



Petrolinvest

**MANAGEMENT BOARD REPORT ON THE ACTIVITIES
OF PETROLINVEST GROUP
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010**

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MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF PETROLINVEST GROUP
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010

1. SELECTED FINANCIAL DATA

1.1. Selected financial data of PETROLINVEST Group

	<i>for 6 months</i>		<i>for 6 months</i>	
	<i>ended 30 June</i>		<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
1. Net revenue from the sale of products, goods and materials	57 784	33 793	14 431	7 479
2. Profit (loss) from operations	-29 244	-138 961	-7 303	-30 754
3. Gross profit (loss)	-88 819	-306 624	-22 181	-67 861
4. Net profit (loss) attributable to equity holders of the parent	-86 324	-283 112	-21 558	-62 657
5. Cash flows from operating activities	-25 448	-16 693	-6 355	-3 694
6. Cash flows from investing activities	-93 819	-6 631	-23 430	-1 468
7. Cash flows from financing activities	148 775	5 498	37 155	1 217
8. Net cash flows, total	29 508	-17 826	7 369	-3 945
9. Weighted average number of shares issued in units	26 700 848	10 432 600	26 700 848	10 432 600
10. Number of diluting potential ordinary shares	0	0	0	0
11. Earnings (loss) per share (in PLN/EUR)	-3,23	-27,14	-0,81	-6,01
12. Diluted earnings (loss) per share (in PLN/EUR)	-3,23	-27,14	-0,81	-6,01
	<i>as at</i>		<i>as at</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
13. Total assets	1 320 611	1 059 957	318 542	258 010
14. Liabilities and provisions for liabilities	755 962	748 440	182 344	182 182
15. Non-current liabilities	431 973	469 733	104 195	114 340
16. Current liabilities	323 989	278 707	78 149	67 842
17. Equity attributable to equity holders of the parent	566 568	311 517	136 661	75 828
18. Share capital	327 732	215 266	79 052	52 399
19. Weighted average number of shares issued in units	26 700 848	13 518 960	26 700 848	13 518 960
20. Number of diluting potential ordinary shares	0	0	0	0
21. Book value per share (in PLN/EUR)	21,22	23,04	5,12	5,61
22. Diluted book value per share (in PLN/EUR)	21,22	23,04	5,12	5,61
23. Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF PETROLINVEST GROUP
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010

1.2. Selected financial data of PETROLINVEST S.A.

	<i>for 6 months ended 30 June</i>		<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
1. Net revenue from the sale of products, goods and materials	57 784	33 793	14 431	7 479
2. Profit (loss) from operations	-21 751	-130 750	-5 432	-28 937
3. Gross profit (loss)	7 016	-207 001	1 752	-45 813
4. Net profit (loss) attributable to equity holders of the parent	7 016	-205 320	1 752	-45 441
5. Cash flows from operating activities	-24 173	-5 371	-6 037	-1 189
6. Cash flows from investing activities	-60 055	-7 945	-14 998	-1 758
7. Cash flows from financing activities	104 927	3 636	26 204	805
8. Net cash flows, total	20 699	-9 680	5 169	-2 142
9. Weighted average number of shares issued in units	26 700 848	10 432 600	26 700 848	10 432 600
10. Profit (loss) per share (in PLN/EUR)	0	0	0	0
11. Profit (loss) per share (in PLN/EUR)	0,26	-19,68	0,07	-4,36
12. Diluted profit (loss) per share (in PLN/EUR)	0,26	-19,68	0,07	-4,36
	<i>as at</i>		<i>as at</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>		<i>w tys. EUR</i>	
13. Total assets	1 179 169	1 019 829	284 425	248 242
14. Liabilities and provisions for liabilities	296 655	371 853	71 556	90 515
15. Non-current liabilities	191 142	242 839	46 105	59 111
16. Current liabilities	105 513	129 014	25 451	31 404
17. Equity attributable to equity holders of the parent	882 514	647 976	212 869	157 727
18. Share capital	327 732	215 266	79 052	52 399
19. Weighted average number of shares issued in units	26 700 848	13 518 960	26 700 848	13 518 960
20. Weighted average number of shares issued in units	0	0	0	0
21. Book value per share (in PLN/EUR)	33,05	47,93	7,97	11,67
22. Diluted book value per share (in PLN/EUR)	33,05	47,93	7,97	11,67
23. Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

2. AVERAGE PLN/EUR EXCHANGE RATE FIXED BY NBP

	<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
average rate in the period	4,0042	4,5184
	<i>as at</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
rate at the end of the period	4,1458	4,1082

3. GENERAL INFORMATION REGARDING THE ISSUER AND THE ISSUER'S GROUP

PETROLINVEST S.A. Group is comprised of parent entity—PETROLINVEST S.A. ("the Company") as well as subsidiary companies (see point 4). For the needs of this Report, the parent company, its subsidiaries and the jointly-controlled entity (see point 4) shall be referred to as PETROLINVEST Group (the "Group").

PETROLINVEST S.A., the parent entity of PETROLINVEST Group, was incorporated pursuant to Resolution of the Shareholders' Meeting of Petrolinvest Sp. z o.o. (limited liability company) dated 22 December 2006 regarding its transformation into Spółka Akcyjna (a joint stock company). The Company was registered with the National Court Register kept by the District Court, VIII Economic Division of the National Court Register, with KRS number 0000270970 on 29 December 2006. The Company was granted statistical REGON number 190829082.

On 16 July 2007, rights to shares of PETROLINVEST S.A. were first quoted on the Warsaw Stock Exchange.

The registered office of PETROLINVEST S.A. is located in Poland, at Podolska 21, Gdynia.

The parent entity and the other entities of the Group have an unlimited period of operation.

The main objects of business activity of PETROLINVEST Group include:

- activities incidental to oil and gas exploration and extraction,
- wholesale of solid, liquid and gaseous fuels and derivative products,
- retail of fuels,
- production of gas fuels,
- services consisting in installation of metal constructions,
- development of gas installations.

Gas trading activities are carried out by the Company's branch with a self-balancing set of accounts: PETROLINVEST Spółka Akcyjna — Oddział LPG (LPG Branch) headquartered in Gdynia. The Branch was carved out on 1 July 2008. The Branch was granted statistical REGON number 190829082-00022.

As of the date of publication of this Report, the largest shareholder of PETROLINVEST S.A. is Prokom Investments S.A. The controlling entity of Prokom Investments S.A. is Mr. Ryszard Krauze.

The Management Board of the Company is composed of two, three or four members. As set out in the Company's statutes, if the Management Board is composed of two or three persons, Prokom Investments S.A. has personal powers to appoint and dismiss the President of the Management Board while Mr Ryszard Krauze, one of the shareholders of PETROLINVEST S.A., has personal powers to appoint and dismiss the Vice-President. If the Management Board consists of five members, Prokom Investments S.A. shall appoint and dismiss two members of the Management Board, including the president of the Management Board, and Ryszard Krauze: the vice-president of the Management Board. The number of board members is determined by Prokom Investments. The supervisory board is composed of five to thirteen members, and as set out in the statutes, two of them (including the chairman and deputy chairman of the supervisory board) are appointed and dismissed by Prokom Investments S.A., while one member of the supervisory board is appointed and dismissed by Mr Ryszard Krauze.

4. ENTITIES OF THE GROUP SUBJECT TO CONSOLIDATION IN 1st HALF 2010

PETROLINVEST Group is composed of the parent entity, its subsidiaries and a jointly-controlled entity (TOO COMPANY PROFIT) with the following profiles: prospecting and extraction, trade and service.

As of 30 June 2010, PETROLINVEST S.A. possessed shares in the following companies:

Company name	Share capital	Shareholding	Consolidation Method
Occidental Resources, Inc. (U.S.A.) ⁽¹⁾	199 332.77	USD	88.10% Full
TOO EMBA JUG NIEFT (Republic of Kazakhstan)	145 000.00	KZT	79.00% Full
TOO COMPANY PROFIT (Republic of Kazakhstan)	164 600.00	KZT	50.00% Proportionate
UAB Petrolinvest Mockavos Perpyla (Lithuania)	2 000 000.00	LTL	87.00% Full
PETROLINVEST GAZ S.A. (Poland) ⁽²⁾	15 720 325.00	PLN	100.00% Full

⁽¹⁾ Occidental Resources, Inc. owns 100% of the shares in TOO OilTechnoGroup registered in the Republic of Kazakhstan.

⁽²⁾ PETROLINVEST GAZ S.A. owns 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus.

5. MATERIAL EVENTS OCCURRING AFTER THE END OF THE PERIOD WHICH HAD NOT BEEN REFLECTED IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR 1ST HALF 2010

