Polkomtel S.A. to the position of non-current assets held for sale, as a result of the preliminary sale agreement signed in June 2011 for the sale of shares. According to the concluded agreement PKN ORLEN S.A will sale total share held in Polkomtel S.A. of 24,39%. The transaction requires the approval of Office of Competition and Consumer Protection.

As at 30 June 2011 the value of current assets increased in comparison to 31 December 2010 by PLN 5,243,394 thousand to the amount of PLN 25,962,312 thousand. The main growth factor in respect of current assets was increase in the value of inventory by PLN 3,165,693 thousand (by 28.0%), mainly as a consequence of an increase in crude oil and products prices as well as a consequence of repurchase of crude oil from Lambourn Sp. z o.o. The increase in trade receivables by PLN 1,534,606 thousand (by 24.4%) accompanied by lower balance of cash and cash equivalents by PLN (-) 861,788 thousand (by 30.6%) had an additional impact on the balance of current assets.

As at 30 June 2011 equity amounted to PLN 26,550,180 thousand and increased by PLN 2,310,227 thousand (by 9.5%) as compared to the end of 2010 mainly as a result of net profit for the I half of 2011 of PLN 2,065,906 thousand.

As at 30 June 2011 net indebtedness of the ORLEN Group amounted to PLN 7,883,595 thousand and remained on comparable level to the end of 2010. In the I half of 2011 the increase in net indebtedness of loans and borrowing and changes in the balance of cash and cash equivalents by PLN 330,610 thousand was compensated with the decrease in foreign exchange gains from revaluation by PLN (-) 294,000 thousand.
Net debt to equity ratio (net financial leverage) decreased from 32.4% as at the end of 2010 to 29.7% at the end of June 2011.

Statement of cash flows

Net cash used in operating activities amounted to PLN (-) 965,452 thousand in the I half of 2011 and related mainly to net profit increased by depreciation and amortisation of PLN 3,196,980 thousand decreased by the change in the balance of net working capital of PLN (-) 2,552,836 thousand, including acquired mandatory reserves from Lambourn Sp. z o.o. sold in March 2010.

Net cash used in investing activities in the I half of 2011 amounted to PLN (-) 1,010,093 thousand and concerned mainly net expenditures for the realization of investment programs of PLN (-) 977,614 thousand. Proceeds from acquisition of shares of PLN (-) 12,471 thousand included mainly acquisition of non-controlling interest in Rafineria Nafty Jedlicze S.A. and ORLEN Wir Sp. z o.o.

Cash flows from financing activities amounted to PLN (-) 811,541 thousand in the I half of 2011. Net payments of loans and borrowings, debt securities issued in the I half of 2011 amounted to PLN (-) 543,117 thousand, while debt costs amounted to PLN (-) 253,437 thousand.

Consequently, the balance of cash and cash equivalents as at 30 June 2011 decreased by PLN (-) 856,182 thousand and amounted to PLN 1,958,954 thousand.

Factors and events which may influence future results

Similar macroeconomic factors as described above will significantly influence results in the following quarters of 2011.

On 30 June 2011 the preliminary sale agreement 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 was concluded for the sale of 100% of shares in Polkomtel S.A., including the total share of PKN ORLEN S.A. of 24.39% of shares of Polkomtel S.A. This transaction is presented in note 3.3 to the half-year condensed consolidated financial statements and note 3.4 to the half-year condensed separate financial statements.

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 contact. 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.

3.3 Significant risk factors influencing current and future financial results

3.3.1. Characteristics of risks connected with financial instruments

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

Credit risk

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

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

Liquidity risk

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

As at 30 June 2011 and 31 December 2010, current assets to short-term liabilities ratio (current ratio) amounted to 1.5 and 1.3, respectively.

As at 30 June 2011 the amount of unused credit lines exceeded the value of short-term liabilities decreased by current receivables and cash and cash equivalents.

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

In order to manage liquidity the Company uses also cash pool facilities:
– domestic cash pool facility concentrating as at 30 June 2011 20 companies of the Capital Group, and
– international cash pool facility concentrating as at 30 June 2011 3 foreign companies belonging to Capital Group.

Market risks

The Group is exposed to market risks connected with exchange rates, interest rates, commodity prices and prices of CO2 emission rights.

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

- **Currency risk**

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

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

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

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

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

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

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

In the 6 months period ended 30 June 2011 the Group sold granted CO_2 emission rights, but at the same time concluded term transaction for the quantity of rights demanded in the future periods, that hedged purchase price.

