POLSKI KONCERN NAFTOWY ORLEN S.A.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS OF 9 AND 3 MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

SECURITIES AND EXCHANGE COMMISSION

Consolidated quarterly report QSr III quarter/ 2005

quarter/ (current year)

(in accordance with § 86 section 2 and § 87 section 1 of the Ministry of Finance Decree of 19 October 2005, Official Journal No. 209, item 1744)

(for issuers of securities whose business activity embraces manufacture, construction, trade and services)

for the three quarters of the reporting year 2005, that is for the period from 1 January 2005 to 30 September 2005 and for the three quarters of the reporting year 2004, that is for the period from 1 January 2004 to 30 September 2004 which includes condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and condensed standalone financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN)

on 14 November 2005
(submission date)

POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA

(full name of the issuer)

PKN ORLEN S.A. — (abbreviated name of the issuer)

CHEMICAL — (industrial sector in line with classification of Warsaw Stock Exchange)

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PŁOCK — (location)

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KPMG AUDYT SP. Z O.O.
(entity authorized to conduct audit)

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POLSKI KONCERN NAFTOWY ORLEN S.A.
SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	thousand PLN		thousand EUR	
	III quarter 2005 (cummulative data)	III quarter 2004 (cummulative date)	III quarter 2005 (cummulative data)	III quarter 2004 (cummulative date)
Data in respect of MSSF consolidated financial statement				
I. Net revenues from sale of finished goods, merchandise and raw materials	29 835 384	22 317 367	7 351 695	5 499 191
II. Profit / (Loss) on operations	4 687 123	2 059 291	1 154 947	507 427
III. Gross profit	5 002 944	2 202 624	1 232 768	542 745
IV. Net profit	4 309 813	1 707 908	1 061 975	420 843
V. Net cash provided by operating activities	2 749 530	2 799 526	677 508	689 827
VI. Net cash used in investing activities	(1 711 092)	(1 526 854)	(421 628)	(376 230)
VII. Net cash provided by / (used in) financing activities	(507 808)	(836 394)	(125 128)	(206 095)
VIII. Net change in cash and cash equivalents	530 630	436 278	130 752	107 503
IX. Profit (loss) per ordinary share for 9 months (in PLN/EUR)	10,08	3,99	2,48	0,98
	as of 30.09.2005	**as of 30.09.2004**	**as of 30.09.2005**	**as of 30.09.2004**
X. Non-current assets	20 428 165	12 035 573	5 215 790	3 072 965
XI. Current assets	12 530 888	8 238 188	3 199 430	2 103 403
XII. Total assets	32 959 053	20 273 761	8 415 221	5 176 368
XIII. Long-term liabilities	5 331 707	3 214 359	1 361 310	820 701
XIV. Short-term liabilities	9 097 597	4 624 749	2 322 830	1 180 807
XV. Equity	18 529 749	12 434 653	4 731 080	3 174 859
XVI. Share capital*	1 057 635	1 057 635	270 039	270 039
XVII. Total equity (attributed to shareholders of the parent company)	15 903 680	11 971 453	4 060 583	3 056 593
XVIII. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XIX. Book value per share (in PLN/EUR)	43,32	29,07	11,06	7,42
Data in respect of MSSF condensed standalone financial statement				
	III quarter 2005 (cummulative data)	III quarter 2004 (cummulative date)	III quarter 2005 (cummulative data)	III quarter 2004 (cummulative date)
I. Net revenues from sale of finished goods, merchandise and raw materials	16 069 948	13 507 488	3 959 773	3 328 361
II. Profit / (Loss) on operations	2 257 274	1 852 274	556 212	456 416
III. Gross profit	2 650 808	2 018 073	653 182	497 271
IV. Net profit	2 124 810	1 625 253	523 571	400 476
V. Net cash provided by operating activities	1 330 227	1 814 491	327 779	447 106
VI. Net cash used in investing activities	(991 172)	(641 777)	(244 233)	(158 139)
VII. Net cash provided by / (used in) financing activities	(294 268)	(809 118)	(72 510)	(199 374)
VIII. Net change in cash and cash equivalents	44 787	363 596	11 036	89 594
IX. Profit (loss) per ordinary share for 9 months (in PLN/EUR)	4,97	3,80	1,22	0,94
	as of 30.09.2005	**as of 30.09.2004**	**as of 30.09.2005**	**as of 30.09.2004**
X. Non-current assets	11 845 596	9 895 220	3 024 459	2 526 482
XI. Current assets	7 535 957	6 109 902	1 924 107	1 560 002
XII. Total assets	19 381 553	16 005 122	4 948 566	4 086 484
XIII. Long-term liabilities	2 260 518	2 447 579	577 163	624 924
XIV. Short-term liabilities	4 644 771	2 837 600	1 185 919	724 506
XV. Equity	12 476 264	10 719 943	3 185 483	2 737 053
XVI. Share capital*	1 057 635	1 057 635	270 039	270 039
XVII. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XVIII. Book value per share (in PLN/EUR)	29,17	25,06	7,45	6,40

* Share capital after revaluation in accordance with IAS 29.

The above financial data were converted to EUR in line with the following methods:

- specific positions of assets, equity and liabilities – in accordance with the average exchange rate announced by the National Bank of Poland for 30 September 2005 – PLN 3.9166 / EUR,
- specific profit and loss items and positions of the statement of cash flows – in accordance with the exchange rate being the arithmetic average of the average exchange rates announced by the National Bank of Poland as at the last day of each complete month of the reporting period (from 1 January to 30 September 2005) – PLN 4.0583 / EUR.

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
as at 30 September 2005, 31 December 2004 and 30 September 2004
(all amounts in PLN thousand)

	30 September 2005 (unaudited)	31 December 2004 (unaudited)	30 September 2004 (unaudited)
		(in thousand PLN)	
ASSETS			
Non-current assets			
Property, plant and equipment	18 376 144	11 118 867	10 942 560
Goodwill	17 001	20 501	20 317
Intangible assets	757 249	344 431	344 518
Long-term financial investments	632 488	511 564	523 371
Investments in associates	496 448	118 014	124 686
Deferred tax assets	50 367	27 016	6 831
Other non-current assets	19 928	8 794	9 510
Perpetual usufruct of land	60 999	40 023	45 768
Investment property	17 541	17 893	18 012
Total non-current assets	**20 428 165**	**12 207 103**	**12 035 573**
Current assets			
Inventory	5 696 512	3 224 924	3 452 013
Trade and other receivables	5 196 854	2 598 800	2 998 949
Income tax receivable	19 054	23 309	785
Short-term investments	87 073	1 124 155	475 735
Short-term prepayments	135 358	102 091	138 226
Cash and cash equivalents	1 266 613	735 813	1 068 777
Other financial assets	129 424	154 217	103 703
Total current assets	**12 530 888**	**7 963 309**	**8 238 188**
Total assets	**32 959 053**	**20 170 412**	**20 273 761**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Equity			
Nominal share capital	534 636	534 636	534 636
Share capital revaluation adjustment	522 999	522 999	522 999
Share capital*	**1 057 635**	**1 057 635**	**1 057 635**
Nominal share premium	1 058 450	1 058 450	1 058 450
Share premium revaluation adjustment	168 803	168 803	168 803
Share premium	**1 227 253**	**1 227 253**	**1 227 253**
Hedging reserve	25 067	59 195	20 896
Foreign exchange differences on subsidiaries from consolidation	(111 792)	(9 444)	22 739
Retained earnings	13 705 517	10 304 884	9 642 930
Total equity (attributed to shareholders of the parent company)	**15 903 680**	**12 639 523**	**11 971 453**
Minority interest	2 626 069	384 013	463 200
Total equity	**18 529 749**	**13 023 536**	**12 434 653**
Non-current liabilities			
Interest-bearing loans and borrowings	3 293 869	2 083 536	2 154 891
Provisions	797 441	637 689	595 002
Deferred tax liabilities	1 109 980	387 855	417 522
Other non-current liabilities	130 417	34 255	46 944
Total non-current liabilities	**5 331 707**	**3 143 335**	**3 214 359**
Current liabilities			
Trade and other liabilities and accrued expenses	7 158 377	3 417 916	4 015 580
Provisions	667 165	283 442	133 008
Income tax liability	104 518	1 680	77 017
Interest-bearing loans and borrowings	1 097 737	241 599	346 994
Deferred income	63 512	16 911	36 383
Other current financial liabilities	6 288	41 993	15 767
Total current liabilities	**9 097 597**	**4 003 541**	**4 624 749**
Total equity and liabilities	**32 959 053**	**20 170 412**	**20 273 761**

* share capital was revalued in accordance with IAS 29

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED PROFIT AND LOSS STATEMENTS
for the periods of 9 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	for the period of 9 months ended 30 September 2005 (unaudited)	for the period of 9 months ended 30 September 2004 (unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sale of goods	28 893 757	21 646 181
Excise tax and other charges	(8 091 444)	(7 554 968)
Revenues from sale of finished goods	20 802 313	14 091 213
Revenues from sale of merchandise and raw materials	9 033 071	8 226 154
Total sales revenues	**29 835 384**	**22 317 367**
Cost of finished goods sold	(15 975 464)	(10 161 286)
Cost of merchandise and raw materials sold	(8 491 905)	(7 682 072)
Gross profit on sales	**5 368 015**	**4 474 009**
Other operating income*	2 267 391	180 692
Distribution expenses	(1 579 197)	(1 601 355)
General and administrative expenses	(681 682)	(626 555)
Other operating expenses	(687 404)	(367 500)
Profit from operations	**4 687 123**	**2 059 291**
Financial income	582 818	247 952
Financial expenses	(308 288)	(129 091)
Net financial revenues and expenses	**274 530**	**118 861**
Share in profit from investments accounted for under equity method	11 896	11 151
Profit on the sale of all or part of shares of related parties	29 395	13 321
Profit before tax	**5 002 944**	**2 202 624**
Income tax expense	(646 537)	(453 786)
Profit after tax	**4 356 407**	**1 748 838**
Minority interest	(46 594)	(40 930)
Net profit	**4 309 813**	**1 707 908**
Basic and diluted earnings per share in Polish Zloty	**10,08**	**3,99**

*incl. in 3rd quarter 2005 the excess of share in the net consolidated assets of UNIPETROL over the acquisition cost in the amount of PLN 2,005,028 thousand

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED PROFIT AND LOSS STATEMENTS
for the periods of 3 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	III quarter period from 1.07.2005 to 30.09.2005	III quarter period from 1.07.2004 to 30.09.2004
	(unaudited)	(unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sale of goods	12 733 413	8 166 263
Excise tax and other charges	(2 970 038)	(2 656 096)
Revenues from sale of finished goods	9 763 375	5 510 167
Revenues from sale of merchandise and raw materials	3 311 053	2 994 048
Total sales revenues	**13 074 428**	**8 504 215**
Cost of finished goods sold	(7 661 122)	(3 992 428)
Cost of merchandise and raw materials sold	(3 386 776)	(2 770 832)
Gross profit on sales	**2 026 530**	**1 740 955**
Other operating income	96 890	71 060
Distribution expenses	(542 810)	(537 892)
General and administrative expenses	(258 877)	(204 286)
Other operating expenses	(126 626)	(74 705)
Profit from operations	**1 195 107**	**995 132**
Financial income	130 768	90 851
Financial expenses	(63 419)	(30 832)
Net financial revenues and expenses	**67 349**	**60 019**
Share in profit from investments accounted for under equity method	4 189	2 246
Profit on the sale of all or part of shares of related parties	-	9 526
Profit before tax	**1 266 645**	**1 066 923**
Income tax expense	(253 852)	(216 770)
Profit after tax	**1 012 793**	**850 153**
Minority interest	(32 628)	(17 361)
Net profit	**980 165**	**832 792**

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the period of 9 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	for the period of 9 months ended 30 September 2005 (unaudited)	for the period of 9 months ended 30 September 2004 (unaudited)
	(in thousand PLN)	
Cash flows - operating activities		
Net profit	**4 309 813**	**1 707 908**
Adjustments for:		
Minority interest	46 594	40 930
Share in profit from investments accounted for under equity method	(11 896)	(11 151)
Depreciation and amortisation	1 059 478	1 004 420
Interest and dividend income, net	(18 211)	(4 555)
Income tax expense	646 537	453 786
(Profit) / Loss on investing activities	(42 517)	99 280
(Increase) in receivables	(273 736)	(519 479)
(Increase) in inventories	(1 371 291)	(445 707)
Increase in liabilities and accruals	801 835	638 931
Increase in provisions	422 596	99 783
Other*	(2 252 479)	67 727
Income tax paid	(567 193)	(332 347)
Net cash provided by operating activities	**2 749 530**	**2 799 526**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 496 341)	(1 258 591)
Proceeds from the sale of property, plant and equipment	46 689	50 876
Proceeds from the sale of shares	76 818	40 477
Acquisition of shares**	(1 341 410)	(43 648)
Acquisition of short-term securities	(125 114)	(504 431)
Proceeds from the sale of short-term securities	1 155 033	89 509
Interest and dividends received	138 112	88 437
Loans repaid / (granted)	2 935	(1 160)
Other***	(167 814)	11 677
Net cash used in investing activities	**(1 711 092)**	**(1 526 854)**
Cash flow - financing activities		
Proceeds from long and short-term borrowings and loans	1 657 556	974 536
Repayment of long and short-term borrowings and loans	(1 583 753)	(1 447 803)
Interest paid	(99 740)	(79 296)
Dividends paid	(457 649)	(278 011)
Other	(24 222)	(5 820)
Net cash provided by / (used in) financing activities	**(507 808)**	**(836 394)**
Net change in cash and cash equivalents	**530 630**	**436 278**
Effect of exchange rate changes	170	(1 760)
Cash and cash equivalents, beginning of the period	**735 813**	**634 259**
Cash and cash equivalents, end of period, incl.	**1 266 613**	**1 068 777**
Cash and cash equivalents not available for use	114 469	297 266

* Incl. in 2005 the excess of share in the net consolidated assets of the Unipetrol Group over the acquisition price - PLN 2,005,028 thousand.