- ✓ On 29 and 30 July 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. (the "Investors"), under the Agreement of 18 March 2010, submitted to the Company a **request of delivery of the pre-paid III tranche subscription warrants for the total pre-paid amount of PLN 2 million** ("III Tranche Subscription Warrants"), while the value of the whole III tranche, pursuant to the Agreement, equals PLN 30 million. In consequence of receipt of the request, on 30 July 2010, the Company issued in favour of the Investors 66,666 III Tranche Subscription Warrants which authorise to subscribe for 66,666 series V bearer shares in the Company.
On 30 July 2010, the Company received from Investors the exercise notice with respect to all of the abovementioned III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company also issued in favour of the Investors 121.834 additional III Tranche Subscription Warrants ("Additional III Tranche Subscription Warrants") in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for as a result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.
On 30 July 2010 the Investors exercised the right to subscribe for the series V shares with respect to all of the 188,500 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 188,500 ordinary series V bearer shares in the Company.
Submission by the Investors of the request of delivery of the abovementioned pre-paid III Tranche Subscription Warrants, as regards a part of this tranche, i.e. 66,666 warrants, became possible because by the day of submitting the request, the Investors had not assigned to Osiedle Wilanowskie Sp. z o.o. the rights to assume the pre-paid III tranche warrants, reported to the Investors by Prokom Investments S.A. on 9 June 2010.
- ✓ On 3 and 4 August 2010, 56,550 series V shares in the Company acquired by Iroquois Master Fund Ltd. and 56,550 series V shares in the Company acquired by Kingsbrook Opportunities Master Fund LP were registered with the National Depository for Securities and introduced to trading on the WSE.
In consequence, pursuant to Article 452 (1) of the Code of Commercial Companies, as of 3 August 2010, the increase of the Company's share capital to PLN 328,297,820 was effected and the total number of votes attached to all Company shares issued and introduced to trading at the WSE was 32,829,782, while as of 4 August 2010 the **increase of the Company's share capital to PLN 329,617,320** was effected and the total number of votes attached to all Company shares issued and introduced to trading on the WSE was 32,961,732.
- ✓ On 3 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., under the Agreement of 18 March 2010, submitted to the Company a **second request of delivery of the pre-paid III Tranche Subscription Warrants for the total pre-paid amount of PLN 8 million**. In consequence of receipt of the request, on 3 August 2010, the Company issued in favour of the Investors 266,665 III Tranche Subscription Warrants which authorise to subscribe for 266,665 series V bearer shares in the Company.
On 3 August 2010, the Company received from the Investors the exercise notice with respect to all of the III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by the Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company also issued in favour of the Investors 487,339 additional III Tranche Subscription Warrants ("Additional III Tranche Subscription Warrants") in compliance with the mechanism described in the Agreement (for information on the mechanism, see above).
On 3 August 2010 the Investors exercised the right to subscribe for the series V shares with respect to all of the 754,004 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 754,004 ordinary series V bearer shares in the Company.
Within the III tranche, funds exercised the rights attached to the warrants for the total pre-paid amount of PLN 10 million, while the total value of the III tranche is PLN 30 million.
- ✓ On 5 August 2010 754,004 series V shares in the Company subscribed for by Iroquois Master Fund Ltd. and Kingsbrook Opportunities Master Fund LP (the "Investors") in exercise of 754,004 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE. 226,201 warrants were exercised by Iroquois Master Fund Ltd., and 527.803 warrants were exercised by Kingsbrook Opportunities Master Fund LP.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the increase of the Company's share capital to PLN 337,157,360 was effected on the same day that the 754,004 ordinary bearer series V shares subscribed for by the shareholders within the scope of registered conditional share capital, each of a nominal value of PLN 10, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 33,715,736.

- ✓ On 5 August 2010, **Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. assigned the right to subscribe for and exercise** the part of the III tranche of pre-paid subscription warrants with the prepayment amount of PLN 20 million that had not been exercised so far to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A. Moreover, the Investors assigned to Prokom the right to subscribe for and exercise all of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30 million. Prokom is authorised to assign the abovementioned right to another entity that it designates.

- ✓ On 13 August 2010, the Company was notified by Prokom Investments S.A. of the **assignment of the right to subscribe for and exercise the whole of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30 million ("IV Tranche Warrants")**, to **Osiedle Wilanowskie Sp. z o.o, a subsidiary of Prokom**. The Company was **subsequently notified that Osiedle Wilanowskie assigned further rights to subscribe for and exercise the IV Tranche Warrants as well as the rights to subscribe for and exercise the part of the III tranche of pre-paid warrants that had not been exercised so far with the prepayment amount of PLN 20 million ("III Tranche Warrants")** to a group of entities ("Investors"), each of which acquired the right to such a number of the pre-paid warrants, in the case of exercise of which no Investor can subscribe for a number of the Company's shares that would entitle them to execute 5% or more of the overall number of votes at the general meeting of the Company. Moreover, on 13 August 2010 the Investors submitted a request for issue of the outstanding part of the III Tranche Warrants that had not been issued so far for the total prepayment amount of PLN 20 million, as well as the whole of the IV Tranche Warrants for the total prepayment amount of PLN 30 million. In consequence of receipt of the request, on 13 August 2010, the Company issued in favour of the Investors 666,666 III Tranche Warrants and 833,332 IV Tranche Warrants which jointly authorise to subscribe for 1,499,998 series V bearer shares in the Company. On the same day, the Company received from the Investors the exercise notice with respect to all of the III Tranche Warrants and IV Tranche Warrants. Under the terms of the subscription agreement of which the Company advised in current report No 20/2010, dated 18 March 2010 ("Agreement"), the issue price of one share subscribed in performance of each III Tranche Subscription Warrant and IV Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment paid to the Company in relation to the issuance of the III Tranche Warrants and IV Tranche Warrants exceeded the total issue price of the shares subscribed for in performance of the III Tranche Warrants and IV Tranche Warrants, the Company also issued in favour of the Investors 1,218,348 additional III Tranche Warrants ("Additional III Tranche Warrants") and 1,994,188 additional IV Tranche Warrants ("Additional IV Tranche Warrants") in compliance with the mechanism described in the Agreement (for details on the mechanism, see above).
Moreover, on 13 August 2010 the Investors exercised the right to subscribe for the series V shares with respect to all of the 1,218,348 Additional III Tranche Warrants and to all of the 1,994,188 Additional IV Tranche Warrants, and made a representation on subscription for 3,212,536 ordinary series V bearer shares in the Company. The total number of ordinary series V bearer shares in the Company which the Company issued on 13 August was 4,712,534. The total amount of prepayments related to the issue of the abovementioned shares, paid by Osiedle Wilanowskie and entities indicated by Osiedle Wilanowskie, was PLN 50,000,000.

- ✓ On 18 August 2010 a total number of 4,712,534 series V shares in the Company was registered with the National Depository for Securities and introduced to trading on the WSE. The abovementioned shares were subscribed for in exercise of 4,712,534 pre-paid subscription warrants at an issue price of PLN 10.61 per share by a group of entities, none of which, as a result of the acquisition of the Company's shares, acquired the right to exercise 5% or more of the overall number of votes at the general meeting of the Company.
Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, **the Company's share capital increased to PLN 384,282,700** on the day when the 4,712,534 series V ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Petrolinvest shares issued and introduced to trading on the WSE was 38,428,270.

- ✓ On 23 August 2010 the Company entered into two **agreements with ORLEN GAZ Sp. z o.o. for purchase of liquefied propane-butane mix** of an estimated aggregate value of PLN 51,064,000, as a result of which the aggregate value of the agreements concluded with this client over the past 12 months amounted to PLN 103,936,000. The agreement with the highest value among all the agreements concluded by the Company with ORLEN GAZ Sp. z o.o. within the past 12 months is the significant agreement concluded on 23 August 2010, the estimated value of which is PLN 40,416,000 (the "Agreement").

The terms and conditions of the Agreement are similar to market terms and conditions. The delivery of LPG will be effected using the "DDU Suwałki/Łubiana/Gdynia" formula in accordance with Incoterms 2000. The Agreement was concluded for the period ending on 31 December 2010. A bill of exchange guarantee submitted by a company belonging to the Prokom Investments S.A. capital group constitutes financial collateral for execution of the Agreement.

The aforementioned Agreement may be considered a significant agreement, as the aggregate value of all agreements concluded with this client over the preceding 12 months exceeds 10% of the Company's equity.

6. EFFECTS OF CHANGES IN THE STRUCTURE OF THE COMPANY, INCLUDING MERGERS, ACQUISITIONS OR DISPOSALS OF THE ISSUER'S GROUP UNDERTAKINGS, LONG-TERM INVESTMENTS, DE-MERGERS, RESTRUCTURING AND DISCONTINUED OPERATIONS

On 12 May 2010 PETROLINVEST GAZ S.A., a subsidiary of PETROLINVEST S.A., acquired 100% of the shares in SIGMA ENTERPRISES LIMITED registered in Cyprus (details in note 14 of the Consolidated financial statements).

7. EXPLANATIONS REGARDING SEASONALITY OR CYCLICALITY OF THE ISSUER'S OPERATIONS IN THE PERIOD

As far as the Company's trading activities are concerned, which involve trading in LPG, selected product groups show a high seasonality.

The demand for automotive gas is higher in the months from May to September due to higher seasonal activity of motor vehicle users. In the winter months, there is less vehicular traffic, which is reflected by a decrease in sales of automotive gas.

The demand for gas for heating purposes concentrates in the period before the start of the winter season and throughout that season. Sales of gas for heating purposes are greatly limited in the spring and summer months.

In the first half of the year, sales usually decline resulting in worse performance in this area.

8. BRIEF DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF THE ISSUER DURING THE PERIOD COVERED BY THE REPORT, INCLUDING A LIST OF THE MOST SIGNIFICANT EVENTS RELATED TO SUCH ACHIEVEMENTS OR FAILURES

PROSPECTING AND EXTRACTION

In the 1st half of 2010, PETROLINVEST Group continued its prospecting and exploration efforts in the scope presented below, taking due account of the delayed access to the planned sources of investment financing.

TOO OIL TECHNO GROUP (Subsidiary of Occidental Resources, Inc.)

The OTG contract is a key concession for the whole PETROLINVEST Group, for which the independent competent person (McDaniel & Associates Consultant) estimated by far the largest prospective resources at a level of ca. 1.9bn boe (barrels of oil equivalent), specifying their risked mean estimate at USD 2,628.5 million. This concession has the largest investment programme in place, which is expected to lead to crude oil and natural gas production being started as soon as possible. Consequently, the independent competent person is expected to reclassify a significant portion of prospective resources to the confirmed category.

On 16 March 2010, TOO OilTechnoGroup and the Company concluded a farm-out agreement with TOTAL E&P KOBLANDY, a TOTAL Group Company established and operating under the law of France, setting forth the terms and conditions for the joint continuation of work in the OTG Concession area (for details see a further part of point 8 of this Report).

On 29 March 2010, the Company received a decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan authorising the extension of the prospecting period under the OTG Contract by five years in order to evaluate the discoveries within the contractual territory. This provision will be implemented in the form of an annex to OTG Contract No 993 of 18 September 2002, registered to TOO OilTechnoGroup. The current prospecting period for the OTG Contract, as provided in an annex of 14 September 2009, expires on 18 March 2011.

The decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, authorising the extension of the prospecting period under the OTG Contract by at least three years in order to ensure the proper evaluation of the discovered deposits, was one of the conditions precedent of the farm-out agreement concluded on 16 March 2010 between the Company, TOO OilTechnoGroup and TOTAL E&P KOBLANDY.

The following works were carried out in the first half of 2010:

- ✓ The work program for 2010 was submitted to the competent local inspection authorities and received approval.
- ✓ As part of the cooperation with Total, 3D seismic data from the Koblandy region were interpreted, including the results from the K-3 well and selected 2D seismic data from the remaining part of the OTG Contract area.

- ✓ With the participation of Total, preparatory work was conducted on repeat processing of 3D seismic data for the Koblandy region. The technical scope of the necessary works was also prepared and operations with the goal of selecting a contractor for the processing were started. The repeat processing and re-interpretation of the 3D seismic image from the Koblandy deposit is to give a new, more reliable model of the deposit, which will allow to more effectively plan its appraisal and development. During the repeat processing and re-interpretation, the most recent technical developments in this area will be applied and seismic data will be integrated with geological and geophysical data obtained during the drilling of the K-3 well.
- ✓ Preparations to drill the K-4 well in the Koblandy deposit were ongoing. The work was conducted in cooperation with Total and included selection of the site of the well and preparation of assumptions for the geological and technical designs. These designs will form the basis for ordering all necessary materials (including casing, slurry materials) and equipment (surface well equipment, blowout preventers, other).
- ✓ Preparatory works were carried out for the interpretation of 44 new seismic profiles with a total length of approx. 920 linear kilometres in the south-eastern part of the contract area, the Sarkol-Damba region.
- ✓ The procedure of returning part of the region under the OTG Contract, in accordance with the conditions of the concession, was concluded. A new *Geological allotment* was obtained from the Ministry of Energy and Natural Resources, defining the geographical coordinates of the new contract area. The 43% part of the previous area returned covers parts of the contract area which do not have a good outlook for prospecting, where during the works conducted no hydrocarbons were documented.

TOO EMBA JUG NIEFT

The prospective resources of the Emba Contract were estimated by McDaniel & Associates Consultant at 84.3 million barrels of oil equivalent, their risked estimated value is USD 132.6 million. Furthermore, confirmed reserves (*proven plus probable plus possible*) were estimated at 1.97 million boe, their value was estimated at USD 8.8 million. The aggregate value of confirmed reserves and prospective resources for this contract is USD 93.1 million.

In the first half of 2010, preparatory work to continue the processing and interpretation of the 3D seismic image (*Pre-stack Time Migration and Pre-stack Depth Migration*) was ongoing in the contract area.

In accordance with the decision of 16 November 2009, the Company has a decision of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan prolonging the prospecting period of the Emba Contract to 29 June 2011. The decision on prolonging the prospecting period will be implemented in the form of an annex to the Emba Contract.

TOO COMPANY PROFIT

The prospective resources of the Profit Contract were estimated by McDaniel & Associates Consultant at 5.5 million barrels of oil equivalent, and their risked value was estimated at USD 5.2 million.

In 2009, following the strategy of focusing on highly-effective investments, the Management Board decided to start steps to sell the stake in TOO COMPANY PROFIT. It is possible that PETROLINVEST S.A. may continue to partly finance TOO COMPANY PROFIT, to the extent that will allow to maintain the contract until the stake in the company is sold or access to financial resources is provided, allowing for all the planned investment projects to be completed.

In the first half of 2010 work was initiated on the return of part of the contract area regulated by the Profit Contract. Pursuant to the terms of the contract, PROFIT is required to return at least 25% of the unprospective part of the contract area. For this purpose, an agreement was signed with a company possessing a licence for drawing up the documentation required by the contract. The agreement also covers obtaining a new so-called *geological allotment*, in which the new geographical coordinates of the contract area will be defined.

The first two-year extension of the prospecting period ended on 18 August 2010. Work is under way on obtaining a second extension of the prospecting period for a further two years, which is guaranteed by the contract.

FINANCIAL AREA

- ✓ On 16 March 2010, TOO OilTechnoGroup, a company established and operating under Kazakh law, controlled by the Company ("OTG"), and the Company **concluded a farm-out agreement with TOTAL E&P KOBLANDY, a TOTAL Group ("Total") Company established and operating under the law of France, setting forth the terms and conditions for the joint continuation of work in the area of the OTG Contract.**

In the Agreement, Total committed to finance the efforts in the area of the OTG Contract with the amount of USD 70 million, including drilling the Koblandy-4 well on the Koblandy structure ("Costs"). In exchange for the financing, OTG committed to transfer 50% interest in the OTG Concession to Total.

In addition:

- after commercial production of hydrocarbons is commenced, OTG will refund 50% of costs incurred by Total (plus interest equal to LIBOR + 5% p.a.) from OTG's share in the production or from proceeds from the sale of that production,
- after oil discovery in the Koblandy-4 well is officially confirmed, two more wells will be drilled and financed in proportion to Total's and OTG's interests in the OTG Contract; in this case, OTG will have the option to finance its

share of the costs of drilling those wells from the funds provided by Total; if OTG decides to use this option, Total will acquire a further 30% interest in the OTG Concession, provided that appropriate consent from the Ministry of Energy and Mineral Resources ("MEMR") is obtained.

Furthermore, as provided in the Agreement, the Company and OTG will continue to have exclusive operations on the Shyrak structure located on the OTG Contract area while Total will retain the right to join those operations on the terms and conditions stipulated in an agreement. The Agreement provides that Total will become the operator for all the work on the OTG Contract area (except for the work on the Shyrak structure) on the basis of a Joint Operations Agreement that will be concluded by and between the parties based on a model contract prepared by the Association of International Petroleum Negotiators ("JOA"), which is a recognised international standard in the oil industry, regulating the terms and conditions of cooperation among partners on the same contract.

The Agreement was concluded with the following conditions precedent:

- a) obtaining consent from the Kazakh MEMR to execute the agreement and MEMR's consent to extend the prospecting period of the OTG Contract by a minimum 3 years to ensure proper evaluation of discovered reserves, with the obligation to incur expenditures of up to USD 60 million that will involve drilling the Koblandy-4 well on the Koblandy structure,
- b) OTG and Total signing an annex to the concession agreement relating to the OTG Contract,
- c) terminating the agreement between the Company and PGNIG S.A. that was the subject of current report No 105/2009 dated 25 November 2009 to the extent applicable to the OTG Contract,
- d) obtaining appropriate consents from the Company's and OTG's financing banks and clearing the pledge over the OTG Contract,
- e) concluding an agreement providing that a pledge over 50% of the OTG Contract owned by OTG should be established in favour of Total,
- f) the Company providing a guarantee of performance by OTG of some of the obligations resulting from the Agreement,
- g) obtaining other necessary consents, including documents confirming that such consents have been obtained, and delivering the documentation specified in the Agreement to Total.

The offer to conclude a farm-out agreement whereby Total would commit itself to cover the costs of drilling a new exploration well on the Koblandy structure in exchange for 50% of the OTG Contract was made to the Company during negotiations on 23 December 2009.

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

Strategic partnership of PETROLINVEST Group with TOTAL Group, one of the world's largest oil companies, is in the opinion of the Management Board a success of the strategy adopted by the Company and its shareholders in respect of the OTG Contract. The partnership with Total Group will allow for the geological and economical potential of the OTG Contract to be put to full use in the shortest possible timeframe.

Engaging TOTAL Group was preceded by an in-depth analysis of all available geological documentation accumulated during the Company's involvement in the OTG Contract over a period of more than three years, and in particular—the results of the K-3 well which confirmed the presence of hydrocarbons in the largest structure on the OTG Contract area—the Koblandy structure.

The investments and operating support of one of the largest oil companies in the world, with its experience, know-how, organizational and financial resources—and also present in the oil industry in Kazakhstan (Kashagan field)—will significantly accelerate the development of the field and reduce operating and financial risks, which will in effect contribute to the OTG Contract quickly gaining in value and production being started on a commercial scale.

On 29 March 2010, the Company received a decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan authorizing the extension of the prospecting period under the OTG Contract by five years in order to evaluate the discoveries within the contractual territory, which was one of the conditions for executing the farm-out agreement.

- ✓ On 15 and 17 March 2010, the **outstanding balance of the credit facility extended to the Company under the credit facility agreement dated 21 March 2007 by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego was reduced** by PLN 74 million, i.e. to USD 74.9 million. On 31 March 2010, the Company made another early repayment in the amount of USD 6.2 million.

This reduction in the outstanding balance of the credit facility was possible owing to the conclusion of an agreement between the Company and Kingsbrook Opportunities Master Fund LP (details below) and to the repayment of PLN 74 million by Prokom Investments S.A. ("Prokom") on the dates required by the Bank.

A further reduction of the outstanding credit facility extended by PKO BP and BGK occurred after the period covered by the Report. On 9 August 2010, the Company made an early repayment in the amount of USD 3.5 million. As of the date of publication of the Report, the amount of debt under the credit facility was USD 65.2 million.