- **Risk of changes in commodity prices**

The Group is exposed to the risk of changes in commodity prices, due to:
- expenditures connected with the purchase of crude oil for processing, that are dependent on volumes of processing, level of inventories, crude oil prices on global markets;
- revenues from sale of refining and petrochemical products, that are dependent on sales volume and product prices on global markets;
- timing differences between purchase of crude oil and usage of crude oil in the production cycle.

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

In 2010, the Group hedged the risk of changes in prices connected with 2 sales transactions of mandatory reserves with swap transaction.

- **Interest rate risk**

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

3.3.2. Hedge accounting

Cash flow hedge accounting

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

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

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

Net investment hedge in a foreign operation

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

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

Future results will be exposed to risks described above.

4. Forecasted development of the Group

The market value of ORLEN Group is increased through improvement of efficiency of the segment's core business, development in new areas of upstream and construction of energy segment as well as divestment of non–core assets. Effective activities increasing efficiency such as operational efficiency, assets integration and segment management enable the Group to take solid position for further development in the area of core business, extension of value chain as well as taking advantage of new areas of activity as the leverage of dynamic growth.

Further development and strengthening of the efficiency of key operating segments will be possible due to continuation of conducted investment programs regarding construction of new K8 boiler in Electroheating Plant in Płock, Claus II installation and modernization and intensification of Alkylation HF Installation. Implementation of this investments will strengthen the potential of Electroheating Plant with respect to production of steam and electric energy, will ensure the utilization of whole poll of hydrogen sulfide and will improve the safety of work on Alkylation Installation.
In Lithuania the Group focuses on activities in the area of energy efficiency and wholesale.
Due to completion of construction and launching PX/PTA Installation, of total production capacities of 600 thousand tonnes/year, the main activities in the following periods of 2011 will focus on achieving full production capacities.
In retail segment in the Czech Republic a monitoring of the fuel stations connected with the pilot program of changing brands Benzina Plus and Benzina to Orlen and Star will be conducted. The results of the program will be used in further development of the fuel stations network.

The second pillar of the ORLEN Group's strategy is to create an integrated, multi-segment fuel and energy entity with the diversified structure of assets (Multi-Utility model). The main development investments are focused on the new segments of its business activity – exploration and extraction of hydrocarbons and the electricity production. The above activities will be undertaken both independently and in co-operation with the domestic and foreign partners.
As far as development of upstream segment is concerned, four exploration and extraction activities projects will be continued: in the Latvian zone of the Baltic Sea shelf in co-operation with Kuwait Energy Company, near Sieraków with Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) and two other implemented independently in the Lublin region. Project in the Lublin region is particularly promising as regards the prospective exploration and management of unconventional natural gas reserves. Due to the concessions held, the ORLEN Group may become an important natural gas producer in Poland.
As part of projects concerning the energy sector development, the works are commenced on the implementation of project involving the construction of a steam and gas power plant in Włocławek, of the nominal capacity of approximately 500 MWe. The start-up of construction of the first block should be possible in 2012, and putting into use in 2014.

Divestment in non-core entities of ORLEN Group will be continued. On 30 June 2011, the shareholders of Polkomtel S.A. (telecommunication company) concluded a preliminary sale agreement with Spartan Capital Holdings for the sale of 100% shares of the operator. Divestments of separated business units or whole Anwil Group are also analyzed.

5. Achievements in research and development

In the I half of 2011, the Group carried out a number of studies relating to the development and improvement of new manufactured products, modern production technologies, as well as regulations and environment protection standards and production and sale of chemical products.

Refining Segment

In the I half of 2011, in PKN ORLEN S.A. the new installation of the Diesel Oil Desulphurisation (HOV VII) started to operate regularly. The complex enhanced the potential of the ORLEN Group for processing medium distillates by almost 1 million tonnes annually and satisfied the increasing market demand for high quality diesel oil. HON VII enables high desulphurisation level of medium distillates and lower energy consumption as well as lesser adverse impact on environment as compared to previously operated installations of HON II and HON III.
The modernization of Alkylation HF installation was carried on through the construction of nodes to improve the preparation of raw material and work safety.
In the final phase of construction work entered the Claus II installation which will replace two existing units and provide the utilization of entire pool of hydrogen sulfide of the Manufacturing Plant in Płock.
In ORLEN Lietuva Group research and development works were continued to further improve production efficiency. Spring shutdown of the refinery has been used to implement a series of technological improvements. On installation for the production of Jet A-1 fuel works covering the replacement of the reactor and the catalyst were carried out, which solved the problems associated with production constraints and improved energy efficiency. The modernization on the Fluid Catalytic Cracking installation was carried out improving possible throughput and increasing the conversion level at the installation. At the same time the installation was equipped with an innovative system of removing soot which affects the improvement of energy efficiency.
In the I half of 2011 technical analyzes were also conducted in the Power Plant for improving the efficiency and level of electricity production. The work will enable further optimization of the production potential of the plant and adapt to the real energy needs of the refinery.