** Incl. in 2005 the acquisition of the Unipetrol Group for PLN 1,562,335 thousand, decreased by acquired cash of PLN 220,007 thousand.

*** Incl. in 2005 the acquisition of liabilities of the Unipetrol Group of PLN 171,648 thousand.

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
as at 30 September 2005, 31 December 2004 and 30 September 2004
(all amounts in PLN thousand)

	Share capital	Share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Minority interest	Total equity
1 January 2005 (unaudited)	**1 057 635**	**1 227 253**	**-**	**62 366**	**8 206 615**	**433 859**	**10 987 728**
Foreign exchange differences on consolidation	-	-	-	(39 627)	-	-	(39 627)
Dividend	-	-	-	-	(278 011)	-	(278 011)
Net profit	-	-	-	-	1 707 908	-	1 707 908
Impairment of non-current assets	-	-	-	-	6 418	-	6 418
Hedge accounting - cash flow hedges	-	-	20 896	-	-	-	20 896
Minority interest	-	-	-	-	-	40 930	40 930
Change in shareholders structure	-	-	-	-	-	(11 589)	(11 589)
30 September 2004 (unaudited)	**1 057 635**	**1 227 253**	**20 896**	**22 739**	**9 642 930**	**463 200**	**12 434 653**

	Share capital	Share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Minority interest	Total equity
1 January 2005 (unaudited)	**1 057 635**	**1 227 253**	**59 195**	**(9 444)**	**10 304 884**	**384 013**	**13 023 536**
Foreign exchange differences on consolidation	-	-	-	(102 348)	-	-	(102 348)
Dividend	-	-	-	-	(911 020)	-	(911 020)
Net profit	-	-	-	-	4 309 813	-	4 309 813
Impairment of non-current assets	-	-	-	-	(487)	-	(487)
Hedge accounting - cash flow hedges	-	-	(34 128)	-	-	-	(34 128)
Inne	-	-	-	-	2 327	-	2 327
Minority interest	-	-	-	-	-	46 594	46 594
Change in shareholders structure	-	-	-	-	-	2 195 462	2 195 462
30 September 2005 (unaudited)	**1 057 635**	**1 227 253**	**25 067**	**(111 792)**	**13 705 517**	**2 626 069**	**18 529 749**

	Share capital	Share premium	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Minority interest	Total equity
1 January 2004 (unaudited)	**1 057 635**	**1 227 253**	**-**	**62 366**	**8 206 615**	**433 859**	**10 987 728**
Foreign exchange differences on consolidation	-	-	-	(71 810)	-	-	(71 810)
Dividend	-	-	-	-	(278 011)	-	(278 011)
Net profit	-	-	-	-	2 372 817	-	2 372 817
Impairment of non-current assets	-	-	-	-	3 463	-	3 463
Hedge accounting - cash flow hedges	-	-	59 195	-	-	-	59 195
Minority interest	-	-	-	-	-	53 950	53 950
Change in shareholders structure	-	-	-	-	-	(103 796)	(103 796)
31 December 2004 (unaudited)	**1 057 635**	**1 227 253**	**59 195**	**(9 444)**	**10 304 884**	**384 013**	**13 023 536**

POLSKI KONCERN NAFTOWY ORLEN S.A.
STANDALONE CONDENSED BALANCE SHEETS
as at 30 September 2005, 31 December 2004 and 30 September 2004
(all amounts in PLN thousand)

	30 September 2005 (unaudited)	31 December 2004 (unaudited)	30 September 2004 (unaudited)
		(in thousand PLN)	
ASSETS			
Non-current assets			
Property, plant and equipment	7 760 463	7 615 963	7 536 133
Intangible assets	31 404	29 404	31 185
Long-term financial investments	512 034	498 963	476 829
Investments in associates	3 438 958	1 685 878	1 791 799
Other non-current assets	71 001	32 302	35 682
Perpetual usufruct of land	31 736	24 931	23 592
Total non-current assets	**11 845 596**	**9 887 441**	**9 895 220**
Current assets			
Inventory	4 091 559	2 621 975	2 917 975
Trade and other receivables	2 926 530	1 908 263	2 269 187
Income tax receivable	-	10 206	-
Short-term investments	675	1 261 747	305 028
Short-term prepayments	52 521	68 329	89 258
Cash and cash equivalents	336 040	291 138	425 359
Other financial assets	128 632	154 018	103 095
Total current assets	**7 535 957**	**6 315 676**	**6 109 902**
Total assets	**19 381 553**	**16 203 117**	**16 005 122**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Equity			
Nominal share capital	534 636	534 636	534 636
Share capital revaluation adjustment	522 999	522 999	522 999
Share capital*	**1 057 635**	**1 057 635**	**1 057 635**
Nominal share premium	1 058 450	1 058 450	1 058 450
Share premium revaluation adjustment	168 803	168 803	168 803
Share premium	**1 227 253**	**1 227 253**	**1 227 253**
Hedging reserve	48 141	75 943	42 374
Retained earnings	10 143 235	8 929 635	8 392 681
Total equity	**12 476 264**	**11 290 466**	**10 719 943**
Non-current liabilities			
Interest-bearing loans and borrowings	1 383 082	1 407 707	1 527 769
Provisions	561 222	498 334	572 362
Deferred tax liabilities	313 021	305 670	347 448
Other non-current liabilities	3 193	-	-
Total non-current liabilities	**2 260 518**	**2 211 711**	**2 447 579**
Current liabilities			
Trade and other liabilities and accrued expenses	3 792 453	2 432 232	2 518 545
Provisions	526 291	235 447	103 193
Interest-bearing loans and borrowings	264 004	5 863	117 248
Deferred income	7 133	6 048	23 329
Income tax liability	50 192	-	63 617
Other current financial liabilities	4 698	21 350	11 668
Total current liabilities	**4 644 771**	**2 700 940**	**2 837 600**
Total equity and liabilities	**19 381 553**	**16 203 117**	**16 005 122**

*share capital was revalued in accordance withs IAS 29

POLSKI KONCERN NAFTOWY ORLEN S.A.
STANDALONE CONDENSED PROFIT AND LOSS STATEMENTS
for the period of 9 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	for the period of 9 months ended 30 September 2005	for the period of 9 months ended 30 September 2004
	(unaudited)	(unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sale of goods	22 166 198	19 643 914
Excise tax and other charges	(7 627 057)	(7 495 469)
Revenues from sale of finished goods	14 539 141	12 148 445
Revenues from sale of merchandise and raw materials	1 530 807	1 359 043
Total sales revenues	**16 069 948**	**13 507 488**
Cost of finished goods sold	(10 813 878)	(9 084 502)
Cost of merchandise and raw materials sold	(1 173 011)	(1 066 939)
Gross profit on sales	**4 083 059**	**3 356 047**
Other operating income	85 779	135 071
Distribution expenses	(1 050 778)	(1 041 738)
General and administrative expenses	(362 760)	(389 767)
Other operating expenses	(498 026)	(207 339)
Profit from operations	**2 257 274**	**1 852 274**
Financial income	521 502	238 693
Financial expenses	(127 968)	(72 894)
Net financial revenues and expenses	**393 534**	**165 799**
Profit before tax	**2 650 808**	**2 018 073**
Income tax expense	(525 998)	(392 820)
Net profit	**2 124 810**	**1 625 253**
Basic and diluted earnings per share in Polish Zloty	**4,97**	**3,80**

POLSKI KONCERN NAFTOWY ORLEN S.A.
STANDALONE CONDENSED PROFIT AND LOSS STATEMENTS
for the period of 3 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	III quarter period from 1.07.2005 to 30.09.2005	III quarter period from 1.07.2004 to 30.09.2004
	(unaudited)	(unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sale of goods	8 262 905	7 433 145
Excise tax and other charges	(2 659 546)	(2 646 973)
Revenues from sale of finished goods	5 603 359	4 786 172
Revenues from sale of merchandise and raw materials	717 792	612 831
Total sales revenues	**6 321 151**	**5 399 003**
Cost of finished goods sold	(4 355 269)	(3 624 373)
Cost of merchandise and raw materials sold	(552 850)	(475 627)
Gross profit on sales	**1 413 032**	**1 299 003**
Other operating income	16 519	86 377
Distribution expenses	(348 162)	(336 291)
General and administrative expenses	(117 493)	(128 871)
Other operating expenses	(43 534)	(67 388)
Profit from operations	**920 362**	**852 830**
Financial income	105 915	82 487
Financial expenses	(28 975)	(16 723)
Net financial revenues and expenses	**76 940**	**65 764**
Profit before tax	**997 302**	**918 594**
Income tax expense	(183 943)	(179 459)
Net profit	**813 359**	**739 135**

POLSKI KONCERN NAFTOWY ORLEN S.A.
STANDALONE CONDENSED STATEMENTS OF CASH FLOWS
for the period of 9 months ended 30 September 2005 and 30 September 2004
(all amounts in PLN thousand)

	for the period of 9 months ended 30 September 2005	for the period of 9 months ended 30 September 2004
	(unaudited)	(unaudited)
	(in thousand PLN)	
Cash flows - operating activities		
Net profit	**2 124 810**	**1 625 253**
Adjustments for:		
Depreciation and amortisation	606 258	737 146
Interest and dividend income, net	(120 047)	(50 931)
Income tax expense	525 998	392 820
(Profit) / Loss on investing activities	(29 101)	2 292
(Increase) in receivables	(662 621)	(449 799)
(Increase) in inventories	(1 469 584)	(405 472)
Increase in liabilities and accruals	672 348	272 272
Increase in provisions	360 297	57 184
Other	(219 882)	(72 378)
Income tax paid	(458 249)	(293 896)
Net cash provided by operating activities	**1 330 227**	**1 814 491**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(752 945)	(718 581)
Proceeds from the sale of property, plant and equipment	8 238	85 469
Proceeds from the sale of shares in Naftoport	67 692	-
Proceeds from the sale of shares	8 141	29 981
Acquisition of shares *	(1 567 004)	(61 826)
Proceeds from the sale of short-term securities	1 010 986	-
Acquisition of short-term securities	-	(305 028)
Interest and dividends received	166 396	96 693
Proceeds from repayment of loan granted to subsidiary	240 248	-
Proceeds from return of additional payments to subsidiaries' equity	-	230 299
Other**	(172 924)	1 216
Net cash used in investing activities	**(991 172)**	**(641 777)**
Cash flow - financing activities		
Proceeds from long and short-term borrowings and loans	395 492	695 903
Repayment of long and short-term borrowings and loans	(194 248)	(1 184 017)
Interest paid	(37 863)	(42 869)
Dividends paid	(457 649)	(278 011)
Other	-	(124)
Net cash provided by / (used in) financing activities	**(294 268)**	**(809 118)**
Net change in cash and cash equivalents	**44 787**	**363 596**
Effect of exchange rate changes	115	(1 006)
Cash and cash equivalents, beginning of the period	**291 138**	**62 769**
Cash and cash equivalents, end of period, incl.	**336 040**	**425 359**
Cash and cash equivalents not available for use	6 473	187 963

* In 2005 PLN 1,562,335 thousand relates to the acquisition of the Unipetrol Group

** Incl. in 2005 the acquisition of liabilities of the Unipetrol Group of PLN 171,648 thousand.

POLSKI KONCERN NAFTOWY ORLEN S.A.
STANDALONE STATEMENTS OF CHANGES IN EQUITY
as at 30 September 2005, 31 December 2004 and 30 September 2004
(all amounts in PLN thousand)

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
1 January 2005	**1 057 635**	**1 227 253**	**-**	**7 054 382**	**9 339 270**
(unaudited)					
Dividend	-	-	-	(278 011)	(278 011)
Net profit	-	-	-	1 625 253	1 625 253
Impairment of non-current assets	-	-	-	(8 943)	(8 943)
Hedge accounting - cash flow hedges	-	-	42 374	-	42 374
30 September 2004	**1 057 635**	**1 227 253**	**42 374**	**8 392 681**	**10 719 943**
(unaudited)					

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
1 January 2005	**1 057 635**	**1 227 253**	**75 943**	**8 929 635**	**11 290 466**
(unaudited)					
Dividend	-	-	-	(911 020)	(911 020)
Net profit	-	-	-	2 124 810	2 124 810
Impairment of non-current assets	-	-	-	(190)	(190)
Hedge accounting - cash flow hedges	-	-	(27 802)	-	(27 802)
30 September 2005	**1 057 635**	**1 227 253**	**48 141**	**10 143 235**	**12 476 264**
(unaudited)					

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
1 stycznia 2004	**1 057 635**	**1 227 253**	**-**	**7 054 382**	**9 339 270**
(unaudited)					
Dividend	-	-	-	(278 011)	(278 011)
Net profit	-	-	-	2 154 351	2 154 351
Impairment of non-current assets	-	-	-	(1 087)	(1 087)
Hedge accounting - cash flow hedges	-	-	75 943	-	75 943
31 December 2004	**1 057 635**	**1 227 253**	**75 943**	**8 929 635**	**11 290 466**
(unaudited)					

I. PRINCIPLE ACTIVITY OF THE GROUP

The Parent Company of the Polski Koncern Naftowy ORLEN Group ("Group") is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent"), seated in Płock, Poland, 7 Chemikow Street.
The Company was established under the notarial deed of 29 June 1993 as a result of the transformation of a state owned enterprise into a joint-stock company registered as Mazowieckie Zakłady Rafineryjne i Petrochemiczne "Petrochemia Płock" S.A. in the District Court of Płock. Effective 20 May 1999, the Company changed its business name to Polski Koncern Naftowy Spółka Akcyjna.
On 7 September 1999, Centrala Produktów Naftowych "CPN" Spółka Akcyjna was incorporated and thus CPN was removed from the commercial register. Effective 12 April 2000, the Company changed its business name to Polski Koncern Naftowy ORLEN Spółka Akcyjna.