- ✓ On 18 March 2010, the Company concluded **an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited** (collectively, the "Investors") **concerning financing of up to**

PLN 127.5 million to be made available to the Company, through the issue by the Company of unsecured convertible bonds with a total nominal value of up to PLN 112.5 million and pre-paid subscription warrants totalling PLN 15 million with an exercise price of PLN 19 per share, and, furthermore, the delivery to the Investors of up to 2,400,000 subscription warrants issued on the basis of Resolution No 1 of the Extraordinary General Meeting of the Company of 30 December 2009 entitling their holders to acquire up to 2,400,000 shares in the Company issued at PLN 35 per share (for the first tranche consisting of 1,200,000 warrants) and PLN 47.5 per share (for the second tranche consisting of 1,200,000 warrants), with a total value of PLN 99 million (the "Warrants"). Each of the Investors is entitled to acquire a relevant part, as specified in the Agreement, of the bonds and warrants to be issued under the Agreement (the "Relevant Part").¹

The Agreement permits the Company, subject to certain conditions, to issue up to four tranches of convertible bonds or pre-paid subscription warrants at a total issue price of PLN 22.5 million (the first tranche), and PLN 30 million (each of the remaining tranches). The Investors also have the right to demand that the Company issue the remaining tranches and accordingly to purchase bonds or pre-paid subscription warrants issued under such tranches. The price at which bonds from the particular tranches can be converted into the Company's shares was established at PLN 19 (the first tranche), PLN 22 (the second tranche), PLN 30 (the third tranche) and PLN 36 (the fourth tranche) for one share in the Company, provided, however, that if the mean of the three lowest closing prices (determined based on the exchange listing prices of the Company's shares) of the Company's shares over 20 consecutive trading days immediately preceding the date on which the bondholder submits a notice converting his bonds into the Company's shares is lower than the basic conversion price applicable to the relevant tranche, as stated above, then the conversion price for the bonds referred to in the conversion notice will be equal to that mean price. The possibility of reducing the conversion price based on the aforementioned rule does not apply to bonds issued in the first tranche. The conversion price is subject to adjustment in accordance with agreed formulae upon certain corporate events affecting the Company.

If, during the effective term of the Agreement, the closing price of the Company's shares remains, for any 15 trading days out of any 30 consecutive trading days, above the price levels specified for the relevant bond tranches (i.e. PLN 26 for the second tranche, PLN 36 for the third tranche, and PLN 42.5 for the fourth tranche) following the issue of the previous tranche, the Company will, subject to certain conditions, be entitled to issue the relevant bond (or pre-paid subscription warrant) tranche and demand that the Investors purchase such bonds or pre-paid subscription warrants.

In connection with the fact that in order for the Company to issue the bonds, the Company needs to obtain the prior consent of its financing banks, the bonds may only be issued after such required consent has been procured. Before such consent has been obtained, each of the Investors is entitled to demand that the Company issue, for such Investor's benefit, pre-paid subscription warrants in a number not exceeding the quotient of the value of the given Investor's Relevant Part for the given bond tranche and the basic bond conversion price for the given tranche, which will enable the given Investor to become entitled to subscribe for the same number of shares as he would be entitled to if an equivalent amount of bonds of the same tranche was issued, and at an exercise price corresponding to the conversion price which would apply to the given bond tranche, if such was issued. Moreover, the Company may require the Investors to subscribe for such pre-paid warrants on the same terms as the terms under which it would be entitled to require the Investors to subscribe for a tranche of convertible bonds, if such were issued. If subscription warrants are issued in place of the bonds, the Company will, on such issue date, receive funds equal to the funds it would obtain if a relevant part of the bond tranche was issued. Pre-paid subscription warrants issued by the Company in place of the bonds will entitle their holders to subscribe for shares by 31 December 2014. Upon exercising the warrant, the pre-paid amount will be credited towards the issue price of the shares subscribed for in the exercise of the warrant. Furthermore, if the issue price of the shares subscribed for in the exercise of the warrant is lower than the issue price applicable on the date such warrant is issued, the Company will be required to issue additional warrants to such warrant holder, whose total number shall be the quotient of (i) the difference between the total amount pre-paid towards the warrants being exercised by the given holder at the given time and the total issue price of the shares subscribed for in the exercise of the warrants, and (ii) the share issue price applicable to the warrants on their relevant exercise date.

The Agreement requires the Company to pay to the warrant holder who exercises his share subscription right a contractual penalty in an amount determined in accordance with a formula provided in the Agreement if, within the timeframe specified in the Agreement, shares in the Company are not recorded in the warrant holder's securities account in a number stated in the warrant exercise notice. The amount of the contractual penalty depends on how many shares to be subscribed for in the exercise of the warrants failed to be recorded in such warrant holder's securities account and on the time by which such entry was delayed compared to the timeframe provided for recording such shares in such warrant holder's securities account. If a contractual penalty is paid in the manner stated above, the given warrant holder may not seek damages for the relevant delay in excess of such contractual penalty paid.

The negotiations between the Company and the Investors entered the stage of firm commitments on 12 March 2010.

¹ *The terms of the agreement were partly modified, in accordance with the Assumption Agreement concluded on 28 May 2010 (details below)*

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

In accordance with the above terms of the Agreement, in the period covered by the Report, funds activated financing for payments towards shares taken up for pre-paid subscription warrants of PLN 37.5 million, and for a further PLN 10 million up to the date of publication of the Report, i.e. a total of PLN 47.5 million (details in point 5 of this Management Board Report).

On 28 May 2010, the **Company executed an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd.** (the "Investors"), and **Prokom Investments S.A.** (the "Assumption Agreement") regarding the **assumption by Prokom Investments S.A. of certain of the Investors' rights under the agreement dated 18 March 2010** (the "Agreement") between the Company, the Investors and GEM Global Yield Fund Limited.

Under the Assumption Agreement the Investors transferred to Prokom all the rights to subscribe for II tranche convertible bonds or II tranche pre-paid subscription warrants for the total issue price of PLN 30 million. The terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of rights to pre-paid subscription warrants remained as originally stated in the Agreement.

Besides the 1,200,000 subscription warrants (the "Issued Warrants") that the Company has issued on a gratuitous basis under the Agreement in favour of the Investors, the Company, in the Assumption Agreement, warranted to issue, on gratuitous basis, in favour of the Investors, 3,000,000 additional subscription warrants that authorise to subscribe for 3,000,000 shares in the Company at the issue price of PLN 20 per share (the "New Warrants"), where 1,200,000 New Warrants will be issued immediately after execution of the Assumption Agreement, and 1,800,000 New Warrants after the adoption by the Company's General Meeting, no later than by 31 August 2010, of a resolution regarding a conditional increase of the Company's share capital by PLN 18,000,000 (the "Resolution"). For the purposes of the Assumption Agreement the issue price for the shares subscribed for in result of exercise of the Issued Warrants was changed from PLN 35 to PLN 20.

The Investors were granted the right to exercise, on the terms of the Agreement, the subscription warrants that are held by them and that have been thus far issued by the Company under the Agreement. Under the Assumption Agreement, PETROLINVEST S.A. obtained the possibility to procure earlier financing of the Company by the Investors through the Investors' subscription for shares as a result of the exercise of the rights under the subscription warrants. If during consecutive 60 stock exchange sessions the closing price for the shares in the Company remains at over PLN 30, the Company will have the right to request the Investors to exercise 50% of the Issued Warrants and 50% of the New Warrants. The Company will have the right to demand the Investors to exercise rights to the remaining 50% of the Issued Warrants and the New Warrants if during consecutive 60 stock exchange sessions the closing price for the shares in the Company remains at over PLN 40. With respect to the New Warrants, the periods referred to in this paragraph are solely the periods after the adoption of the Resolution.

Pursuant to the Assumption Agreement Prokom has the right to demand the Investors to assign to Prokom or an entity designated by Prokom any rights to subscribe for the III and IV tranche convertible bonds and the III and IV tranche pre-paid subscription warrants that the Company agreed to issue in favour of the Investors under the Agreement. Prokom may exercise the right referred to in the preceding sentence within 180 days from the date of execution of the Assumption Agreement. Once Prokom or an entity designated by Prokom exercise the rights described in this paragraph, the terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of the rights from the pre-paid subscription warrants will remain as originally stated in the Agreement.

Financing provided by the Investors played a significant role in ensuring the Company's liquidity at a time of material importance for the Company while the Investors' willingness to allow Prokom to become involved in the financing of the Company through convertible bonds and pre-paid subscription warrants meant to the Company that it would in fact be able to obtain financing adjusted to the needs of the Company and granted regardless of the price of company shares, and by Prokom exclusively on an as-needed basis in accordance with the declarations made by Prokom to provide financing to the Company.

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

Prokom Investments S.A., carrying out the terms of the concluded Assumption Agreement, designated Osiedle Wilanowskie Sp. z o.o. as the entity authorised to subscribe for II, III and IV tranche subscription warrants. Osiedle Wilanowskie activated, in the period covered by the Report, financing in a total amount of PLN 54,999,970, PLN 29,990,970 of which was a payment for shares subscribed for on 9 June 2010 in the exercise of the II tranche pre-paid subscription warrants (details in a further part of point 8 of this Report), and PLN 25,000,000 was a prepayment on account of the issue price for the Company shares that were subscribed for on 13 August 2010 by entities designated by Osiedle Wilanowskie in exercise of the pre-paid III and IV tranche subscription warrants.

As of the date of this Report, the whole financing granted under the aforementioned Agreement in the form of pre-paid subscription warrants was drawn (details in point 5 of this Report).

- ✓ On 29 March 2010, the Company concluded a **Loan Agreement with the European Bank for Reconstruction and Development** ("EBRD") ("Loan Agreement"), **under which EBRD extended a loan facility to the Company in the maximum amount of USD 50,000,000.**

The Resolution of the EBRD Management Board concerning the financing of the Company's operations was adopted on 9 March 2010.

The loan granted to the Company will be used to finance geological work carried out by TOO OilTechnoGroup and TOO Emba Jug Nieft ("Emba") in 2010–2011 in the areas covered by the OTG Contract and the Emba Contract respectively, in the Republic of Kazakhstan. The Loan amount will be transferred by PETROLINVEST S.A. to OTG and Emba through project loans. The loan interest is based on LIBOR plus a margin of 3.5% p.a. The lending period is 3 years from the date of conclusion of the Loan Agreement.

As provided in the Loan Agreement, the EBRD will have the right to convert the Loan to Company shares, either fully or partially. The right of conversion may be exercised at the EBRD's sole discretion at any point, starting from the date of the first disbursement and until 30 days before the third anniversary of the conclusion of the Loan Agreement. The conversion price shall be PLN 27.50 per share. Moreover, if the market price of the Company's shares over 30 consecutive calendar days is PLN 50 or more, and the EBRD decides not to convert any part of the Loan, the Company shall have the right (but not the obligation) to repay the outstanding balance of the Loan, either in full or in part. In such a case, the conversion right shall expire upon repayment.