As regards the PKN ORLEN S.A. logistics, the construction of the oil pipeline connecting the Terminals of Fuels in Ostrów Wielkopolski with Wrocław was finalized. The technological start up of the pipeline was carried out in February 2011. Over 100-kilometres pipeline is equipped with the latest leak monitoring system enabling the remote shut down of individual sections of the pipeline. By the end of the year, it is planned to complete the works associated with the construction of additional storage tanks, which allow maximizing the usage of transmission capacity of the pipeline.

In the first half of 2011 new production technologies for motor oils dedicated to passenger cars in the 5W-30 class were developed in ORLEN Oil. Oils of this class are recommended by most manufacturers of new cars, get the highest mileage between inspections and show better performance in terms of interaction with fuels containing bio-components. Developed technologies are based on the unique Complex Protection Formula (CPF), which provides compliance or exceedance of European and worldwide quality standards requirements. The new technology oils allow to reduce the emission of hazardous substances through the reduction of sulfur, sulphated ash and phosphorus content as well as its full compatibility with exhaust cleaning systems.
A new co-operating agreement was signed with AGH University of Science and Technology in Kraków in respect to the development of industrial lubricants. These products belong to the strategic segments of Orlen Oil and include products dedicated for energetics, mining and metallurgy industries.

In the first half of 2011 significant technological modifications in core areas of production and service were made in Rafinera Trzebinia.
On the biocomponents installation technological modifications were introduced, which affect the reduction of process-related costs while maintaining the required quality of products. These included, among others, the increase of use of alternative resources for the production of bio-components such as worn rapeseed oils or fatty acids. A significant technological modification, which affects the profitability of the installations, was the recovery of condensed water vapor, which was re-introduced into the production cycle.

Petrochemical segment

In the I half of 2011, PKN ORLEN S.A. launched production Complex PX/PTA, including Paraxylene Installation (PX) in Production Plant in Płock and Terephthalic Acid (PTA) in Włocławek. The PX/PTA installation has a production capacity of 600 thousand tonnes per year, which constitutes around 20% of the European production of terephthalic acid.

In the I half of 2011, Unipetrol Group continued cooperation with Polymer Institute Brno focusing on the innovative aspects of polyethylene and polypropylene production. In laboratory studies, a new kind of polyethylene (blow-molding PE) with high quality parameters connected with flexibility and resistance to cracking, for which data is now prepared to start trial production. Analysis was also performed on new kinds of polypropylene with a high porosity

and significantly reduced weight. In the area of petrochemicals, an optimization process regarding the use of aromatic fractions was carried out, with the aim to optimize the use of refinery aromatic fractions.
In the first half of 2011, the Anwil Group continued efforts to comply with the provisions of law to the extent of eliminating freon R-22 from cooling systems. In the cooling systems of the Vinyl Chloride Manufacturing Complex, Polyvinyl Chloride Manufacturing Complex and Central Ammonia Warehouse freon R-22 will be replaced with its ecological substitute, which will contribute to higher process safety. In the first quarter of 2011, a contract with a supplier of technology and basic equipment was signed and the end of the investment is planned for the end of 2012.

REACH project

In the I half of 2011, ORLEN Group satisfied the requirements set out by REACH (Registration, Evaluation and Authorisation of Chemicals) programme which is designated to replace majority of the most hazardous chemical substance with their safer substitutes. Additionally, as part of that programme, the producers of chemical substances are required to register chemical substances used for the production purposes and give information about their features. As at the end of June 2011 in the European Agency of Chemical Substances, 231 substances were registered, for which ORLEN Group submitted supporting registration documentation.

New areas of activity

In the I half of 2011, preparatory works connected with the construction of a steam and power plant in Włocławek have been performed in the ORLEN Group. The greatest advantage of these type of units is higher efficiency than in the case of conventional energy producing systems supplied with carbon. This technology enables to reduce emissions of hazardous substances, including for instance NOx, SO2 and greenhouse gases.
PKN ORLEN S.A. plans the construction of a unit of the capacity equal to 500 MWe, its expected startup date is 2014.
In the I half of 2011, a final environmental decision based on the environmental report has been obtained and an application for a building permit has been prepared and submitted within the project.