The Group's operations comprise of refining of petroleum and manufacture of a wide range of petroleum products, chemical and petrochemical products, delivery as well as wholesale and retail sale of those products.

Before the date of the second public offering completed in July 2000, the Group had been directly and indirectly owned by the Polish State Treasury, the minority shares being held by employees and other parties. The State Treasury supervised the Group by executing control over the ultimate Parent Company, Nafta Polska S.A. As at 31 October 2005, Nafta Polska S.A. held directly or indirectly 17.32% shares in PKN ORLEN SA, the Polish State Treasury 10.2%, Bank of New York (as a depositor) 11.96%, and other shareholders 60.52% of the Company's shares.

FMR Corp. with its direct and indirect subsidiaries, seated in Boston and Fidelity International Limited with its direct and indirect subsidiaries, seated in Bermuda, held 21,436,944 PKN ORLEN shares as at 24 May 2005, which is 5.01% of the share capital and gives title to 21,436,944 votes at the General Shareholders' Meeting and 5.01% of the total votes at the General Meeting of PKN ORLEN.

II. PRINCIPLES ADOPTED FOR PREPARATION OF THE CONSOLIDATED QUARTERLY STATEMENTS FOR THE THIRD PERIOD OF 2005

As of 1 January 2005, the amended Polish Accounting Act imposed a requirement on the Group to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union. The information disclosed in these consolidated financial statements is compliant with IAS 34 "Interim Financial Reporting". As at the day of preparation of these consolidated financial statements the scope of standards adopted by the International Accounting Standards Board and the standards adopted by the European Union differ with respect to some issues of IAS 39 "Financial Instruments: Recognition and Measurement". The above differences do not concern these consolidated financial statements.

The International Accounting Standards Board issued International Financial Reporting Standard No. 1 ("IFRS 1") "First-time Adoption of International Financial Reporting Standards" which is applicable for the preparation of financial statements for periods beginning on or after 1 January 2004. In addition to entities preparing their first financial statements in accordance with IFRSs, IFRS 1 is also applicable to entities such as the PKN ORLEN Group, which have already applied IFRSs yet their statements contained a comment on non-compliance with particular standards. In particular, IFRS 1 requires that an entity would disclose in its IFRS financial statements all assets and liabilities which are to be recognized under IFRSs. In accordance with IFRS 1, an entity may state its property, plant and eqiupment at fair value as of IFRSs first time adoption date, i.e. as at 1 January 2004, and recognize the fair value as the cost of property, plant and equipment as at that date.

From 1 January 2005 the Group has prepared its consolidated financial statements first time in compliance with IFRS 1 as it complies with conditions defined in that standard.

From 1 January 2005, PKN ORLEN, acting under Resolution No. 3 of the Extraordinary General Shareholders' Meeting of Polski Koncern Naftowy ORLEN S.A. of 30 December 2004 (adopted in compliance with Art. 45 1c of the Accounting Act, wording effective from 1 January 2005), has prepared its statutory standalone financial statements in accordance with IFRSs approved by the European Commission and in force for 2005.

The consolidated financial statements have been prepared based on historic cost, except for: derivatives, financial instruments at fair value though profit and loss, financial assets available for sale, and investment properties stated at fair value.

1. Statement of compliance

Under the Ministry of Finance Decree of 19 October 2005 on current and periodical information provided by issuers of securities, PKN ORLEN Management Board hereby honestly and sincerely declares that the foregoing financial statements and comparative data have been prepared in accordance with the accounting principles adopted in the Group (excluding exceptions discussed below) and that they reflect the true and fair view PKN ORLEN's financial status and its financial result, and that the half-year report of the Management Board provides the true overview of PKN ORLEN's development, achievements and business situation, including basic risks and exposures.

The consolidated financial statements presented in this consolidated report and condensed standalone financial statements which are attached to this report have been prepared in accordance with accounting principles contained in International Financial Reporting Standards and in the scope required under the Ministry of Finance Decree of 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal No. 209, item 1744), and they cover the period from 1 January to 30 September 2005 and the comparative period from 1 January to 30 September 2004.

When preparing these consolidated financial statements the Group applied International Financial Reporting Standards in force as at 30 September 2005. In accordance with IFRS 3, these consolidated financial statements include an initial impact of acquisition of UNIPETROL, due to the conducted measurement of the acquired assets (the initial effect of net value measurement of the non-current assets was recognised with respect to this transaction, except for assets of Česka Rafinerska) and the ongoing process of determining the final acquisition cost.

The balance sheet value of property, plant and eqiupment was revalued as of 1 January 2004 by an independent expert. The Group recognised the effect of the measurement, which is currently being reviewed. The results of the review will be published in the report for the fourth quarter 2005. The revaluation covered non-current assets of all the Group companies (except for assets of Anwil S.A.) made in accordance with the principles discussed under section A, Accounting Principles "Property, plant and equipment" in order to achieve full compliance with the International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) and the International Accounting Standard 16 "Property, Plant and Equipment" (IAS 16). The Group recognised the revalued amount as the deemed cost as at the date of measurement.

The Parent's Management Board expects to complete the process still in 2005, which will ensure that all IFRSs required for 2005 statutory reporting be applied before the year end. According to the Board, the projected effect of potential adjustments resulting from compliance with the above requirements will not impact significantly the Group assets, equity or results for the three quarters of 2005.
In accordance with IAS 16, the Group has commenced a process aiming to ensure that all significant items of property, plant and equipment, with different economic useful lives or depreciation methods, be identified in order to calculate relevant depreciation allowances. The Group plans to conclude the process before the end of 2005.

As at the date of preparation of consolidated financial statements, the Group applied transitional provisions of IFRS 3 "Business Combinations" for conversion of comparative data as at 1 January 2004 (which is required by IFRS 1), as discussed below. The Group applied also an exemption contained in IFRS 1 for business combinations despite the fact that it did not fully comply with IFRS 1 requirements as at the date of preparation of these financial statements. In accordance with IFRS 3, if IFRS 1 requirements are not complied with in 2005, the Group should apply transitional provisions of IFRS 3 from 1 January 2005. Consequently, if IFRS 1 requirements are not met before the end of 2005, the Group will make relevant adjustments to its opening balance sheet of 1 January 2005.

Goodwill resulting from business combinations which were conducted before 1 January 2004 is stated at the amount defined under the previous generally accepted accounting principles (Polish Accounting Standards, PASs) effective as at the IFRSs adoption date, i.e. on 1 January 2004.

These consolidated financial statements are compliant with all IFRS requirements adopted by the EU and present a true and fair view of the Group's financial position as at 30 September 2005, 31 December 2004 and 30 September 2004, results of its operations and cash flows for the periods of 9 months ended 30 September 2005 and 30 September 2004.

The consolidated financial statements have been prepared assuming that the Group will continue to operate as going concerns in the foreseeable future. As at the approval date of these financial statements there is no evidence indicating that the Group will not be able to continue its operations as going concerns.

As the financial data may not be verified by the Group Auditor due to lack of consent from other shareholders of Česka Rafinerska and associated companies: Alichem, Agrobohemie, and Lovochemie, the financial data of those companies presented in these financial statements were not verified as at 30 September 2005. All the necessary steps have been undertaken in order to provide access to the accounting books of those entities in the subsequent periods.

2. Format and general principles for preparation of condensed consolidated and standalone balance sheet, condensed consolidated and standalone profit and loss statement, condensed statement of changes in consolidated and standalone equity and condensed consolidated and standalone cash flow statement

The condensed consolidated and condensed standalone quarterly financial statements included in this consolidated quarterly report were prepared in accordance with the International Financial Reporting Standards and in the scope required under the Decree of the Ministry of Finance of 19 October 2005 on current and periodical information presented by issuers of securities (Official Journal no. 209, item 1744). The statements comprise the period from 1 January to 30 September 2005 and the comparative period from 1 January to 30 September 2004.

3. Adopted accounting principles and policy

In the presented reporting period the Company and the Group introduced changes to the respective accounting principles applied by the Group and the Company for 2004 statutory reporting. The changes concern adoption by the Group under the Accounting Act (wording effective 1 January 2005) and adoption by the Company of the International Financial Reporting Standards from 1 January 2005 in accordance with the decision of the General Shareholders' Meeting of PKN ORLEN S.A. of 30 December 2004.
The last consolidated annual financial statements prepared by the Company were the annual statements for the period of 12 months ended 31 December 2004 prepared in compliance with the Polish Accounting Standards. The accounting principles applied in these financial statements are discussed below.

An impact on the previously published results, related to the adoption of IFRSs is presented in Note XVII of these statements.
The Group applied the following exemptions from IFRS 1:
- valuation of property, plant and equipment at fair value and use of the fair value as deemed cost defined as at adoption of IFRSs – the Group included in these statements an initial valuation of property, plant and equipment at fair value as discussed under II.1,
- business combinations – the Group applied the exemption of IFRS 1 for business combinations which had taken place before 1 January 2004, as discussed in detail under II.1.
For comparability of the presented financial data, the 2004 data compliant with PASs were stated in accordance with IFRSs. Reconciliation of the previously published data stated according to PASs with IFRSs is presented under Note XVII.

A. Accounting principles

Property, Plant and Equipment

Property, plant and equipment, excluding land and investment property, are stated at cost which consists of the acquisition cost and direct costs related to bringing the fixed asset into use as well as estimated costs of dismantling and removal of the asset and the cost of restoration of the site/land to the initial state regardless of whether the obligation exists at acceptance of the asset for use or arises during its use.
After initial recognition, property, plant and equipment are depreciated and subject to impairment allowances.

Property, plant and equipment items acquired after 31 December 1996 are stated at acquisition cost less accumulated depreciation and impairment allowances.

Property, plant and equipment acquired before 1 January 1997 are stated at fair value determined as at 1 January 2004 in accordance with deemed cost less accumulated depreciation and impairment allowances. In order to comply with the above requirements, in accordance with IFRS 1, the Group commissioned an independent expert to perform a preliminary revaluation of property, plant and equipment to fair value as at the date of application of IFRSs and recognized the value as deemed cost as at that date. The Parent Company's Management Board expects that the revaluation process will be concluded in 2005, which will ensure application of all IFRS principles required in 2005 for statutory reporting by the end of that year. According to the Board, the estimated result of recognition of potential adjustments resulting from the above requirements will not impact significantly the Group assets, equity or financial results for the third quarter 2005.

The cost of current maintenance of property, plant and equipment is recorded in the financial result during the period when they are incurred.

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives.

Property, plant and equipment are depreciated on a straight line basis over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied periods and depreciation rates is verified once a year, and respective adjustments are made to the subsequent periods of depreciation. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life.
In the third quarter of 2005, the Group has not implemented the component accounting. The Group commenced the process to ensure that all material components of property, plant and equipment with different useful lives or depreciation methods would be identified in order to calculate relevant depreciation allowances. The Group expects that this process will be concluded by the end of 2005.

The Group estimates the residual value of property, plant and equipment. The residual value is the net amount which the Group would currently obtain from the disposal of the assets, having deducted the estimated cost of disposal, if the assets were already of the age and in the condition expected at the end of their useful life. The residual value is not subject to depreciation and is reviewed once a year.

The following useful lives are used for property, plant and equipment:

Buildings and constructions	10-70 years
Machinery and equipment	3-25 years
Vehicles and other	4-17 years

Assets with an estimated useful life not exceeding one year and with an initial cost not exceeding PLN 3.5 thousand are expensed when accepted for use.

If there have been events or changes which indicate that the carrying amount of property, plant and equipment may not be recoverable, the assets are analyzed for potential impairment. If there are indications of impairment, and the carrying amount exceeds the estimated recoverable amount, the value of those assets or cash-generating units is decreased to the recoverable amount. The recoverable amount of property, plant and equipment reflects the higher of net selling cost and value in use.
Impairment allowances are recognized as operating costs in the profit and loss.

Finance lease

A lease contract, under IAS 17, is regarded as a finance lease if it transfers substantially all risks and rewards incidental to ownership of the leased asset.
Assets used under lease, tenancy, rental or similar contracts which meet the criteria defined in IAS 17, "Leases", are regarded as property, plant and equipment and recognized at the lower of fair value of the leased asset at the commencement of the lease term and the present value of the minimum lease payments.

Depreciation methods for leased assets being depreciated are consistent with normal depreciation policies applied for similar Group owned assets and depreciation is calculated in accordance with IAS 16 and IAS 38. If it is not certain that the lessee will obtain title to the asset before the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's economic useful life.

Assets leased out based on lease, tenancy, rental or similar contracts meeting the above finance lease criteria are initially recognized as long-term receivables and stated at the net lease investment value.