The Loan Agreement imposes a number of specific obligations on the Company, including the following: (i) not to take any actions that could dilute the stock to which the EBRD is entitled, without prejudice to the Company's existing liabilities; (ii) to further reduce the debt of PETROLINVEST Group; (iii) to apply best corporate governance practices (including OECD Principles of Corporate Governance); and (iv) to use its best efforts to have the Company's shares listed on the London Stock Exchange, in parallel to the WSE, prior to the second anniversary of the Loan Agreement.

The Loan Agreement envisages the establishment of the following security:

- a) a financial and registered pledge over Petrolinvest shares owned by Prokom Investments S.A.;
- b) a financial and registered pledge over the Company's bank accounts;
- c) a pledge over the OTG Contract (the pledge shall not prejudice the rights of Total Group);
- d) a pledge over the Emba shares held by the Company;
- e) a pledge over the Emba Contract.

The conditions precedent of the Loan were:

- a) the confirmation that loan security was established or submitted for registration (in the case of registered pledges over Company shares owned by Prokom Investments S.A., on the Company's bank accounts and on the OTG Contract) to relevant registers in Poland and Kazakhstan;
- b) releasing the pledge over the OTG Contract established in favour of Bank CenterCredit;
- c) agreeing upon and registering a conditional share capital of the Company in the amount enabling the conversion of the entire Loan in exercise of the conversion option;
- d) concluding a share retention agreement between Prokom Investments S.A. and the EBRD, whereby Prokom Investments S.A. would undertake not to change its shareholding in the Company without the EBRD's prior written consent;
- e) amending the provisions of the equity line of credit financing agreement with GEM Global Yield Fund Limited so that its form is satisfactory to the EBRD, and a commitment to be made by the Company to the EBRD to use the equity line of credit to obtain the necessary resources to repay the Loan;
- f) confirmation that Prokom Investments S.A. has transferred no less than USD 130,000,000 to finance OTG's and Emba's geological work;
- g) appointing an EBRD representative to the Company's Supervisory Board (and concluding an appropriate side letter with Prokom Investments S.A.);
- h) obtaining appropriate consents from the entities financing the Company;
- i) the Company meeting all the other conditions of the Loan Agreement;
- j) providing certified copies of the documents specified in the Loan Agreement to the EBRD, including agreements and other documents pertaining to the financing of PETROLINVEST Group, agreements connected with the delivery of the prospecting and extraction project in Kazakhstan, and any other necessary regulatory and corporate consents, reports, letters, certificates, excerpts or copies and legal opinions.

The Agreement meets the criteria of a significant agreement because its value exceeds 10% of the Company's equity. EBRD's decision was preceded by several months' due diligence covering geological, technical, environmental, economic, financial, and legal aspects. As the EBRD's Management Board resolved to approve the financing, the agreement with EBRD, apart from providing finance for the Company's investment activities in Kazakhstan, will also involve some actions to be taken by the Company in consultation with EBRD aimed at enhancing the Company's corporate governance standards and ensuring that the highest environmental protection standards are applied.

CAPITAL AREA

- ✓ On 11 January 2010, the Management Board of PETROLINVEST S.A., **in performance of the equity line of credit agreement of 29 April 2009, offered 78,000 series B registered subscription warrants for subscription through**

private placement **to a private company, GEM Global Yield Limited, with its registered office in George Town, Grand Cayman, Cayman Islands.**

On the same day, the warrants were acquired and the right to subscribe for shares was exercised (for further details, see point 10 of this Report).

Under the equity line of credit, the Company obtained funds in the amount of over PLN 44.6 million until the end of the reporting period, issuing 1,270,800 shares to GEM Global Yield Fund (including PLN 1.7 million due to the issue of 11 January 2010).

- ✓ On 25 February 2010, **in execution of the agreements dated 14 May 2009 setting forth the terms on which Prokom Investments S.A. and Agro Jazowa S.A.² have made their assets available to the Company to use as security for the credit facility** provided by the consortium of PKO Bank Polska S.A. and Bank Gospodarstwa Krajowego, the Company received from Prokom:

- a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the prepayments defined in the abovementioned agreements and listed in the request, totalling PLN 28,726,325.21 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. the Company share price quote of PLN 21.8654;
- a call to offer to Prokom, within five days from 25 February 2010, 1,313,780 ordinary bearer shares in the Company, at an issue price of PLN 21.8654 per share, i.e. for a total consideration of PLN 28,726,325.21.

Subscription warrants for series V shares were offered and subscribed for within the scope of the conditional share capital increase and **1,313,780 series V shares were also subscribed for** on 25 February 2010 (details in point 10 of the Report).

In compliance with the abovementioned agreements dated 14 May 2009, Prokom could have demanded that the receivables listed above be satisfied in cash. Settling those accounts with share issues at an issue price higher than the current stock price was beneficial to the Company, considering its current financial needs.

- ✓ On 18 March 2010—in compliance with the provisions of the agreement with **Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited—the Company received requests from the funds to issue, in lieu of convertible bonds of the first tranche, the relevant number of pre-paid subscription warrants.**

In consequence of the receipt of the request, on the same day, the Company issued to the funds 1,973,681 pre-paid subscription warrants, which entitle their holders to subscribe for **1,973,681 series V shares in the Company**. On 19 March 2010, in the exercise of the rights from pre-paid warrants, the series V shares were subscribed for (for details, see point 10 of the Report). In addition, on the same day, the Company issued 1,200,000 pre-paid subscription warrants, issued gratuitously, to the investors, for 1,200,000 series V shares in the Company. On 7 June 2010 the Company issued the second tranche of subscription warrants, issued gratuitously, which entitle their holders to subscribe for 1,200,000 series V shares in the Company, on terms taking into account the provisions of the Assumption Agreement of 28 May 2010.

Another execution of the request of delivery of pre-paid subscription warrants under the agreement of 18 March 2010 occurred after the date of concluding the Assumption Agreement of 28 May 2010 setting out the terms of assuming by Prokom Investments S.A. of certain rights of the funds arising from the agreement of 18 March 2010.

On 9 June 2010, in execution of the Assumption Agreement, **the Company received from Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A., the request of delivery of 1,363,635 II tranche pre-paid subscription warrants.**

Pursuant to the Assumption Agreement, Osiedle Wilanowskie was designated to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., by Prokom Investments S.A., as the entity authorised to subscribe for II Tranche Subscription Warrants.

In consequence of receipt of the request, on 9 June 2010, the Company issued in favour of Osiedle Wilanowskie 1,363,635 II Tranche Subscription Warrants which authorise to subscribe for 1,363,635 series V bearer shares in the Company and in consequence of the issuance thereof received a total pre-paid amount of PLN 29,999,970.

On 9 June 2010, the Company received from Osiedle Wilanowskie Sp. z o.o. an exercise notice with respect to all of the II Tranche Subscription Warrants. Under the terms of the agreement dated 18 March 2010, the issue price of one share subscribed in performance of each II Tranche Subscription Warrant was established at PLN 12.91. Since the amount of prepayment made by Osiedle Wilanowskie in relation to the issuance of the II Tranche Subscription Warrants exceeded the total issue price of the shares subscribed for in performance of the II Tranche Subscription Warrants, **the Company also issued in favour of Osiedle Wilanowskie 960,142 additional II Tranche Subscription Warrants** in compliance with the mechanism described in the agreement dated 18 March 2010. On 9 June 2010 Osiedle Wilanowskie exercised the right to subscribe for the series V shares with respect to all of the 2,323,777 II Tranche Subscription Warrants and made a representation on subscription for **2,323,777 ordinary series V bearer shares in the Company**.

² After the merger, Prokom Investments S.A. became the legal successor of Agro Jazowa.

After the period covered by the Report, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. subscribed for a further 942,504 series V shares in exercise of the pre-paid III tranche subscription warrants (details in point 5 of this Report).

- ✓ on 18 March 2010 — **in accordance with the provisions of the agreement dated 13 January 2009 concluded with Prokom, concerning, inter alia, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company ("Agreement with Prokom I"), and the agreements concluded on 14 May 2009 with Prokom, AGRO JAZOWA S.A. and Osiedle Wilanowskie Sp. z o.o., setting forth the terms on which those entities made their assets available to the Company to use as a security for the credit facility** extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego ("Agreement with Prokom II") ("Agreement with Agro Jazowa") ("Agreement with Osiedle Wilanowskie"):
1. the Company received from Prokom, filed in compliance with the Agreement with Prokom I and the Agreement with Prokom II:
 - a) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by the Company for the early repayment by Prokom on 15 and 17 March 2010 of PLN 74,062,500.00 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 and for a PLN 2,960,488.15 advance towards the fee for providing and maintaining collateral for the credit facility and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. the Company share price quote of PLN 20.5544; and
 - b) a call to offer to Prokom, within five days from 17 March 2010, 3,747,273 ordinary bearer shares in the Company at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 77,022,948.15;
 2. the Company received from Osiedle Wilanowskie, filed in compliance with the Agreement with Osiedle Wilanowskie:
 - a) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the account payable to Osiedle Wilanowskie by the Company for an advance towards the fee for providing and maintaining collateral for the credit facility, equal to PLN 1,582,031.05 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. the Company share price quote of PLN 20.5544;
 - b) a call to offer to Osiedle Wilanowskie, within five days from 17 March 2010, 76,968 ordinary bearer shares in the Company at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 1,582,031.05;
 3. the Company received from Prokom, filed in compliance with the Agreement with Prokom I:
 - a) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the payment of PLN 30,000,000.00 to the Company's account on 18 March 2010 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. the Company share price quote of PLN 20.8282; and
 - b) a call to offer to Prokom, within five days from 18 March 2010, 1,440,354 ordinary bearer shares in the Company at an issue price of PLN 20.8282 per share, i.e. for a total consideration of PLN 29,999,891.18.

The accounts receivable by Prokom quoted in the request and the call referred to in point 1 above arose under the Agreement with Prokom II and the Agreement with Agro Jazowa. After the merger, Prokom became the legal successor of Agro Jazowa.