In the Production Plant in Płock, the Energy and Ecology Investments Programme was continued. Accordingly with the Directive 2010/75/EU of the European Parliament and the Council of 24 November 2010 on industrial emissions, from 1 January 2016 the volume of concentration emission resulting from the process of energetic combustion (sulfur dioxide, nitric oxides and dust) from the boilers of the power plant needs to be reduced by approx. 90%. This reduction will only be possible through the construction of new facilities including the installation of wet desulphurisation, catalytic denitrogeneation of exhaust gases and covering electrofilters, which will enable to adapt the Power Plant to new standards.
In order to cover the increasing demand for power supply of the Production Plant in Płock, the construction of a steam boiler (K8) of 300MWt is performed. Its startup should take place in 2012. The new boiler will meet the strictest environmental requirements for emissions of sulfur dioxide, nitrogen oxides and dust.

In the I half of 2011, within the development of the upstream sector, preparations for the start of exploratory drillings based on concessions held by PKN ORLEN, in the Baltic shelf, in Wielkopolska (Sieraków) as well as in the Lublin region were carried out. The first of three drillings, planned for the years 2011-2012, was started in January 2011 by ORLEN Upstream and PGNiG near Sieraków. The aim of these works is to gain information on the potential crude oil resources in this location. The borehole is located in Niecka Szczecińska, south of the biggest crude oil and natural gas reserves discovered in recent years – Lubiatów – Międzychód – Grotów. Another two boreholes on the Sieraków structure are planned for the end of 2012. In case the accumulation of hydrocarbons in commercial quantities will be confirmed, the start of the extraction of reserves in the Sieraków region may take place in 2016.

6. Information on related parties

Information on significant related party transactions

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

In the 6 and 3 month period ended 30 June 2011 and 6 and 3 month period ended 30 June 2010, there were no significant related party transactions concluded within the Group on other than market terms.

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

In the 6 and 3 month period ended 30 June 2011 and 6 and 3 month period ended 30 June 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 June 2011 and 31 December 2010 there are no loans granted by the Group companies to managing and supervising persons and their relatives.

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

In the 6 and 3 month period ended 30 June 2011 and 6 and 3 month period ended 30 June 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 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)	for 6 months ended 30/06/2011 (unaudited)	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010 (unaudited)	for 3 months ended 30/06/2010 (unaudited)
Supervising persons	-	-	-	-	-	-	-	-
Managing persons	34	17	35	18	6	3	6	3
Other key executive personnel	24	12	-	-	-	-	-	-
	58	29	35	18	6	3	6	3

As at 30 June 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.

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

	Jointly-controlled entities				Associates				Total related parties			
	for 6 months ended 30/06/2011	for 3 months ended 30/06/2011	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2011	for 3 months ended 30/06/2011 (unaudited)	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010	for 6 months ended 30/06/2011	for 3 months ended 30/06/2011	for 6 months ended 30/06/2010	for 3 months ended 30/06/2010
Sales	953 372	471 610	602 674	271 109	84 151	41 513	68 978	33 737	1 037 523	513 123	671 652	304 846
Purchases	271 581	140 390	197 556	103 404	65 374	31 396	83 792	60 034	336 955	171 786	281 348	163 438
Financial revenues	1 008	491	814	368	459	378	1 080	761	1 468	870	1 894	1 129
Dividends	58 228	58 228	31 879	31 879	250 013	250 013	24 051	24 051	308 241	308 241	55 930	55 930
Financial expenses	6	3	-	-	2	-	38	2	8	3	38	2

	Jointly-controlled entities		Associates		Total related parties	
	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010	as at 30/06/2011 (unaudited)	as at 31/12/2010
Trade and other receivables	384 797	295 115	285 782	21 829	670 579	316 944
Other short-term financial assets	-	1 014	-	-	-	1 014
Trade and other liabilities	239 684	210 865	13 719	26 144	253 403	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.

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

The Group has granted sureties to related parties in the amount of PLN 1,237 million.

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

As at 30 June 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:

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

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

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

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 shares by PKN ORLEN S.A.

Agrofert Holdings a.s. had the right to issue a motion to revoke the sentence of the Court of Arbitration until 4 February 2011. As at the date of publication of these consolidated financial statements, PKN ORLEN S.A. did not receive a copy of the motion.

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

a) Tax proceedings in Rafineria Trzebinia S.A.