Goodwill

Goodwill resulting from a business combination is stated at the acquisition date at the excess of the cost of the business combination over the acquirer's share in the fair value of the net identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is decreased by impairment allowances.

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired. Goodwill is not amortized.

Excess of net fair value of identifiable assets, liabilities and contingent liabilities over acquisition cost

If the acquirer's share resulting from a business combination in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the acquirer:

- reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the cost of the business combination;
- recognizes immediately in the profit and loss any excess remaining after the reassessment in the period in which the business combination was carried out.

Intangible assets

Intangible assets are recognized if it is probable that expected future economic benefits that are directly attributable to the assets will flow to the entity. Initially intangible assets are stated at acquisition or construction cost. The intangible assets acquired in a business combination are initially recognized at fair value as defined at the business combination date.

After initial recognition, intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets are amortized using the straight line method over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is regularly reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods.

Intangible assets with an indefinite useful life are not amortized. Their value is decreased by impairment allowances.

The residual value of intangible assets is usually assumed to be zero, unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life – the residual value is then defined by the contract for disposal of the title to the asset; or
- there is an active market for the asset, its value may be reliably estimated and it is highly probable that such a market will exist at the end of the asset's useful life.

The adopted economic standard useful lives for amortization of intangible assets are:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years

Except for development costs, all intangible assets generated by the Group are not recognized as assets and are recorded in the profit and loss for the period when the related cost has been incurred.

Intangible assets with indefinite useful lives and intangible assets which are not yet in use are tested for impairment once a year.

Other intangible assets are tested for impairment only if there are indications that their carrying amount may not be recoverable. If there are indications of impairment, and the carrying amount exceeds the estimated recoverable amount, the value of those assets or the related cash-generating units is decreased to the recoverable amount. The recoverable amount of those assets is the higher of the assets' net selling price and their value in use.

The titles to perpetual usufruct of land obtained under an administrative decision are recognised by the Group at fair value as off balance sheet items.

Investment property

Investment property is initially recognized at acquisition cost including transaction costs. After initial recognition investment property is presented at fair value. Gains and losses resulting from changes in fair value of investment property are presented in the profit and loss in the period when incurred.

Investment property is subject to impairment allowance when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising from allowances of the investment property are recognized in the profit and loss in the period when they are made.

Inventories

Inventories are measured at the lower of cost and net realizable value, considering any inventory allowances. The net realizable value is the selling price estimated in the ordinary course of business activity less the estimated costs of completion and the estimated selling costs.

Cost of usage is determined based on the weighted average costs formula. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

Receivables

Trade and other receivables are recognized when they arise at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less allowances for doubtful receivables. Uncollectible debts are stated in the profit and loss when it is determined that they are not collectible.

Cash and cash equivalents

Cash comprises cash on hand and in a bank account. Cash equivalents are short-term highly liquid investments (of initial maturity up to three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.
The cash flows balance of cash and cash equivalents consists of the above defined monetary assets and their equivalents less bank overdrafts, if they form an integral part of an entity's cash management.

Revenue from sale

Revenue from sale is recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Group and the amount of revenue can be measured reliably. Sale of goods includes excise tax and fuel charges.
The net revenue from the sale of finished goods is recognized after deducting value added tax (VAT), excise tax, fuel charges and discounts.

Revenue from the sale of finished goods and merchandise is recognized when the finished goods/merchandise are issued and related risks and rewards have been transferred. Revenue from settlement of cash flow hedge instruments adjusts the sales revenue.

The revenue is measured at the fair value of the received or due payment.

Revenue from dividends

Dividends are recognized when the shareholder's right to receive payment is established.

Equity

Equity is stated in the accounting books by type, in accordance with legal regulations and the Company's Articles of Association.
The share capital is stated at nominal value in accordance with the Company's Articles of Association and the entry in the Commercial Register, except for shares issued before 1996. Those shares were adjusted using a general price index in line with IAS 29.
The stated outstanding share capital contributions are recognized as outstanding share capital contributions. Own shares and outstanding share capital contributions decrease the Company's equity.
Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs.
Issuance costs incurred by setting up a joint stock company or increasing the share capital decrease the share premium to the amount of the surplus of the issuance value in excess of the nominal value of shares, and the remaining portion is presented by the Group as retained earnings.
Changes in the fair value of cash flows hedges related to the portion regarded as an effective hedge are included in equity as hedging reserve.

Equity resulting from the conversion of convertible bonds, liabilities and loans into shares is stated at the nominal value of those financial instruments, liabilities and loans, considering non-amortized discounts or premiums, interest accrued and unsettled before the conversion date, which will not be paid out, unrealized foreign exchange differences and capitalized cost of issue.

The amounts arising at profit distribution, transfer from revaluation reserve (the difference between the fair value and the acquisition cost less deferred tax of assets available for sale is transferred to the revaluation reserve if their price is determined on the regulated active market or if their fair value may be reliably estimated by alternative methods), the undistributed result for prior periods and the current period net profit are presented in the financial statements as retained earnings.

Interest-bearing bank loans and borrowings

Interest-bearing bank loans and borrowings are initially stated at the fair value of proceeds received, net of transaction costs. They are subsequently recognized at amortized cost using the effective interest rate method. The difference between the net proceeds and the buyout amount is recognized as financial revenue or cost over the term of the loan or borrowing.

External financing costs

Cost of loans and borrowings, including foreign exchange differences related to loans and borrowings drawn in foreign currencies, are expensed in accordance with the benchmark treatment of IAS 23 in the profit and loss in the period to which they refer.

Retirement benefits and jubilee bonuses

Under the Group companies' remuneration plans, their employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Group does not assign assets which would be used for future retirement or jubilee liabilities. The Group creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present amount of those liabilities is estimated at the end of each reporting year by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation, and relate to the period ended at the last day of the reporting year. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

Foreign currency transactions

Transactions denominated in foreign currencies are recognized after their translation to the functional currency, i.e. Polish New Zloty, at the exchange rate effective on the transaction date. Monetary assets and liabilities expressed in foreign currencies are stated at the National Bank of Poland average foreign exchange rates announced at the balance sheet date. Any gains or losses resulting from changes in foreign exchange rates after the transaction date are recognized as financial income or expenses in the profit and loss statement. The exchange differences are stated in the profit and loss at their net amount.

Financial instruments

Financial assets are classified in the following categories: financial assets held to maturity, financial assets at fair value through profit and loss, loans and receivables and financial assets available for sale. Financial assets held to maturity are investments with determined or determinable payments and a fixed maturity date, which the Group intends and has the ability to hold to the maturity date, except for the Group's own receivables and loans. Financial assets acquired in order to generate profits on short-term price fluctuations are classified as financial assets at fair value through profit and loss.
All other financial assets, which are not borrowings or receivables of the Company, are classified as financial assets available for sale.

Financial investments held to maturity are part of non-current assets if their maturity dates exceed twelve months from the balance sheet date. Financial assets measured at fair value through profit and loss, are classified as current assets if the Management Board intends to realize them within twelve months from the balance sheet date.

Purchases and sales of financial assets are recognized at the transaction date. At the moment of the original recognition those assets are measured at acquisition cost, i.e. at fair value, including transaction costs.

Financial assets at fair value through profit and loss, are measured at fair value without deduction of the transaction costs and considering their market value as at the balance sheet date. The change in fair value of those financial assets is recognized as financial income or expenses.
Financial assets held to maturity are measured at the amortized cost using the effective interest rate.

Financial assets available for sale are recognized at fair value, without deduction of the transaction costs, and considering their market value at the balance sheet date. If the financial instruments are not traded on an active market and it is impossible to estimate reliably their fair value by alternative methods, financial assets available for sale are measured at acquisition cost adjusted by impairment allowances, if they have been valued at historical cost.

Positive and negative differences between fair value and acquisition cost, net of deferred tax, of financial assets available for sale are reflected in the revaluation reserve if their market price is determinable on a regulated active market or fair value may be estimated by some other reliable method. Decrease in the value of financial assets available for sale due to impairment allowances is charged to financial expenses in the profit and loss.

Granted loans are recognized at amortized cost.

Derivatives which are not designated as hedging instruments and are classified as financial assets or liabilities at fair value are stated at fair value, considering its changes, through profit and loss.

Derivatives treated as cash flow hedge instruments are carried at fair value with changes in value accounted for in the following way:

- the portion determined to be an effective hedge is recognized directly in equity through the statement of changes in equity;
- the portion determined to be an ineffective hedge is recognized in the profit and loss;
- revenues or expenses on settlement of cash flow hedging instruments adjust sales revenues when recognized in the profit and loss.

Embedded derivatives are separated from the host contracts and accounted for as derivatives if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same realization terms as the embedded derivative would meet the definition of a derivative;
- is not the hybrid (combined) instrument.

The hybrid (combined) instrument is not measured at fair value and changes in fair value are not recognized in the net profit or loss.

Embedded derivatives are accounted for in a similar way as other derivatives which are not designated as hedging instruments.

Financial instruments are not presented in the financial statements if the title and control resulting from the underlying contract is lost which usually takes place on disposal of the financial instrument or when all related cash flows are transferred to a third party.

Derivatives used by the Group in order to hedge against foreign exchange risks comprise mainly of currency forwards. Such instruments are measured at fair value.
The fair value of currency forwards is estimated with reference to current futures rates for contracts of similar maturity.
When applying hedge accounting, hedges are classified as cash flow hedges against cash flow changes attributable to a particular type of risk related to a recognized asset, liability, or a forecast transaction. They may also be regarded as fair value hedges which are attributable to a particular type of risk related to a recognized asset or liability.
If the specific criteria for hedge accounting are met, a portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion of the gain or loss is recognized in the profit and loss.
The gain or loss from the re-measurement of the derivative hedging instruments at fair value that do not comply with the hedge accounting criteria are recognized directly in the profit and loss.

The Company discontinues hedge accounting when the underlying instrument expires or is sold, terminated or realized, or when the hedge no longer meets the criteria for hedge accounting. In such a case, total gain or loss on the hedging instrument, previously recognized in equity, is recognized in equity until the forecast transaction takes place. If the Company no longer expects the forecast transaction to take place, the total net gain or loss recognized in equity is presented in the financial result of the current period.

Corporate income tax

Income tax is measured on gross profit considering deferred tax. The deferred tax is measured using the balance sheet liability method. The deferred tax reflects the net tax effect of temporary differences between the carrying amount of a given asset or liability and its tax base. The deferred tax assets and liabilities are measured at the effective tax rates enacted for subsequent years when the temporary differences are expected to be realized at tax rates enacted or substantially enacted as at the balance sheet date.

Deferred tax assets are recognized for negative temporary differences and unrealized tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realized.

Deferred tax liabilities are recognized for all temporary tax differences.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax assets and liabilities are not discounted and they are accounted for as non-current assets or long-term liabilities in the balance sheet.

Non-current assets designated for sale/disposal

Non-current assets designated for sale are those which comply with the following criteria:

- a decision was made by the Company's Management Board for the disposal;

- the assets are available for an immediate sale in their present condition;
- an active search for a potential buyer has been initiated;
- the sale transaction is highly probable and could be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

If the criteria are met after the balance sheet date, the asset is not reclassified at the end of the reporting year prior to the designation for sale. The reclassification is reflected in the reporting period when the criteria are met. Depreciation is discontinued for the asset when it is designated for sale.

Assets designated for sale are measured at the lower of the net carrying amount and the fair value less selling costs.

Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

Provisions

The Group makes provisions if it has such a legal or constructive obligation as a result of past events and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate may be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognized as external financing costs.

Environmental provisions

The Group makes provisions for future liabilities for reclamation of contaminated land or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provisions for reclamation are periodically reviewed based on reports prepared by independent experts. The Group conducts regular reclamation of contaminated land that decreases the provision by its utilization.

Government grants and assistance

The government grants are recognized at fair value if there is reasonable assurance that the grant will be obtained and the entity will comply with the conditions attached to it. If the grant relates to an expenditure, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate. If the grant concerns assets, its fair value is recognized as deferred income and on a systematic basis recorded in the profit and loss over the estimated useful life of the underlying asset.

Liabilities

Trade and other liabilities are stated at the amount due, and financial liabilities, which contractual settlement is to be made by way of issue of non-monetary financial assets or due to exchange for financial instruments, are recognised at fair value.

Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet

however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote.

Contingent liabilities acquired as the result of a business combination are recognized as provisions in the balance sheet .

Contingent receivables are not recognized in the balance sheet, however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

Company's Management Board estimates

The preparation of financial statements in accordance with IFRSs requires that the Company's Management Board makes expert estimates and assumptions that affect the adopted methods and presented amounts of assets, liabilities, revenues and costs. The estimates and related assumptions are based on historical expertise and other factors regarded as reliable in given circumstances and their effects provide grounds for expert assessment of the carrying amount of assets and liabilities which is not based directly on any other factors.

In the matters of considerable weight, the Company's Management Board bases its estimates on opinions of independent experts.

Actual results may differ from the estimated values.

The estimations and related assumptions are verified on a regular basis. Changes in accounting estimates are recognized in the period when they are made only if they refer to that period or in the present and future periods if they concern both the present and future periods.

Application of the accounting principles

The above principles are applicable for comparative data, except for principles concerning treatment of assets designated for sale, which have been applied since 1 January 2005.

Business segments

The scope of financial information in the Group segment reporting is defined based on requirements of IAS 14.

The Group adopted a branch division as the basis of reporting, i.e. as the main source of risks and benefits related to sale of goods and services. A supplementary reporting method is the division into geographical segments that are associated with activity conducted in different geographical areas.