In addition, on 18 March 2010, subscription warrants for series V shares were offered and acquired as a part of the conditional increase of the Company's share capital, and 5,264,595 series V shares were acquired in total. Payments for the series V shares were made by netting mutual accounts receivable/accounts payable by the Company and the subscribers. The netting agreements made by the parties on 18 March 2010 met the criteria for significant contracts (for details, see point 10 of this Report).

In compliance with the agreements of 13 January 2009 and 14 May 2009, the accounts payable to Prokom and Osiedle Wilanowskie quoted above could have been satisfied in cash. Settling those accounts with share issues is beneficial to the Company, considering its current financial needs.

The early repayment of PLN 74 million of the Company's credit facility by Prokom and providing the Company with PLN 30 million in cash, and the parallel conversion to equity of the resulting Company's liability to Prokom, was a desirable step towards reducing the share of debt in the Company's asset financing structure and directly translates into lower cost of debt service.

OTHER

- ✓ In the first half of 2010, in connection with the expiry of the 3-year term of office of the Management Board and the Supervisory Board, changes were made in the membership of the managing body and the supervisory body. The Annual General Meeting of the Company held on 30 June 2010 set the number of members of the Supervisory Board at eight and appointed the following persons to the Supervisory Board for a term of three years: Mr Tomasz

Buzuk, Mr Maciej Grelowski, Mr Bartosz Jałowicki, Mr Rafał Juszcak, Mr Krzysztof Wilski. The remaining members of the Supervisory Board were appointed in the exercise of personal rights—Prokom Investments S.A. appointed Mr Ryszard Krauze as the Chairman of the Supervisory Board and Mr Andre Spark as the Deputy Chairman of the Supervisory Board. On the same day, Mr Ryszard Krauze appointed Mr Bertrand Le Guern to the Supervisory Board of the Company.

On 30 June 2010, pursuant to his personal powers, Mr Ryszard Krauze appointed Mr Marek Pietruszewski as Vice President of the Management Board for the term of three years (previously a Member of the Management Board from 9 June 2010).

After the period covered by the Report, on 8 July 2010 Prokom Investments S.A., exercising its personal powers, set the number of Management Board members at two and, having obtained a positive opinion of the Supervisory Board of the Company, entrusted the performance of the duties of Company President during this term of office to Mr Roman Niewiadomski, who will perform this function until the conclusion of interviews with the candidates to the post of President of the Management Board.

9. DESCRIPTION OF FACTORS AND EVENTS, IN PARTICULAR NON-RECURRING ONES, WHICH HAD A MATERIAL EFFECT ON FINANCIAL RESULTS

The first half 2010 results were significantly impacted by the following:

- ✓ commissions charged for the agreements setting forth the terms of use for the assets made available to the Company by Prokom Group companies to use as a security for the repayment of the credit facility from PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The discounted commission charged for 1st half 2010 was PLN 20.4 million, of which PLN 13.4 million was posted as other operating expenses, and PLN 7 million — as financial expenses. The fee-related liabilities are convertible to equity. By 30 June 2010, the commission charged for the first half 2010 of PLN 13 million was converted into the Company's equity. The Management Board expects that the other liabilities on that account will also be converted (as in the case of the commission charged for previous reporting periods), owing to which the costs of service of the agreement concerned will not entail a cash outflow.
- ✓ under the agreement made on 18 March 2010 with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited (concerning the provision of a credit line up to the amount of PLN 127.5 million) — performing the assessment of the fair value, in accordance with IFRS, of the derivative resulting from the entitlement of the Investors to demand that the Company issue bonds or pre-paid subscription warrants from the other tranches. The cost of the derivative calculated using the Black-Scholes model was PLN 6.7 million as of 30 June 2010 and was recognized in the Company's financial expenses as a lump sum.

The Management Board emphasizes that the above factors are of a non-cash nature and result from the relevant regulations of the International Financing Reporting Standards and a conservative approach to the presentation of the Company's financial results.

The actions taken as a part of the program implemented for the restructuring of LPG operations resulted in a reduction of the cost of those operations and in a reduction of transactions in those segments where the Company did not achieve a satisfactory return on sales. The LPG sales in the period covered by the Report were based on spot deliveries and short-term contracts. In the first half of 2010, the Company noted an almost 13% growth in sales volume in relation to the same period the previous year. LPG deliveries based on the pricing formula in the performance of long-term contracts between the Company and a new trade partner in late 2009 had not started as of the publication of the Report.

10. INFORMATION REGARDING ISSUE, REPURCHASE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

In the first half of 2010, the Company performed six issues of 10,946,633 shares in total. With the issue, the Company acquired a gross amount of PLN 173 million and — in performance of the collateral contracts with Prokom Group companies — converted the debt into equity in the gross amount of PLN 33 million in total.

The shares were issued on the basis of resolutions of the Extraordinary General Meetings of the Company of 31 July 2009 and 30 December 2009, as a part of the conditional increase of the Company's capital. The receipts from share issue were used mostly to implement the prospecting and extracting project and to reduce the level of debt.

✓ **Timetable of events relating to the issue of series P shares (series B subscription warrants)**

11 January 2010,

The Management Board of the Company, in execution of the provisions of the resolution of the EGM of 31 July 2009, passed a resolution which set forth the detailed conditions for the issuance of subscription warrants for P series shares. The Management Board of the Company decided to issue 70,800 B series registered subscription warrants and offered them for subscription through private placement to a private company GEM Global Yield Limited in exercise of the equity line of credit agreement concluded on 29 April 2009. The series B warrants were subscribed for by GEM on 11 January 2010. On the same day, GEM exercised its right to subscribe for the Company shares following from the series B warrants and filed a statement on subscription for **70,800 series P ordinary bearer shares in the Company.**

The issue price of series P ordinary bearer shares issued to holders of series B warrants under the EGM Resolution, as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 24.2856 per share.

As a result of the issue of the series P shares carried out in execution of the rights attached to the series B subscription warrants, the Company received gross proceeds of PLN 1,719,420.48.

18 January 2010

Admission by the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of 70,800 series P shares to public trading on the main list.

20 January 2010

Registration of the 70,800 series P shares with the KDPW and introduction of the shares to trading on the WSE. On the day of the introduction of the 70,800 series P shares to public trading, the share capital of PETROLINVEST S.A. was increased to PLN 215,973,990, while the total number of votes attached to all issued Company shares was 21,597,399.

In the first half of 2010, five issues of series V shares were carried out as a part of the conditional increase of the Company's share capital, passed at the Extraordinary General Meeting of 30 December 2009.

On 19 January 2010, The District Court for Gdańsk-Północ of Gdańsk, VIII Economic Division of the National Court Register, registered the amendment to the Company's statute concerning the conditional increase of the share capital of the Company by no more than PLN 190,000,000 through the issuance of no more than 19,000,000 ordinary series V bearer shares of a nominal value of PLN 10 each.

In consequence, the nominal value of the conditional share capital of the Company, following the registration, is no more than PLN 217,642,850.

✓ **Timetable of events relating to the issue of series V shares**

25 February 2010

Due to the request and call for shares by Prokom Investments S.A., and in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board adopted a resolution concerning offering registered subscription warrants for series V shares and setting forth the detailed conditions for the issue of subscription warrants. The Management Board decided to issue 1,313,780 subscription warrants and offered them to **Prokom Investments S.A.** The subscription warrants were acquired by Prokom on 25 February 2010. On the same day, Prokom Investments S.A. exercised its right to subscribe for the series V shares under the subscription warrants and submitted a statement on subscription for **1,313,780 ordinary series V bearer shares in the Company.**

The issue price of the series V ordinary bearer shares, issued to holders of subscription warrants on the basis of the resolution of the EGM within the scope of the conditional increase of the Company's share capital, was set by the Management Board at PLN 21.8654 per share.

The payments for series V shares were made by means of netting the outstanding accounts receivable by the Company under the share subscription agreement for the series V shares totalling PLN 28,726,325.21 against due accounts payable to Prokom by the Company under the Credit Facility Collateral Agreement of 14 May 2009.

8 March 2010

Decision by the KDPW to admit the 1,313,780 series V shares to the National Depository for Securities, on the condition that the operator of the regulated market decides to introduce the series V shares to trading on the same regulated market that the other Company shares bearing code PLPTRLI00018 have been introduced to.

12 March 2010

Admission by the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of the 1,313,780 series V shares to public trading on the main list.

17 March 2010

Registration of the 1,313,780 series V shares with the KDPW and introduction of the shares to trading on the WSE. On the day of introduction of the 1,313,780 series V shares to public trading, the share capital of PETROLINVEST S.A. was increased to PLN 232,111,790 and the total number of votes resulting from all of the Company's shares issued reached 23,211,179.

On 17 March 2010, the Management Board of the National Depository for Securities decided (amending its Resolution of 8 March 2010, as requested by the Company) to register the remainder of the Company's series V shares with the KDPW, i.e. up to 17,686,220 ordinary bearer shares with a nominal value of PLN 10 each, issued as a part of the conditional share capital increase under Resolution No 1 of the Extraordinary General Meeting of the Company of 30 December 2009, and to assign the code number PLPTRLI00018, provided that the operator of the regulated market decides to introduce the series V shares to trading on the same regulated market as the other Company shares marked PLPTRLI00018, each time no later than on the day of registration of the series V shares with the KDPW.

Registration of the series V shares with the KDPW will be effected based on settlement instructions referred to in Article 14 (3) of the KDPW Detailed Rules of Operation.

At the same time, on 17 March 2010, the Management Board of the WSE resolved to admit and introduce the 17,686,220 series V shares to public trading on the WSE Main List. Pursuant to Article 38 (1) and (3) of the Rules of the Warsaw Stock Exchange, the WSE Management Board decided to introduce the abovementioned shares, using the ordinary procedure, to public trading on the main market as of the date of registration of those shares by KDPW under code number PLPTRLI00018; however, no earlier than on 19 March 2010.