Tax proceedings concern reliability of excise tax 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 Customs Office) issued decisions determining the amount of excise tax liability 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 Kraków regarding the above mentioned decision. On 22 January 2010 the Director of the Customs Chamber in Kraków 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 Woivodship Administrative Court in Kraków (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 Kraków regarding this period. On 29 June 2011 Rafineria Trzebinia filed an annulment the above sentence to the Supreme Administrative Court (SAC) in Warsaw.

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 Kraków concerning the determination of excise tax liability for this period. On 24 November 2010 Head of the Customs Office in Kraków 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 Kraków 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 Kraków 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 Kraków 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 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 half-year 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 half-year 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, but an annulment regarding this verdict can be submitted. The return of the remaining 26 shares is already sentenced, which is legally binding.

As at the date of publication of hereby half-year 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 for the period from 5 July 2001 to 30 June 2002.

On 10 September 2009, having analyzed the appeal of Energa Operator S.A., the Court of Appeals in Warsaw announced a change in the sentence of the District Court in Warsaw dated 25 June 2008. Payment of PLN 46,232 thousand increased by interest and refund of costs of proceedings was adjudged against PKN ORLEN S.A. to the benefit of Energa Operator. On 30 September 2009 PKN ORLEN S.A. made the payment. The Company issued a legal request for justification of the sentence.

The sentence of the Court of Appeals with justification was delivered to PKN ORLEN S.A.'s attorney on 4 December 2009. On 4 February 2010 the Company submitted an annulment. The annulment was accepted for recognition by the Supreme Court. 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. On 4 March 2011 Energa – Operator S.A. paid back the part of claimed amount of PLN 30,163 thousand. Possible return of the rest of the amount paid depends on future decision of the Court of Arbitration. The date of the court proceeding in front of the Court of Arbitration has been set at 4 August 2011.

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 Commision 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 not prove, that Unipetrol a.s. and Kaucuk a.s. were using cartel practices. As at the date of publication of hereby half-year consolidated financial statements 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 the Lotos S.A. Group 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 Lotos S.A. Group 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 the Lotos S.A. Group. 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 Lotos S.A. Group. 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. The Court of Appeal in Warsaw has not yet set a date of the next appeal proceeding.

– 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 ("OCCP") issued a decision, in which PKN ORLEN and Stacja Paliw 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.

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

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

On 15 July 2009 PKN ORLEN S.A. submitted in the Court of Arbitration by the International Chamber of Commerce in London the request for 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 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 by the International Chamber of Commerce 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, PKN ORLEN S.A. and Yukos International agreed i.a. proceedings schedule and extent of competence of the Court of Arbitration. On 3 May 2010, according to the schedule, PKN ORLEN S.A. issued a law suit in which it demands from Yukos International a reimbursement of 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. At present, the parties exchange correspondence regarding mutual disclosure of possessed documents. The Court of Arbitration in London hearing was set for the period: 28 November – 9 December 2011.

8. Other information

8.1. 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 half-year report filling **	Change p.p.	% of votes at the GSM as at the date of the prior quarterly report filling *	Number of shares as at the date of the half-year report filling **	Change	Number of shares as at the date of the prior quarterly report filling *
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
	100.00%	**-**	**100.00%**	**427 709 061**	**-**	**427 709 061**

* According to the received confirmations as at 13 April 2011
** According to the received confirmations as at 22 July 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.

8.2. 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 half-year report filling **	Acquisition	Disposal	Number of shares, options as at the date of the quarterly report filling *
Supervisory Board	**3 707**	**-**	-	**3 707**
Janusz Zieliński	407	-	-	407
Grzegorz Borowiec	100	-	-	100
Artur Gabor	3 200	-	-	3 200

* According to the received confirmations as at 13 April 2011
** According to the received confirmations as at 22 July 2011

8.3. 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 June 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.

8.4. 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.

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

In the I half of 2011 PKN ORLEN S.A. complied with all rules of corporate governance included in the code of "Best Practices for Warsaw Stock Exchange Listed Companies" (further the "Best Practices for WSE Listed Companies"). Report on compliance with Corporate Governance Rules in PKN ORLEN in 2010 was published by the Company on 31 March 2011, as part of the Management Board report on the operations of PKN ORLEN S.A. for 2010 as well as part of the Management Board report on the operations of the PKN ORLEN Capital Group for 2010.
The Code of Best Practices for WSE Listed Companies can be found on the website dedicated to the corporate governance on the Warsaw Stock Exchange www.corp-gov.gpw.pl as well as on corporate website www.orlen.pl in section dedicated to shareholders – WSE Best Practices.

The foregoing half-year report was authorized by the Management Board of the Parent Company on 2 August 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