The Group's operating activities are divided into two major divisions: Refining Segment and Chemical Segment.

- The Refining Segment includes processing of crude oil, wholesale and retail trading in refinery products.
- The Chemical Segment includes production and sale of petrochemical products by PKN ORLEN and fertilizers and PVC.

Other operations embrace among others support activities in PKN ORLEN, transportation, repair and maintenance and construction activities performed by other PKN ORLEN's subsidiaries.

Segment profit and assets have been determined before making intersegment adjustments. Selling prices between business segments are similar to market prices. Segment operating costs are allocated to different segments as appropriate. Other costs which cannot be reliably determined are included as unallocated Group expenses.

Assets (liabilities) of a segment are those operating assets (liabilities) that are used by that segment in operating activity and that are directly attributable to the given segment or may be reliably allocated to the segment.

The segment profit is determined at the level of profit from operations. The revenues, profit, assets and liabilities of a given segment are defined before intersegment adjustments are made.

For the purpose of this report, the excess of fair value of the acquired net assets over the acquisition cost was allocated to particular business segments results proportionally to the value of segment assets of the Unipetrol Group.
Due to the ongoing process of fair value measurement of the acquired Unipetrol Group assets, the share of the surplus in the segment net assets over the acquisition cost may vary from the present values.

B. Principles of consolidation

Subsidiaries

The Group consolidated financial statements include Polski Koncern Naftowy ORLEN S.A. and entities under its control. The control is normally evidenced when the Group holds directly or indirectly more than 50% of the voting rights in a company or is able to govern the financial and operating policies of a company so as to benefit from the results of its activity. The minority shareholders' interest is recognised in equity. Net profit attributable to minority shareholders is presented in the profit and loss.
The purchase method is applied at acquisition of shares of business entities. Entities acquired or disposed of over the year are included in the consolidated financial statements from the acquisition date or to the disposal date, respectively.

Investments in associates

Investments in associated companies (overall investments ranging from 20% to 50% in a company's equity) where the Group exercises significant financial and operating influence, yet does not have control over them, are accounted for by the equity method. Assessment of the recovering value of investments in associates is performed when there are indications that the asset has been impaired or the impairment allowances recognized in prior years are no longer required.

Investments in jointly controlled entities

Investments in jointly controlled entities where the Group exercises joint control are accounted for using the proportionate method whereby a proportional share in a jointly controlled entity's assets, liabilities, revenues and expenses, having deducted an impact of mutual transactions and settlements, is presented position by position with similar items in the consolidated financial statements.

Adjustments from consolidation

Internal balances between the Group companies, transactions concluded within the Group and any related unrealized gains or losses as well as the Group income and expenses are eliminated at preparation of the consolidated financial statements. Unrealized gains resulting from transactions with associates and jointly controlled entities are excluded from the consolidated financial statements depending on the Group's share in those entities. Unrealized losses are excluded from the consolidated financial statements based on the same rationale as in case of unrealized gains, until there are indications of impairment.

C. Introduction to condensed financial statements

Accounting principles, including valuation of assets and liabilities, measuring the financial result and methods of preparation of financial statement.

a) Format and the basis for preparation of condensed financial statement

The format, basis and scope of condensed financial statement were specified by the Decree of the Ministry of Finance of 19 October 2005 on current and periodical information presented by issuers of securities in paragraph § 87.1.
According to the above quoted regulation, the issuer, who is a parent company is not obliged to prepare a separate quarterly report, providing that the condensed financial statements are included in the consolidated quarterly report,

comprising: balance sheet statement, profit and loss statement, statements of changes in equity and cash flow statement.

b) Accounting policies

As applicable for standalone financial statements, the accounting policies applied by PKN ORLEN are convergent with policies described in the condensed consolidated financial statements of the Capital Group for the III quarter 2005, in which the Company is the parent entity.
From 1 January 2005, PKN ORLEN, acting under Resolution No. 3 of the Extraordinary General Shareholders' Meeting of Polski Koncern Naftowy ORLEN S.A. of 30 December 2004 (adopted in compliance with Art. 45 par. 1c of the Accounting Act, wording effective from 1 January 2005), has prepared its statutory standalone financial statements in accordance with IFRSs approved by the European Commission for 2005.
The impact of changes was included in the financial statement by conversion of the comparative data.

4. Measurement and reporting currency and methods applied to conversion of financial data

a) Measurement and reporting currency

The measurement currency of the Parent Company and the reporting currency of these consolidated financial statements is Polish New Zloty. For assets and liabilities expressed in foreign currencies as at the balance sheet date, the same average National Bank of Poland exchange rate is applied as announced on the balance sheet date.
The financial statements of foreign entities are translated into the Polish currency in the following way:

- balance sheet items at the average National Bank of Poland rate announced on the balance sheet date;
- profit and loss items at the arithmetic average of average rates announced by the National Bank of Poland for each day ending a reporting month.

Exchange rate gains/losses resulting from such calculations are presented directly in equity as a separate item.

b) Methods applied to conversion of financial data

The financial data denominated in EUR were converted in line with the following methods:

• particular assets and liabilities – at the average exchange rate of the National Bank of Poland announced for 30 September 2005 – PLN 3.9166 / EUR, for 31 December 2004 – PLN 4.0790 / EUR, and for 30 September 2004 PLN 4.3832 / EUR;

• particular profit and loss items and positions of the statement of cash flows – at the arithmetic average of the average exchange rates announced by the National Bank of Poland as at the last day of each complete month of the reporting period from 1 January 2005 to 30 September 2005 – PLN 4.0583 / EUR; for the period from 1 January 2004 to 30 September 2004 the rate was PLN 4.6214 / EUR.

5. Companies included in the consolidated financial statements

These consolidated financial statements comprise the following Polish, Czech and German entities belonging to the Group as at 30 September 2005:

THE GROUP DIVISION BY BUSINESS SEGMENTS*

* The scheme does not include the Parent Company, whose activities were allocated to all business segments.

III. SELECTED EXPLANATORY NOTES

3.1. Property, plant and equipment

	30 September 2005 (unaudited)	31 grudnia 2004 (unaudited)	30 September 2004 (unaudited)
Land	782,107	349,170	358,089
Buildings and constructions	7,673,335	5,386,859	5,349,693
Machinery and equipment	7,744,722	3,031,289	3,072,022
Vehicles and other	562,884	404,301	385,651
Construction in progress	1,613,096	1,947,248	1,777,105
Total	**18,376,144**	**11,118,867**	**10,942,560**

3.2. Cash and cash equivalents

	30 September 2005 (unaudited)	31 grudnia 2004 (unaudited)	30 September 2004 (unaudited)
Cash on hand and in bank	945,716	676,738	1,001,305
Other cash	195,881	59,027	67,223
Other monetary assets	125,016	48	249
Total	**1,266,613**	**735,813**	**1,068,777**

As at 30 September 2005, 31 December 2004 and 30 September 2004 the Group total cash denominated in foreign currencies amounted to PLN 728,157 thousand, PLN 482,142 thousand and PLN 675,560 thousand, respectively.
Taking into account cooperation of the Group companies mainly with well-established banks, the risk related to depositing cash and cash equivalents is considerably limited.

In accordance with the Polish law, the Group companies registered in Poland manage the Company's Social Fund on behalf of their employees. The contributions paid to the Social Fund are deposited in separate bank accounts of the Group companies and cannot be used for operating activity. As at 30 September 2005, 31 December 2004, and 30 September 2004 cash relating to the Social Fund account amounted to PLN 18,972 thousand, PLN 28,979 thousand and PLN 35,105 thousand, respectively. The receivables related to borrowings from the Social Fund drawn by employees as at 30 September 2005, 31 December 2004 and 30 September 2004 amounted to PLN 22,667 thousand, PLN 23,886 thousand and PLN 24,790 thousand, respectively. Liabilities related to the Social Fund as at 30 September 2005, 31 December 2004 and 30 September 2004 amounted to PLN 39,447 thousand, PLN 35,245 thousand and PLN 37,958 thousand, respectively and are included in liabilities and accrued expenses.

Apart from the above presented amounts related to the Social Fund, cash and cash equivalents for which availability is limited as at 30 September 2005, 31 December 2004 and 30 September 2004 amounted to PLN 95,497 thousand, PLN 247,263 thousand and PLN 262,161 thousand, respectively (the amounts refer mainly to blocked bank accounts due to granted loans, and in 2004 also to cash deposited in Prague in relation to the planned acquisition of Unipetrol).

3.3. Impairment of assets

3.3.1. Impairment of property, plant and equipment

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	370,864	229,218
Additions during the period 1 July – 30 September	5,621	4,538
Disposals during the period 1 July – 30 September	(10,784)	(6,237)
Closing balance as at 30 September	365,701	227,519

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	235,825	129,147
Additions during the period 1 January – 30 September	172,403	116,119
Disposals during the period 1 January – 30 September	(42,527)	(17,747)
Closing balance as at 30 September	365,701	227,519

3.3.2. Impairment of construction in progress

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	46,047	63,788
Additions during the period 1 July – 30 September	1,406	-
Disposals during the period 1 July – 30 September	(3,273)	(3,115)
Closing balance as at 30 September	44,180	60,673

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	46,526	45,245
Additions during the period 1 January – 30 September	5,101	23,045
Disposals during the period 1 January – 30 September	(7,447)	(7,617)
Closing balance as at 30 September	44,180	60,673

3.3.3. Impairment of intangible assets

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	8,343	294
Additions during the period 1 July – 30 September	-	15
Disposals during the period 1 July – 30 September	(106)	(129)
Closing balance as at 30 September	8,237	180

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	8,292	289
Additions during the period 1 January – 30 September	368	20
Disposals during the period 1 January – 30 September	(423)	(129)
Closing balance as at 30 September	8,237	180

3.3.4. Impairment of long-term financial investments (shares)

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	72,732	76,482
Additions during the period 1 July – 30 September	11,712	434
Disposals during the period 1 July – 30 September	(1,665)	(14)
Closing balance as at 30 September	82,779	76,902

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	78,370	71,389
Additions during the period 1 January – 30 September	11,775	6,148
Disposals during the period 1 January – 30 September	(7,366)	(635)
Closing balance as at 30 September	82,779	76,902

3.3.5. Receivables allowances

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	717,194	317,174
Additions during the period 1 July – 30 September	53,133	35,922
Disposals during the period 1 July – 30 September	(47,097)	(30,097)
Closing balance as at 30 September	723,230	322,999

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	473,886	317,072
Additions during the period 1 January – 30 September	348,963	67,251
Disposals during the period 1 January – 30 September	(99,619)	(61,324)
Closing balance as at 30 September	723,230	322,999

3.3.6. Inventory allowances

In the 3rd quarter of 2005 the Group decreased the inventory allowances by PLN 337 thousand, and cumulatively for the three quarters by PLN 10,318 thousand. In the 3rd quarter of 2004 the Group decreased the inventory allowances by PLN1,550 thousand, and cumulatively in the three quarters by PLN 5,488 thousand.

3.4. Provisions

3.4.1. Deferred tax liabilities

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	1,094,293	435,458
Additions during the period 1 July – 30 September	34,988	6,718
Disposals during the period 1 July – 30 September	(19,301)	(24,654)
Closing balance as at 30 September	1,109,980	417,522

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	387,855	475,922
Additions during the period 1 January – 30 September	902,641	61,179
Disposals during the period 1 January – 30 September	(180,516)	(119,579)
Closing balance as at 30 September	1,109,980	417,522

3.4.2. Retirement benefits and jubilee bonuses provision

Data for 3rd quarter	2005	2004
Opening balance as at 1 July	206,412	172.671
Additions during the period 1 July – 30 September	5,235	1.931
Disposals during the period 1 July – 30 September	(8,628)	(2.259)
Closing balance as at 30 September	203,019	172,343

Cumulative data for 3 quarters	2005	2004
Opening balance as at 1 January	197,446	160,843
Additions during the period 1 January – 30 September	23,681	30.224
Disposals during the period 1 January – 30 September	(18,108)	(18,724)
Closing balance as at 30 September	203,019	172,343

3.4.3. Other provisions

Data for 3rd quarter 2005	Land reclamation provision	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.07.2005	545,484	124,187	464,403*	133,500	1,267,574
Increase during the period 01.07.2005 – 30.09.2005	870	-	22,239	16,805	39,914
Decrease during the period 01.07.2005 – 30.09.2005	(5,257)	(21,763)	(8,269)	(10,612)	(45,901)
Balance as at 30.09.2005	541,097	102,424	478,373*	139,693	1,261,587

Cumulative data for three quarters 2005	Land reclamation provision	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.01.2005	496,665	70,000	87,982	69,038	723,685
Increase during the period 01.01.2005 – 30.09.2005	62,367	54,187	401,148*	111,068	628,770
Decrease during the period 01.01.2005 – 30.09.2005	(17,935)	(21,763)	(10,757)	(40,413)	(90,868)
Balance as at 30.09.2005	541,097	102,424	478,373*	139,693	1,261,587

* including the provision for possible negative outcome of contracts relating to sale of part of Unipetrol Group assets

Data for 3rd quarter 2004	Land reclamation provision	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.07.2004	443,062	-	54,166	41,224	538,452
Increase during the period 01.07.2004 – 30.09.2004	-	-	26,786	1,582	28,368
Decrease during the period 01.07.2004 – 30.09.2004	(9,271)	-	-	(1,882)	(11,153)
Balance as at 30.09.2004	433,791	-	80,952	40,924	555,667

Cumulative data for three quarters 2004	Land reclamation provision	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.01.2004	411,848	-	21,812	41,288	474,948
Increase during the period 01.01.2004 – 30.09.2004	36,574	-	59,293	9,008	104,875
Decrease during the period 01.01.2004 – 30.09.2004	(14,631)	-	(153)	(9,372)	(24,156)
Balance as at 30.09.2004	433,791	-	80,952	40,924	555,667

3.5. Goodwill

	30 September 2005 (unaudited)	31 December 2004 (unaudited)	30 September 2004 (unaudited)
ORLEN PetroTank Sp. z o.o.	11,298	11,298	11,298
Ship Service S.A.	3,145	6,645	6,645
PetroProfit Sp. z o.o.	1,175	1,175	1,175
Other	1,383	1,383	1,199
Total	**17,001**	**20,501**	**20,317**

3.6. Dividends

On 29 June 2005, the Company's General Shareholders' Meeting adopted a resolution to pay a dividend from the net profit of 2004 in the amount of PLN 911,020,299.91. The date of payment was defined in the following way:
- the first instalment of PLN 457,648,695.27, giving PLN 1.07 per share, was paid on 1 September 2005;
- the second instalment of PLN 453,371,604.64, giving PLN 1.06 per share, to be paid on 1 December 2005.