✓ **Timetable of events relating to the issue of series V shares (series B pre-paid subscription warrants and series C subscription warrants)**

18 March 2010

Due to the requests from **Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited** to issue an adequate number of pre-paid subscription warrants in place of the I Tranche convertible bonds, and in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board adopted a resolution to issue 1,973,681 series B pre-paid subscription warrants to the subscribers (including 1,184,209 pre-paid subscription warrants in place of I Tranche convertible bonds and additional pre-paid subscription warrants with a prepayment of PLN 15 million), giving the right to subscribe for 1,973,681 series V shares in the Company at the issue price of PLN 19, and on the **issue of 1,200,000 subscription warrants of the C series issued gratuitously**, giving the right to acquire 1,200,000 series V shares in the Company, at the issue price per share equal to PLN 20 (in accordance with the modification resulting from the Assumption Agreement of 28 May 2010).

On 18 March 2010, the aforementioned warrants were issued to the Investors.

As a result of the issue of the pre-paid subscription warrants, the prepayment received by the Company totalled PLN 37,499,939.

On 19 March 2010, in the exercise of the series B pre-paid subscription warrants, **1,973,681 series V shares in the Company were subscribed for**. The amount pre-paid by warrant holders on the date of issue was credited towards the issue price of the shares subscribed for in the exercise of the warrants.

The Company shares were acquired in exchange for cash contributions.

24 March 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 394,736 series V shares in the Company subscribed for by GEM Global Yield Fund Limited.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 288,705,100 on the day when the 394,736 ordinary series V bearer shares with a nominal value of PLN 10 each, subscribed for by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 28,870,510.

25 March 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,578,945 series V shares in the Company subscribed for by Iroquois Master Fund Ltd. and Kingsbrook Opportunities Master Fund LP in the exercise of 1,578,945 pre-paid subscription warrants. 473,683 warrants were exercised by Iroquois Master Fund Ltd., and 1,105,262 warrants were exercised by Kingsbrook Opportunities Master Fund LP.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 304,494,550 on the day when the 1,578,945 series V ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 30,449,455.

✓ **Timetable of events relating to the issue of series V shares (series D subscription warrants)**

18 March 2010

Due to the requests and calls for shares by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o., and in line with the provisions of the EGM Resolution of 18 December 2010, the Management Board adopted a resolution concerning offering 3,824,241 series D registered subscription warrants for series V shares, and setting forth the detailed conditions for the issue of subscription warrants (on 31 March 2010, the Management Board adopted a resolution changing the incorrect series marking, adopted in the resolution of 18 March 2010, of 3,824,241 warrants from B to D).

The Management Board decided to issue 3,824,241 series D subscription warrants and offered 3,747,273 warrants to Prokom Investments S.A. and 76,968 warrants to Osiedle Wilanowskie Sp. z o.o. The series D warrants were taken up by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. on 18 March 2010. On the same day, both eligible entities exercised their rights to subscribe for the series V shares attached to the series D warrants and submitted statements on subscription for 3,824,241 series V ordinary bearer shares.

The issue price for the ordinary series V bearer shares issued to the holders of series D warrants was set by the Management Board at PLN 20,5544 per share.

Payments for the series V shares were made by netting mutual accounts receivable/accounts payable by the Company and the subscribers. On 18 March 2010, the Company entered into the following netting agreements:

- a netting agreement with Prokom Investments S.A. under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for the series V shares totalling PLN 77,022,948.15 with outstanding accounts payable to Prokom Investments S.A. by the Company for the early repayment by Prokom of a portion of the credit facility extended to the Company under the credit facility agreement with PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego dated 21 March 2007 and under the Credit Facility Collateral Agreement dated 14 May 2009,
- a netting agreement with Osiedle Wilanowskie Sp. z o.o. under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for series V shares totalling PLN 1,582,031.05 with outstanding accounts payable to Osiedle Wilanowskie Sp. z o.o. by the Company under the Credit Facility Collateral Agreement dated 14 May 2009.

As a result of the netting, the cash contribution due from Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. to the Company for the acquisition by the subscribers of the total of 3,824,241 series V shares was fully covered.

✓ **Timetable of events relating to the issue of series V shares (series E subscription warrants)**

18 March 2010

Due to the request and call for shares by Prokom Investments S.A., and in line with the provisions of the EGM Resolution of 30 December 2010, the Management Board adopted a resolution concerning offering 1,440,354 E series registered subscription warrants for series V shares and setting forth the detailed conditions for the issue of subscription warrants (on 31 March 2010, the Management Board adopted a resolution changing the incorrect series marking, adopted in the resolution of 18 March 2010, of 1,440,354 warrants from C to E).

The Management Board decided to issue 1,440,354 E series subscription warrants and offered them for subscription to Prokom. The E series warrants were subscribed for by Prokom on 18 March 2010. On the same day, Prokom exercised its right to subscribe for the series V shares attached to the E series warrants and submitted a statement on subscription for 1,440,354 ordinary series V bearer shares in the Company.

The issue price for ordinary series V bearer shares issued to the holders of series E warrants was set by the Management Board at PLN 20.8282 per share.

Payments for the series V shares were made by netting the accounts receivable/accounts payable by the Company and Prokom Investments S.A. On 18 March 2010, the Company entered into a netting agreement with Prokom, under which the Parties netted the accounts receivable under the share subscription agreement for the series V shares totalling PLN 29,999,981.18 against due accounts payable to Prokom by the Company on account of the payment made to the bank account of the Company on 18 March 2010 in the amount of PLN 30,000,000.00.

As a result of the netting, the cash contribution due from Prokom to the Company for the subscription of the total of 1,440,354 series V shares was fully covered.

The netting agreements made on 18 March 2010, in order to pay for the 5,265,595 series V shares acquired by subscribers, meet the criteria for a significant contract due to the fact that their total value (including the netting agreement concluded with Prokom in connection with the acquisition of 1,313,780 series V shares, with a value of PLN 28,726,325.21 on 25 February 2010) exceeds 10% of the Company's equity. Osiedle Wilanowskie Sp. z o.o. is a subsidiary of Prokom Investments S.A. The agreement with Prokom relating to the exercise of series D warrants also meets the criteria for a significant agreement, as its value exceeds 10% of the Company's equity.

23 March 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 5,264,595 series V shares in the Company subscribed for by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. in the exercise of subscription warrants of the D and E series.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 284,757,740 on the day when the 5,264,595 ordinary series V bearer shares with a nominal value of PLN 10 each, subscribed for by the shareholders as a part of the registered conditional share capital, were introduced to trading

on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 28,475,774.

✓ **Timetable of events relating to the issue of series V shares (series F subscription warrants)**

7 June 2010

In accordance with the provisions of the Assumption Agreement of 28 May 2010 (details in point 8 of this Report), in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of **1,200,000 subscription warrants**, issued gratuitously, which entitle their holders to subscribe for 1,200,000 series V shares in the Company at a per-share issue price of PLN 20. On the same day, the warrants were issued to the investors.

✓ **Timetable of events relating to the issue of series V shares (series G pre-paid subscription warrants)**

9 June 2010

In connection with the request of delivery of the II tranche subscription warrants, received from Osiedle Wilanowskie Sp. z o.o., compliant with the provisions of the Assumption Agreement of 28 May 2010 (details in point 8 of this Report), in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 2,323,777 II tranche subscription warrants, which entitle their holders to subscribe for 2,323,777 series V shares in the Company. Pursuant to the Assumption Agreement, Osiedle Wilanowskie Sp. z o.o. was designated to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., by Prokom Investments S.A., as the entity authorised to subscribe for II Tranche subscription warrants.

The issue price of the series V ordinary bearer shares, issued to holders of the II tranche subscription warrants, was set by the Management Board at PLN 12.91 per share.

On 9 June 2010, the aforementioned warrants were issued to the Investors. As a result of the issue of the pre-paid subscription warrants, the prepayment received by the Company totalled PLN 29,999,970.

On the same day, in the exercise of the pre-paid II Tranche subscription warrants, **2,323,777 series V shares in the Company were subscribed for by Osiedle Wilanowskie Sp. z o.o.** The amount pre-paid by warrant holders on the date of issue was credited towards the issue price of the shares subscribed for in the exercise of the warrants.

The Company shares were acquired in exchange for cash contributions.

15 June 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,323,777 series V shares in the Company subscribed for by Osiedle Wilanowskie Sp. z o.o. in the exercise of II Tranche subscription warrants.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 327,732,320 on the day when the 2,323,777 ordinary series V bearer shares with a nominal value of PLN 10 each, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 32,773,232.

In addition, the following events related to the issues of shares in the period preceding the period covered by this Report occurred in the 1st half of 2010:

18 January 2010

1,453,571 series T shares and 2,503,628 series U shares admitted by the Management Board of the Warsaw Stock Exchange to public trading on the main market.

20 January 2010

1,453,571 series T shares and 2,503,628 series U shares registered with the National Depository for Securities and introduced to trading on the WSE.

19 February 2010

The increase of the Company's share capital by means of an issue of 300,000 series S shares registered by the District Court. Following the registration, the Company's share capital reached PLN 218,973,990, and the total number of votes resulting from all of the Company's shares issued reached 21,897,399.

8 March 2010

Decision by the KDPW to admit the series S shares to the National Depository for Securities, on the condition that the operator of the regulated market decides to introduce the series S shares to trading on the same regulated market that the other Company shares bearing code PLPTRLI00018 have been introduced to.

12 March 2010

Admission by the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of the series S shares to public trading on the main list.

17 March 2010

Registration of the series S shares with the KDPW and introduction of the shares to trading on the WSE.

11. INFORMATION ON ANY DIVIDEND PAID OUT (OR DECLARED) IN AGGREGATE AND PER ONE SHARE, SEPARATELY FOR ORDINARY AND PREFERENCE SHARES

In the first half of 2010, the Company did not pay or declare dividends.

12. SELECTED FINANCIAL DATA, INCLUDING THE KEY ITEMS OF INTERIM CONDENSED FINANCIAL STATEMENTS (ALSO TRANSLATED INTO EURO)

Selected financial data of the Company and the Group were presented in point 1 of this Report.