3.7. Interest-bearing loans and borrowings

	30 September 2005 (unaudited)	31 December 2004 (unaudited)	30 September 2004 (unaudited)
Bank loans	3,883,068	2,300,971	2,472,540
Other loans and borrowings	28,672	24,164	29,345
Debenture bonds	479,866	-	-
Total including:	4,391,606	2,325,135	2,501,885
Short-term	1,097,737	241,599	346,994
Long-term	3,293,869	2,083,536	2,154,891

The value of interest-bearing loans and borrowings drawn by the Group increased net by PLN 2,066,471 thousand for 9 months ended 30 September 2005.
The change in indebtedness level results mainly from:

- drawing loans translated to PLN:
  - CZK 750,000 thousand (PLN 103,500 thousand) in BH w Warszawie S.A.
  - CZK 750,000 thousand (PLN 103,500 thousand) in PKO BP S.A.
  - EUR 27,978 thousand (PLN 109,250 thousand) in Societe Generale Bank Consortium as the Leading entity
- drawing loans in PLN:
  - 160,833 thousand in Bank Pekao S.A.
  - 68,047 thousand in BH w Warszawie S.A.
  - 47,751 thousand in PKO BP S.A.
  - 37,792 thousand in Bank Ochrony Środowiska
  - 22,904 thousand in BPH PBK S.A.
  - 7,592 thousand in BRE Bank S.A.
  - 3,347 thousand in Kredyt Bank
- increase in indebtedness as at 31 May 2005 due to acquisition of the Unipetrol Group by PLN 1,552,113 thousand (CZK 11,714,060 thousand)
- loans drawn by the Unipetrol Group of PLN 52,563 thousand (CZK 396,702 thousand)
- increase in indebtedness due to acquisition of the Unipetrol Group - issue of debenture bonds of PLN 479,866 thousand (CZK 3,621,626 thousand) by the Unipetrol Group until 31 May 2005.

- PLN 32,273 thousand resulting from foreign exchange differences at PKN ORLEN S.A.
- loans drawn by ORLEN Deutschland A.G. of PLN 3,984 thousand (EUR 1,017 thousand)
- repayment of loans translated to PLN:
  - CZK 750,000 thousand (PLN 102,716 thousand) in BH S.A.
  - USD 18,411 thousand (PLN 61,532 thousand) of a consortium double currency loan (ING acting as Agent)
- repayment of loans in PLN
  - 47,667 thousand in PKO BP S.A
  - 28,234 thousand in BH S.A.
  - 25,119 thousand in ING Bank Śląski S.A.
  - 22,349 thousand in Bank Pekao S.A.
  - 13,901 thousand in BPH PBK S.A.
  - 8,360 thousand in BNP PARIBAS POLSKA
  - 4,213 thousand in Kredyt Bank
  - 2,811 thousand in BGŻ S.A.
  - 1,435 thousand in Bank Millenium S.A.
  - 20,528 thousand resulting from foreign exchange differences at BOP
- repayment of loans in ORLEN Deutschland AG of PLN 16,057 thousand (EUR 4,100 thousand)
- repayment of loans by the Unipetrol Group of PLN 363,901 thousand (CZK 2,746,423 thousand).

3.8. Cost by kind

	9 months ended 30 September 2005 (unaudited)	3 months ended 30 September 2005 (unaudited)	9 months ended 30 September 2004 (unaudited)	3 months ended 30 September 2004 (unaudited)
Materials and energy	14,338,205	6,541,619	9,109,975	3,547,758
Cost of merchandise and materials sold	8,491,905	3,386,776	7,682,072	2,770,832
External services	1,539,115	632,617	1,285,945	424,990
Payroll, social security and other employee benefits	889,095	342,917	807,178	246,425
Depreciation	1,059,478	427,369	1,004,420	330,634
Taxes and charges	223,098	62,397	212,344	87,105
Other	900,843	195,001	556,057	120,961
	27,441,739	11,588,696	20,657,991	7,528,705
Adjustments:				
Change in inventory and prepayments	(372,992)	(29,754)	(136,993)	102,517
Cost of products and services for own use	346,905	417,269	(82,230)	(51,079)
Operating cost	27,415,652	11,976,211	20,438,768	7,580,143
Distribution expenses	(1,579,197)	(542,810)	(1,601,355)	(537,892)
General and administrative expenses	(681,682)	(258,877)	(626,555)	(204,286)
Other operating expenses	(687,404)	(126,626)	(367,500)	(74,705)
Cost of merchandise and raw materials sold	24,467,369	11,047,898	17,843,358	6,763,260

3.9. Net financial revenues and expenses

	9 months ended 30 September 2005 (unaudited)	3 months ended 30 September 2005 (unaudited)	9 months ended 30 September 2004 (unaudited)	3 months ended 30 September 2004 (unaudited)
Interest paid	(121,847)	(53,830)	(81,470)	(20,230)
Negative foreign exchange surplus	(139,127)	-	(7,475)	-
Interest received	83,593	21,162	23,927	8,166
Positive foreign exchange surplus	107,760	87,978	127,231	83,618
Gains on trade in shares and other securities	5,521	2,449	8,280	4,364
Dividends received	91,861	989	68,490	278
Unrealized premium of the acquired receivables of the Unipetrol Group	204,071	-	-	-
Other	42,698	8,601	(20,122)	(16,177)
Total	**274,530**	**67,349**	**118,861**	**60,019**

3.10. Corporate income tax

	9 months ended 30 September 2005 (unaudited)	3 months ended 30 September 2005 (unaudited)	9 months ended 30 September 2004 (unaudited)	3 months ended 30 September 2004 (unaudited)
Current tax	(594,654)	(210,578)	(483,036)	(226,258)
Deferred tax	(51,883)	(43,274)	29,250	9,488
Total	**(646,537)**	**(253,852)**	**(453,786)**	**(216,770)**

The PKN ORLEN Group does not form a tax group under Polish regulations. Therefore, each Group company is a separate taxpayer.

3.11. Basic and diluted earnings per share

	9 months ended 30 September 2005 (unaudited)	3 months ended 30 September 2005 (unaudited)	9 months ended 30 September 2004 (unaudited)	3 months ended 30 September 2004 (unaudited)
Weighted average number of issued ordinary shares	427,709,061	427,709,061	427,709,061	427,709,061
Net earnings per share (in PLN) for the period	10.08	2.29	3.99	1.95

There is no difference between the basic earnings per share and the diluted earnings per share.

IV. GROUP ACHIEVEMENTS IN THE THIRD QUARTER 2005 TOGETHER WITH CIRCUMASTANCES AND EVENTS WHICH HAVE SIGNIFICANT IMPACT ON FINANCIAL RESULTS

Organizational and legal acts within the Framework Organizational Rules and Regulations of PKN ORLEN S.A. in force in the third quarter of 2005 were approved by the Management Board on 1 July 2005. According to the Regulations, the organizational structure of the Parent Company consists of Head Offices in Płock and Warsaw, Production Plant in Płock and twelve Regional Organizational Offices in Białystok, Gdańsk, Katowice, Kraków, Lublin, Nowa Wieś Wielka, Płock, Poznań, Rzeszów, Szczecin, Warsaw and Wrocław, having the status of an employer within the meaning of art. 3 of the Labour Code.

The above Rules and Regulations introduced also a new regional structure. Instead of Regional Retail Trade Offices, which were located in eleven centres, a division was made into three regions: Eastern Retail Trade Region with the head office in Kielce, Southern Retail Trade Region with the head office in Katowice and Western Retail Trade Region with the head office in Poznań. The to date Regional Investment and Maintenance Offices located in six centres were reduced to three areas, i.e. Eastern Investment and Maintenance Region with the head office in Lublin, Southern Investment and Maintenance Region with the head office in Katowice and Western Investment and Maintenance Region with the head office in Poznań. Moreover, three regions replaced fourteen Regional Financial Offices and Finance Offices, that is Eastern Financial and Accounting Region with the head office in Lublin, Southern Financial and Accounting Region with the head office in Katowice and Western Financial and Accounting Region with the head office in Poznań. No changes were introduced to Regional Wholesale Offices, regional logistics, administrative, prevention and human resources management groups.

In accordance with the Company's Rules and Regulations, the responsibility of the Management Board Members was divided as follows:
- President of the Management Board, CEO,
- Vice-President of the Management Board, Chief Investment Officer,
- Vice-President of the Management Board, Retail and Commercial Sales,
- Vice-President of the Management Board, Cost Management and IT,
- Member of the Management Board, Chief Financial Officer.

Vice-Director General for Operational Activities replaced the former Vice-President of the Management Board for Operational Activities.

As of 18 August 2005 the Management Board adopted new Framework Organizational Rules and Regulations, introducing an additional group of Member of the Management Board for Organization and extending the composition of the Management Board from five to six members.

Another change to the Organizational Rules and Regulations was made on 22 August 2005. The previous restructuring of regional structures was approved and the former Regional Organizational Offices were removed from the Company's structure. Additionally, the provision concerning the employer was amended. Currently, the functions defined under the labour law are performed by President of the Management Board, CEO or persons authorised by him instead of the Company having the status of an employer under art. 3 of the Labour Code.

In the third quarter 2005, PKN ORLEN S.A. carried out the restructuring strategy of the Group, which projects disposal of entities which activity is determined as non-core for the Group. In September 2005, PKN ORLEN S.A. sold on the Warsaw Stock Exchange its 26,455 shares held in Polimex Mostostal-Siedlce S.A. at the average price of PLN 45 per share, earning the gross profit on the transaction of PLN 718,874.

As at the end of the third quarter 2005, PKN ORLEN S.A. held directly or indirectly shares in the following entities over which it executes control, joint control or exercises significant influence:

- 129 subsidiaries,
- 4 jointly controlled entities,
- 22 associates.

As compared to the end of the third quarter 2004 the number of subsidiaries, jointly controlled companies and associates increased from 125 to 155. 125 companies were consolidated as compared to 79 companies in the third quarter of 2004.

The increase of the total number of related companies and consolidated companies results from acquisition of Unipetrol a.s. holding and inclusion of financial results of the Czech companies in the consolidated financial statements of the PKN ORLEN S.A. Group.

The most significant factors influencing the Group's operating results for the third quarter 2005, as compared to results for the third quarter of 2004 consist of the following (change: 3rd quarter of 2005 versus 3rd quarter of 2004, if not stated otherwise):

- increase of margins (cracks) for gasoline from 119.12 to 177.25 USD/t (by 48.8%), diesel fuel from 104.02 to 135.72 USD/t (by 30.5%) and Ekoterm form 70.33 to 111.04 USD/t (by 57.9%) and Jet A1 aviation fuel from 119.05 to 167.49 USD/t (by 40.7%);
- increase in the average commodity price for Brent oil from 41.57 to 61.67 USD/bbl (by 48.4%);
- high level of Ural/Brent differential of (-4.30 USD/bbl) in both quarters;
- increase in the volume of gasoline and diesel fuel sold by 15.3% and 49.3%, respectively;
- increase in the volume of LPG sold by 34.5%;
- increase in the crude oil throughput by 28.0%;
- decrease of margins (crack) for ethylene from 504.54 to 330.57 USD/t (by 34.5%) and propylene from 437.27 to 343.05 USD/t (by 21.5%);
- average exchange rate of U.S. dollar against the Polish currency falling from PLN 3.62/USD to PLN 3.30/USD (by 8.8%);
- average exchange rate of euro against the Polish currency falling from PLN 4.43/EUR to PLN 4.02/EUR (by 9.3%).

In the third quarter 2005, the volume of wholesale and retail sale of engine fuel (gasoline, diesel fuel, LPG, Jet A1) and light fuel oil (Ekoterm) in the Group amounted to 3,506,892 tonnes and was higher than sales in the third quarter 2004 by 683,808 tonnes (by 24.2%). In three quarters of 2005 sales of those products amounted to 8,794,399 tonnes and increased by 1,159,481 tonnes (by 15.2%) as compared to the prior year. During the third quarter of 2005 total sales of finished goods (refining, chemical and other) amounted to 5,225,480 tonnes and was higher than in the third quarter of the prior year by 1,173,407 tonnes (by 29.0%); the above total sales for three quarters of 2005 amounted 12,818,572 tonnes and was higher compared to the prior year by 1,916,053 tonnes (by 17.6%). During the third quarter of 2005, retail sales of engine fuel (gasoline, diesel fuel, LPG) and light fuel oil amounted to 958,246 tonnes and was higher than sales in the comparable period of the prior year by 64,839 tonnes (by 7.3%); total retail sales for three quarters of 2005 increased by 3.4% to 2,576,865 tonnes.

Sales tendencies in main products are presented in the below table:

Sales of light products in the PKN ORLEN S.A. Group (by volume)	3rd quarter 2004		3rd quarter 2005		Change (%) 3rd quarter 2005/ 3rd quarter 2004
Wholesale of key light products, including:		**1,929,677**		**2,548,646**	**132.1**
- gasoline (tonnes)		488,577		639,615	130.9
- diesel fuel (tonnes)		758,472		1,250,649	164.9
- Jet A-1 (tonnes)		119,274		140,098	117.5
- Ekoterm (tonnes)		520,059		460,428	88.5
- LPG (tonnes)		43,295		57,856	133.6
Retail sales of engine fuels, including:	**1,151,787**	**893,407**	**1,236,579**	**958,246**	**107.3**
- gasoline (‘000 litres) / (tonnes)	683,550	516,080	687,062	518,732	100.5
- diesel fuel (‘000 litres) / (tonnes)	403,327	340,811	461,759	390,186	114.5
- Ekoterm (tonnes)	129	109	27	23	21.1
- LPG (‘000 litres) / (tones)	64,781	36,407	87,731	49,305	135.4
Total sales of fuels (tonnes)		**2,823,084**		**3,506,892**	**124.2**
- including engine fuels (tonnes)		2,302,916		3,046,441	132.3

*) sales of fuels including merchandise (gasoline, diesel oil, light fuel oil, LPG, Jet A-1) realized by Unipetrol a.s. in the third quarter 2005 amounted 736.617 tonnes; retail sales of engine fuels including merchandise (gasoline, diesel oil, LPG) accounted for 90,260 tonnes.

Sales of light products in the PKN ORLEN S.A. Group (by volume)	3 quarters 2004		3 quarters 2005		Change (%) 3 quarters 2005/ 3 quarters 2004
Wholesale of key light products, including:		**5,142,821**		**6,217,534**	**120.9**
- gasoline (tonnes)		1,365,132		1,681,227	123.2
- diesel fuel (tonnes)		2,037,802		2,709,461	133.0
- Jet A-1 (tonnes)		264,068		353,749	134.0
- Ekoterm (tonnes)		1,342,471		1,324,326	98.6
- LPG (tonnes)		133,348		148,771	111.6
Retail sales of engine fuels, including:	**3,209,277**	**2,492,097**	**3,323,275**	**2,576,865**	**103.4**
- gasoline (‘000 litres) / (tonnes)	1,916,887	1,447,250	1,908,771	1,441,122	99.6
- diesel fuel (‘000 litres) / (tonnes)	1,125,117	950,724	1,204,033	1,017,408	107.0
- Ekoterm (tonnes)	408	345	176	149	43.2
- LPG (‘000 litres) / (tones)	166,865	93,778	210,295	118,186	126.0
Total sales of fuels (tonnes)		**7,634,918**		**8,794,399**	**115.2**
- including engine fuels (tonnes)		6,292,102		7,469,924	118.7

Significant increase in operating results of the Parent Company and the Group as compared to the parallel period in the prior year was due to a number of factors, including:
- high commodity margins (crack) for key refinery products maintained in the third quarter of 2005 and increased sales of those products,
- favourable Brent/Ural differential,
- measurable outcome of operating cost reduction programmes (PLN 228 million in the third quarter 2005 compared with PLN 182 million in the third quarter of the prior year, computed with reference to the basis defined as 2002 costs).

The financial results were also influenced by financial results of the Czech Unipetrol a.s. included since June 2005 in the Group consolidated financial statements.

The results of the Parent in comparison to the Group were as follows:

Item	3rd quarter 2004		Share of PKN in the Group	3rd quarter 2005		Share of PKN in the Group
	Group	PKN	(%)	Group	PKN	(%)
Crude oil throughput ('000 tonnes)	3,372	3,256	96.6	4,317	3,149	72.9
Net sale revenues	8,504,215	5,399,003	63.5	13,074,428	6,321,151	48.3
Gross profit on sales	1,740,955	1,299,003	74.6	2,026,530	1,413,032	69.7
Profit from operations	995,132	852,830	85.7	1,195,107	920,362	77.0
Profit before tax	1,066,923	918,594	86.1	1,266,645	997,302	78.7
Net profit	832,792	739,135	88.8	980,165	813,359	83.0

Item	3 quarters 2004		Share of PKN in the Group	3 quarters 2005		Share of PKN in the Group
	Group	PKN	(%)	Group	PKN	(%)
Crude oil throughput ('000 tonnes)	9,328	8,954	96.0	10,865	9,197	84.6
Net sale revenues	22,317,367	13,507,488	60.5	29,835,384	16,069,948	53.9
Gross profit on sales	4,474,009	3,356,047	75.0	5,368,015	4,083,059	76.1
Profit from operations	2,059,291	1,852,274	89.9	4,687,123	2,257,274	48.2
Profit before tax	2,202,624	2,018,073	91.6	5,002,944	2,650,808	53.0
Net profit	1,707,908	1,625,253	95.2	4,309,813	2,124,810	49.3

In the third quarter of 2005 PKN ORLEN S.A. Group's refinery throughput amounted to 4,317 thousand tonnes of crude oil and in three quarters 10,865 thousand tonnes. The achieved level of throughput in the third quarter of 2005 is by 28.0% higher than in the parallel period of the prior year, and for three quarters of 2005 by 16.5%. The high level of change was due to recognition in 2005 of Unipetrol a.s. throughput, which in the third quarter 2005 amounted to 1,134 thousand tonnes of crude oil compared to 952 thousand tonnes in the third quarter 2004.

In the third quarter 2005 the Group's profit from operations amounted to PLN 1,195 million, compared to PLN 995 million in the parallel period of 2004. Profit from operations increased in the third quarter 2005 and is mainly attributable to due to recognition of Unipetrol a.s. profit of PLN 131 million in the consolidated results. Profit from operations for three quarters of 2005 amounted to PLN 4,687 million and was by 127.6% higher than in the comparative period of 2004. The considerably high profit for 9 months of 2005 is a result of purchase of Unipetrol a.s. and recognition of the difference between net fair value of the acquired assets and acquisition cost of PLN 2,005 million in other operating income.
In the third quarter of 2005 the Group's net profit amounted to PLN 980 million and was higher by 17.7% than net profit earned in the third quarter of the prior year. For three quarters of 2005 net profit amounted PLN 4,309 million and was by 152.3% higher than profit earned in the comparative period of the prior year.

Consolidated financial data of the Group by business segment are as follows:

Item	3rd quarter 2004					3rd quarter 2005				
	Refining Segment	Chemical Segment	Other operations	Adjust.	Total	Refining Segment	Chemical Segment	Other operations	Adjust.	Total
Segment result	842,483	223,174	-2,794	179	1,063,042	1,191,411	158,080	-13,124	642	1,337,010
Unallocated revenues of the Group					25,439					2,773
Unallocated costs of the Group					-93,349					-144,676
Profit from operations					995,132					1,195,107

Item	3 quarters 2004					3 quarters 2005				
	Refining Segment	Chemical Segment	Other operations	Adjust.	Total	Refining Segment	Chemical Segment	Other operations	Adjust.	Total
Segment result	1,791,663	565,065	25,419	125	2,382,272	3,481,067	1,772,152	293,935	-262,939	5,284,216
Unallocated revenues of the Group					27,496					100,720
Unallocated costs of the Group					-350,477					-697,813
Profit from operations					2,059,291					4,687,123

In the third quarter of 2005, as compared to the parallel period of the prior year, total profit from business segment operations increased by 20.1%. The increase was primarily due to results of the refining segment (increase by 41.4% compared to the third quarter 2004), connected mainly with maintaining very high commodity margins for refinery products, and to results of Unipetrol a.s. (PLN 75,208 thousand) included in this segment. The chemical segment recorded decrease in the third quarter 2005, mainly as a result of an economic depression which impacted considerable decrease of commodity margins. The companies of Unipetrol a.s. earned profit form operations in this segment of PLN 87,825 thousand. In the third quarter 2005 compared to the third quarter 2004, the chemical segment share in the total segment results deteriorated while the increased share was noted for the refining segment.

During three quarters of 2005, compared to the parallel period of the prior year, total profit from segment operations increased by 127.6%. It is a result of the increase of the refining segment by 94.3% (high crack margins in 2005) and the estimated excess of fair value of the acquired net assets over the acquisition cost (PLN 823,920 thousand). Unipetrol a.s. earned in this segment PLN 126,636 thousand. The increase of the chemical segment results by 213.6% was influenced by recognition of the excess of fair value of the acquired net assets over the acquisition cost (PLN 1,076,642 thousand), high commodity margins for petrochemical products in the first half of 2004 and advantageous results of the Czech holding (PLN 102,174 thousand) recorded in this segment.

In the third quarter of 2005, the Parent Company did not issue any securities under the Bond Issuance Programme.

V. CIRCUMSTANCES AND EVENTS, IN PARTICULAR OF A NON-STANDARD NATURE, WHICH HAVE SIGNIFICANT IMPACT ON FINANCIAL RESULTS

During the nine-month period ended 30 September 2005 the following significant events influencing the information presented in these condensed consolidated financial statements occurred.

1. Purchase of UNIPETROL shares

On 24 May 2005, the Company acquired 114,224,038 registered shares in UNIPETROL a.s., which is approximately 62.99% of all issued Unipetrol a.s shares. The acquisition was made under the agreement concluded by PKN ORLEN on 4 June 2004 with the National Property Fund of the Czech Republic.
Unipetrol is a group of companies operating in the chemical sector in the Czech Republic, mainly in activities related to processing of crude oil, fuel distribution, production of fertilizers and petrochemicals. In all those activities Unipetrol is a main representative of the industry sector in the Czech Republic and Central Europe. The Unipetrol Group consists mainly of the following companies:

- Česka Rafinerska (a joint venture, combined with: AgipPetroli, Conoco and Shell) and Paramo – the largest manufacturer of fuels, bitumin and other products related to refining of the crude oil – and Unipetrol Rafinerie – the largest Czech company dealing with purchase of crude oil and sale of petrochemical products;
- Chemopetrol, Kaučuk and Spolana – manufacturers of mainly petrochemical products and plastics;
- Benzina – the largest network of petrol stations in the Czech Republic.

The Unipetrol Group has the following associates: Lovochemie – an important manufacturer of industrial fertilizers and other non-organic chemical products; Aliachem – a group of enterprises engaged in organic and non-organic chemical products, plastics production; and a few entities operating in the area of distribution, research and services.

As a result of the purchase of Unipetrol shares, the Company acquired the following categories of assets, liabilities and contingent liabilities of the acquired company and settled the transaction as follows using the purchase method:

Initial fair value of assets and liabilities by main categories:

Cash and cash equivalents	227,007
Property, plant and equipment*	7,008,720
Inventories	1,138,412
Receivables	1,912,516
Other assets*	1,089,904
Provisions	(143,558)
Non-current liabilities	(1,266,024)
Current liabilities	(3,006,451)
Contingent liabilities	(63,927)
Other liabilities**	(845,436)
Net assets of Unipetrol at fair value	6,051,163
Share of PKN ORLEN in the net assets of Unipetrol	3,811,628
Purchase price	1,562,197
Adjustment of purchase price according to the price formula included in the agreement	221,295
Acquisition costs***	23,108
The excess of the share in the net consolidated assets over the acquisition cost, included in other operating income	2,005,028

Share of PKN ORLEN in the net assets of Unipetrol	3,811,628
The excess of the share in the net consolidated assets over the acquisition cost, included in other operating income	(2,005,028)
Total outflow of cash	1,806,600
Adjustment of purchase price, unpaid as at the balance sheet date	(221,295)
Acquisition costs	(23,108)
Cash outflow relating to purchase of Unipetrol Group until 30 June 2005	1,562,197

* including initial fair value measurement in the amount of PLN 1,358,615 thousand.
** including deferred tax on initial fair value measurement in the amount of PLN 353,240 thousand (calculated using the 26% tax rate, valid in the Czech Republic)
*** the acquisition costs comprise expenses related to advisory services, business trips, etc.

Due to a large number of the acquired assets and liabilities PKN ORLEN is currently engaged in the process of their valuation to fair value. The Group recognized a preliminary effect of the valuation of the acquired net property, plant and equipment, except for the assets of Česka Rafinerska. The valuation of Česka Rafinerska assets is in progress. Consequently, the initial value of the acquired assets and liabilities, and the excess of the share in consolidated net assets over the acquisition cost may diverge from the final valuation. The final settlement of the transaction may also be influenced by the increase in acquisition costs relating to the pending valuation processes aimed at the transaction settlement and restructuring of the acquired assets. Upon completion of all the relevant processes, the calculation of the excess of the share in net consolidated assets over the acquisition cost may differ significantly from that presented above.

According to the Management Board, the final settlement of the transaction should be performed by the end of 2005.

PKN ORLEN has been consolidating the Unipetrol Group using the full method since the acquisition date.

In accordance with IFRS 3 “Business Combinations”, the below table presents the consolidated revenues and financial result of the PKN ORLEN Group (including consolidated financial data of Unipetrol for the period from 1 January 2005 to 30 September 2005), as if the acquisition date coincided with the beginning of the period.