13. THE MANAGEMENT BOARD'S POSITION ON THE FEASIBILITY OF ACHIEVING THE RESULTS STATED IN THE FINANCIAL FORECASTS PUBLISHED EARLIER FOR THE YEAR IN VIEW OF THE FINANCIAL RESULTS PRESENTED IN THE HALF-YEAR REPORT IN RELATION TO THE PROJECTED RESULTS

The Management Board of PETROLINVEST S.A. did not publish any forecasts for 2010.

14. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY (THROUGH SUBSIDIARY UNDERTAKINGS) 5% OR MORE OF THE TOTAL VOTE AT THE ISSUER'S GENERAL MEETING

Shareholders holding directly or indirectly 5% or more of the total vote at the Company's general meeting as at the date of publication of this Report are presented in the table below, which also shows changes in the ownership structure which had taken place since the publication of the previous report (according to information available to the Company).

Shareholder	Number of shares/ votes	Percentage held in share capital/ total vote at AGM	Change in the number of shares	Number of shares/ votes	Percentage held in share capital/ total vote at AGM
	<i>as of the publication date of the previous Report</i>			<i>as of the publication date of the Report</i>	
Ryszard Krauze ⁽¹⁾	3 586	0.01%	0	3 586	0.01%
Prokom Investments S.A.	5 297 548	17.40%	0	5 297 548	13.79%
Osiedle Wilanowskie Sp. z o.o. ⁽²⁾	114 384	0.38%	+ 1 123 777	1 238 161	3.22%
C. Ulrich założone w 1805 roku w Warszawie S.A.	390 000	1.28%	- 390 000	0	0.00%
Other shareholders	24 643 937	80.93%	+ 7 245 038	31 888 975	82.98%
TOTAL	30 449 455	100.00%	+ 7 978 815	38 428 270	100.00%

⁽¹⁾ Ryszard Krauze is a parent entity for Prokom Investments S.A. and C. Ulrich założone w 1805 roku w Warszawie S.A.

⁽²⁾ Osiedle Wilanowskie Sp. z o.o. is a Prokom Investments S.A. subsidiary.

15. STATEMENT OF CHANGES IN THE NUMBER OF THE ISSUER SHARES OR RIGHTS TO SUCH SHARES (OPTIONS) HELD BY THE ISSUER'S MANAGING OR SUPERVISORY PERSONS, ACCORDING TO INFORMATION AVAILABLE TO THE ISSUER, IN THE PERIOD FROM THE DATE OF THE PREVIOUS REPORT

The table below sets forth the number of shares held by supervisory and managing persons as at the date of publication of the half-year Report together with information on any changes since the publication of the previous report (according to information available to the Company).

Shareholder	Number of shares held at the publication date of the previous Report	Change in the number of shares	Number of shares at the publication date of this Report
Supervisory Board			
Ryszard Krauze	3 586	0	3 586
Andre Spark*	-	-	0
Tomasz Buzuk	0	0	0
Maciej Grelowski	31 321	0	31 321
Bartosz Jałowicki*	-	-	10
Rafał Juszcak*	-	-	0
Bertrand Le Guern*	-	-	0
Krzysztof Wilski	31 321	0	31 321
Management Board			
Roman Niewiadomski*	-	-	0
Marek Pietruszewski*	-	-	0
Entities controlled by managing or supervisory persons			
Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o., C. Ulrich założone w 1805 roku w Warszawie S.A. (Ryszard Krauze)	5 801 932	+ 733 777	6 535 709

*/ persons not holding managing or supervisory functions at the time of publication of the previous Report.

16. PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION BODY OR ANY PUBLIC ADMINISTRATION AUTHORITY, INCLUDING INFORMATION ON ANY PROCEEDINGS CONCERNING THE ISSUER'S OR ITS SUBSIDIARY UNDERTAKING'S LIABILITIES OR CLAIMS WHOSE VALUE REPRESENTS 10% OR MORE OF THE ISSUER'S EQUITY

There are no proceedings pending before courts, competent arbitration bodies or any public administration authorities, the aggregate value of which as at 30 June 2010 represents 10% or more of the Company's equity.

17. INFORMATION ON ANY ONE OR MORE TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING WITH RELATED PARTIES, IF THEY ARE INDIVIDUALLY OR COLLECTIVELY MATERIAL AND HAVE BEEN CONCLUDED ON TERMS OTHER THAN AT ARM'S LENGTH

In the first half of 2010, no material transactions within PETROLINVEST Group were concluded on terms other than at arm's length. A detailed description of the transactions concluded in the reporting period by the Company or the other entities of PETROLINVEST Group with related parties is provided in note 24 to the interim condensed consolidated financial statements.

18. INFORMATION ON SURETIES FOR LOANS OR GUARANTEES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING — JOINTLY TO ONE ENTITY OR ITS SUBSIDIARY, IF THE AGGREGATE VALUE OF EXISTING SURETIES AND GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF THE ISSUER'S EQUITY

In the first half of 2010, TOO OilTechnoGroup gave a USD 30,000 thousand guarantee to PETROLINVEST S.A. as collateral for the USD 20,000 thousand loan extended by PETROLINVEST S.A. to Occidental Resources, Inc. The Guarantee remains in force until 30 November 2020 or until final repayment of the obligations resulting from the loan agreement which matures on 30 November 2010. The guarantee was given free of charge.

Occidental Resources, Inc. and TOO OilTechnoGroup are subsidiaries of PETROLINVEST S.A.

This is the fourth guarantee issued to collateralise the loans extended by PETROLINVEST S.A. to Occidental Resources, Inc. to finance its prospecting and extraction project. As at 30 June 2010, the total amount of the guarantees given by TOO OilTechnoGroup to the Company was USD 74,000 thousand, and the value of the loan agreements collateralised by the guarantees was USD 52,041 thousand.

19. OTHER INFORMATION WHICH THE ISSUER DEEMS RELEVANT FOR THE ASSESSMENT OF ITS PERSONNEL, ASSETS, FINANCIAL SITUATION, AND ITS NET RESULT, AS WELL AS THEIR CHANGES, AND FOR THE ASSESSMENT OF THE ISSUER'S ABILITY TO PERFORM ITS OBLIGATIONS

The Management Board of PETROLINVEST S.A. believes that information presented in this Report is an exhaustive description of the Company's personnel, assets and financial situation, and that no other events have taken place that have not been disclosed by the Company and that could be material for the assessment of the Company's standing.

The Company entered into agreements to secure financing for the prospecting and extraction efforts of the Group within at least 12 months from the date of this Report. As a part of the effort to obtain investment financing, in March 2010 the Company entered into a farm-out agreement with a Total Group company, an agreement with the EBRD concerning a loan convertible to shares in the amount of USD 50 million and has funds at its disposal from the execution of an agreement with a group of international investment funds (Prokom Investments S.A. became a party to the co-financing within the abovementioned agreement on the basis of the Assumption Agreement). The Management Board emphasizes that the availability of financing under agreements as yet not activated is conditional on a number of requirements to be met by the Company and by third parties, as described in point 8 of this Report.

In addition, the Company is using funds ensured under the agreement with GEM Global Yield Fund and GEM Investments Advisers of 29 April 2009, which provides financing of PLN 200 million in total (of which PLN 44.6 million carried out in the form of issue of shares), and is supported by Prokom Investments S.A., which undertook to take actions to acquire operational financing for the Company, totalling PLN 150 million (agreement concluded for the period ending 31 December 2010).

20. FACTORS WHICH IN THE ISSUER'S OPINION WILL AFFECT ITS RESULTS IN A PERIOD COVERING THE REMAINING MONTHS OF THE FINANCIAL YEAR

The basic factors (including risks and threats) that may affect the Company's results in the remaining months of the financial year include primarily:

- ✓ With respect to prospecting and extraction:
 - access to financing, with particular regard to financing from Prokom Investments (including the pace of work related to meeting conditions of execution of concluded agreements),
 - fluctuations of exchange rates, including in particular USD to PLN, KZT to USD and KZT to PLN,
 - fluctuations of interest rates that impact the Company's debt service costs.
- ✓ With respect to trading activities:

- efforts undertaken in respect of cost reductions, reviewing operating procedures, and changes to the policy on purchases of goods,
- availability of long-term contracts for LPG deliveries, and the ability of trade partners to ensure supplies under the contracts,
- access to short-term financing;
- fluctuations of exchange rates, including in particular USD to PLN;
- fluctuations of crude oil and LPG pricing in world markets and the relations between those prices and the prices that are possible to achieve in the domestic market;
- seasonal changes in the demand for liquefied gas for heating and automotive purposes.

21. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS WHICH OCCURRED SINCE THE END OF THE LAST FINANCIAL YEAR

As at 31 August 2010, no changes in contingent liabilities or contingent assets occurred at PETROLINVEST Group compared with the end date of FY 2009.

22. ADDITIONAL REPRESENTATIONS OF THE MANAGEMENT BOARD

The Management Board of PETROLINVEST S.A. represents that to the best of its knowledge the interim condensed financial statements of PETROLINVEST S.A. and the interim condensed consolidated financial statements of PETROLINVEST Group for the 6-month period ended 30 June 2010 and comparable data were prepared in accordance with current accounting regulations, give a true, reliable and clear view of the material and financial standing of PETROLINVEST S.A. and PETROLINVEST Group and its financial results and represents that the management board report for the 6-month period ended 30 June 2010 contains a true picture of the development and achievements as well as the situation of PETROLINVEST S.A. and PETROLINVEST Group, including a description of risks and threats.

The Management Board of PETROLINVEST S.A. represents that the entity authorised to audit the financial statements that reviewed the interim condensed financial statements of PETROLINVEST S.A. and the interim condensed consolidated financial statements of PETROLINVEST Group for the 6-month period ended 30 June 2010 was selected in accordance with the provisions of law and that that entity and the auditors performing the review fulfilled the conditions to issue an impartial and independent report from the review in accordance with appropriate provisions of domestic law.

Roman Niewiadomski
President

Marek Pietruszewski
Vice President

Gdynia, 31 August 2010