Consolidated pro forma cumulative data for the third quarter, excluding adjustments to fair value, are as follows:

Net sale revenues	35,104,866

Operating revenues	2,348,641
Financial revenues	634,181
Financial result	4,571,866

The Management Board of PKN ORLEN intends to restructure the Unipetrol Group. In accordance with the integration strategy with Unipetrol, announced on 17 October 2005 by the Management Boards of PKN ORLEN S.A. and Unipetrol it is projected to sell particular non-core business operations. The divestiture strategy has been discussed under Note VIII point 5.

2. Agreements for disposal of a portion of assets and liabilities related to purchase of Unipetrol shares

In 2003-2004, the former Management Board of PKN ORLEN concluded agreements with Agrofert Holding a.s. and ConocoPhillips Central and Eastern Europe Holdings B.V. concerning sale of part of assets and liabilities of the Unipetrol Group companies.

The present Management Board, having analysed all eventual consequences resulting from the above agreements and having consulted recognized independent experts, adopted and presented to the Supervisory Board a proceeding strategy, taking into account the best interest of the Company and its shareholders, related to execution of the agreements. As a consequence, the Management Board is currently proceeding with formal correspondence with Agrofert Holding a.s., and ConocoPhillips Central and Eastern Europe Holdings B.V. and Unipetrol a.s. in respect of the signed agreements. Therefore, the Management Board of PKN ORLEN cannot disclose detailed information concerning the conducted negotiations without detriment to the Company's best interest.

In relation to the above agreements, in the second quarter 2005, PKN ORLEN created provisions to cover the potential negative financial effects related to execution of the agreements. Agrofert Holding a.s. addressed PKN Orlen to settle contractual penalties.

PKN ORLEN addressed Agrofert Holding with a suggestion of disclosing particulars of the agreements a number of times, yet as at the date of publication of these statements it did not obtain a consent for disclosing their full content. Agrofert Holding a.s. agreed to disclose only portions of the agreements which it also presented at the press conference on 13 September 2005. PKN ORLEN SA still highlights its readiness to publish the agreements in their full wording yet after it obtains the relevant consent from Agrofert Holding a.s.

3. Agreement with DEZA a.s.

The Management Board of Unipetrol a.s. informed on 2 September 2005, that on 22 August 2005, it received letters from DEZA a.s. (one of the two Agrobohemie a.s. shareholders) requesting that agreements for execution of a call option for 50% of shares in Agrobohemie a.s. should be signed. The letters referred to agreements concluded between Unipetrol and DEZA on 12 October 2000. Having analysed the documents available to Unipetrol Management Board and received letters, the Management Board concluded that the agreements contained vital legal faults and additionally were not compliant with best market practice. Those factors did not allow the Management Board of Unipetrol a.s. to accept the request of DEZA a.s. As a consequence, on 1 September 2005 the Management Board of Unipetrol offered DEZA a.s. to modify the transaction documents in order to ensure compliance with the binding Czech law, accepted standards and best market practice.

VI. SEGMENT DATA

	Refining Segment				Chemical Segment				Other operations				Adjustments				Total			
	for the period				for the period				for the period				for the period				for the period			
	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months
	ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004	
Revenues																				
Sales to external customers	24 916 799	11 082 381	18 833 835	7 245 049	4 324 794	1 752 279	2 985 046	1 081 238	518 412	210 720	477 245	156 687					29 760 005	13 045 380	22 296 126	8 482 974
Transactions with other segments	4 808 441	2 466 119	3 090 732	1 179 497	1 460 191	627 499	1 073 371	405 930	646 441	236 400	572 982	175 593	(6 915 073)	(3 330 018)	(4 737 085)	(1 761 020)	-	-	-	-
Settlement of hedging transactions					75 379	29 048	21 241	21 241									75 379	29 048	21 241	21 241
Total revenues	**29 725 240**	**13 548 500**	**21 924 567**	**8 424 546**	**5 860 364**	**2 408 826**	**4 079 658**	**1 508 409**	**1 164 853**	**447 120**	**1 050 227**	**332 280**	**(6 915 073)**	**(3 330 018)**	**(4 737 085)**	**(1 761 020)**	**29 835 384**	**13 074 428**	**22 317 367**	**8 504 215**
Total operating cost	**(26 985 931)**	**(12 337 473)**	**(19 946 362)**	**(7 560 087)**	**(5 158 903)**	**(2 256 503)**	**(3 511 087)**	**(1 281 394)**	**(1 141 309)**	**(448 062)**	**(1 004 099)**	**(331 919)**	**6 915 627**	**3 330 661**	**4 737 210**	**1 761 199**	**(26 370 516)**	**(11 711 377)**	**(19 724 338)**	**(7 412 201)**
Other operating income	165 575	45 203	91 477	5 968	61 468	44 782	21 394	10 564	28 016	4 132	40 325	29 089					255 059	94 117	153 196	45 621
Other operating expenses	(247 737)	(64 819)	(278 019)	(27 944)	(67 419)	(39 025)	(24 900)	(14 405)	(32 167)	(16 314)	(61 034)	(32 244)					(347 323)	(120 158)	(363 953)	(74 593)
The excess of the fair value of acquired net assets over the acquisition price	823 920	-		-	1 076 642	-		-	274 542	-		-	(263 492)				1 911 612	-	-	-
Result																				
Segment result	3 481 067	1 191 411	1 791 663	842 483	1 772 152	158 080	565 065	223 174	293 935	(13 124)	25 419	(2 794)	(262 938)	643	125	179	5 284 216	1 337 010	2 382 272	1 063 042
Unallocated revenues of the Group																	7 305	2 773	27 496	25 439
Unallocated excess of the fair value of acquired net assets over the acquisition price																	93 415	-	-	-
Unallocated costs of the Group																	(697 813)	(144 676)	(350 477)	(93 349)
Profit from operations																	**4 687 123**	**1 195 107**	**2 059 291**	**995 132**
Financial income																	582 818	130 768	247 952	90 851
Financial expenses																	(308 288)	(63 419)	(129 091)	(30 832)
Share in profit from investments accounted for under equity method	19 278	11 649	252	316	(7 382)	(7 460)	717	(170)	-	-	10 182	2 100					11 896	4 189	11 151	2 246
Profit (loss) on the sale of all or part of shares of related parties																	29 395	-	13 321	9 526
Gross profit																	**5 002 944**	**1 266 645**	**2 202 624**	**1 066 923**
Income tax expense																	(646 537)	(253 852)	(453 786)	(216 770)
Minority interest																	(46 594)	(32 628)	(40 930)	(17 361)
Net profit																	**4 309 813**	**980 165**	**1 707 908**	**832 792**

	Refining Segment				Chemical Segment				Other operations				Adjustments				Total			
	for the period				for the period				for the period				for the period				for the period			
	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months
	ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004		ended 30 September 2005		ended 30 September 2004	
Cost incurred to acquire segment property, plant and equipment and intangible assets	613 899	275 283	490 581	229 968	712 491	275 245	482 252	42 837	91 247	37 338	48 730	19 234					1 417 637	587 866	1 021 563	292 039
Unallocated cost incurred to acquire property, plant and equipment and intangible assets																	30 374	5 736	24 065	8 449
Total cost incurred to acquire property, plant and equipment and intangible assets																	1 448 011	593 602	1 045 628	300 488
Segment depreciation	616 914	260 427	627 415	207 941	286 232	134 771	190 581	62 932	132 462	24 155	157 928	51 133					1 035 608	419 353	975 924	322 006
Depreciation of unallocated assets																	23 870	8 016	28 496	8 628
Total depreciation																	1 059 478	427 369	1 004 420	330 634
Non-cash expenses other than depreciation	143 993	20 222	119 672	45 371	33 211	30 925	13 099	5 649	82 521	7 979	45 236	31 617					259 725	59 126	178 007	82 637

Geographical segments

The below table presents the Group's consolidated sales by geographical segments for the periods of 9 and 3 months ended 30 September 2005 and 30 September 2004

	Revenues from sale by geographical area for the period			
	9 months	3 months	9 months	3 months
	ended 30 September 2005		ended 30 September 2004	
Poland	16 200 010	5 978 216	14 443 178	5 724 015
Germany	7 328 120	2 870 822	6 763 845	2 345 495
Czech Republic	4 075 730	2 923 575	566 489	277 985
Other countries	2 231 524	1 301 815	543 855	156 720
Total revenues from sale by geographical area	**29 835 384**	**13 074 428**	**22 317 367**	**8 504 215**

VII. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities as at 30 September 2005:

Guarantees and sureties:

Entity	Type of relation with the issuer	Name of entity (company) to which a guarantee/surety was granted	Subject of guarantee	Amount of guarantee/surety	Period for which the guarantee/surety was granted (expiration of the liability)
PKN ORLEN S.A.	Other entities	-	performance bonds, guarantees of payment, tender bonds, lottery guarantee	22,941	31.12.2007
Anwil S.A.		Unb GmbH	guarantee related to investment in change of chlorine production technology	5,565	till 09.08.2006
ORLEN Oil Sp z o.o.		Bank Handlowy w Warszawie S.A.	guarantee for clients' liabilities related to Paylink Cards Use Agreement; the amount gives 7..5% of the Program Amount.(agreement for financing trade liabilities for Paylink referring to Regional Sales Centers)	2,655	till 31.03.2007
Zakład Budowy Aparatury S.A		ALSTOM POWER	performance bond and guarantee of proper defect removal	2,246	till 15.07.2007
Unipetrol a.s.		SPOLSIN, spol. s.r.o., CALYON BANK, Chvateruby municipal authorities	loan guarantees	1,342	till 30.06.2008
Inowrocławskie Kopalnie Soli "SOLINO" Sp z o.o.		Municipal Office in Inowrocław	guarantee of the loan for waste-water treatment plant in Inowrocław	700	till 20.12.2006
Zakład Budowy Aparatury S.A		LURGI BIPRONAFT	Warranty	333	till 21.01.2006
Zakład Budowy Aparatury S.A		LOTOS S.A. GROUP	performance bond	125	till 15.06.2007
			TOTAL	**35,907**	
Anwil S.A.	**Unconsolidated subsidiaries**	Agro-Azoty II Sp z o.o. Włocławek	current account loan guarantee	80	till 20.09.2005
			TOTAL	**80**	

PKN ORLEN S.A.	**Consolidated subsidiaries**	ORLEN PetroTank Sp z o.o., Rafineria Jedlicze S.A., Orlen Transport Kędzierzyn-Koźle, Orlen Dautschland AG, Basell Oreln Polyolefins Sp z o.o.	guarantees/sureties of loans and borrowings	1,272,714	till 31.12.2013
Unipetrol a.s.		Unipetrol a.s. Group companies	guarantees/sureties of loans and borrowings	605,758	until further notice
Orlen Asfalt Sp z o.o		Orlen Asfalt Group	loan collateral	30,000	29.10.2005
Rafineria Trzebinia S.A.		EuroNaft Trzebinia Sp z o.o.	current account loan guarantee	22,050	till 30.04.2009
Rafineria Trzebinia S.A.		NaftoWax Sp z o.o.	current account loan guarantee	12,000	till 31.03.2009
Rafineria Trzebinia S.A.		EuroNaft Trzebinia Sp z o.o.	renewable loan guarantee	4,500	till 31.12.2005
Ship-service S.A.		SHIP SERVICE AGRO Sp z o.o.	loan guarantee	1,800	till 31.03.2007
Rafineria Trzebinia S.A		Energomedia Sp z o.o.	current account loan guarantee	1,100	30.06.2006
Orlen Asfalt Sp z o.o		Orlen Asfalt Group	loan collateral (bill of exchange for the Customs Office)	500	31.12.2005
Rafineria Trzebinia S.A		Energomedia Sp z o.o.	guarantee of the receivable resulting from the sale-purchase agreement	500	till the liabilities repayment date
			TOTAL	**1,497,223**	
Unipetrol a.s.	**Parent company**	PKN ORLEN S.A.	guarantee granted on behalf of BENZINA	286,898	till 31.03.2006
Zakład Budowy Aparatury S.A		PKN ORLEN S.A.	performance bond (FLAVOURS)	854	till 25.11.2006
Zakład Budowy Aparatury S.A		PKN ORLEN S.A.	performance bond (PROPYLENE TANKS)	460	till 20.11.2007
Zakład Budowy Aparatury S.A		PKN ORLEN S.A.	performance bond (C 501 COLUMN)	95	till 01.03.2007
			TOTAL	**288,307**	
		Total amount	guarantees and sureties	**1,821,517**	

Other contingent liabilities:

536,554	excise tax guarantees, including collaterals submitted on behalf of third parties in respect of movement of harmonized excise goods under the excise tax suspension procedure and excise tax liability on goods kept in warehouses under the excise tax suspension procedure
26,040	statement of voluntary submission for execution for Bank Handlowy w Warszawie S.A. (ORLEN Oil Sp z o.o.)
9,200	factoring with recourse – bill of exchange statement together with a bill of exchange which are guarantees of recourse factoring credit line under a factoring services agreement (ORLEN Oil Sp z o.o. for Bank Przemysłowo-Handlowy PBK S.A.) (Factoring Services Agreement related to Regional Sales Centers)

6,000	limit provided by an Insurance Company, up to which Remwil can obtain coverage in issued insurance policies for particular contracts (Anwil S.A.)
4,000	liability connected with improper execution of trade contracts (Anwil S.A. has been sued by Tras Tychy S.A.)
3,000	claims resulting from damages related to provided services (Anwill S.A to a subsidiary, SK Eurochem)
2,302	liability connected with possible reclamation of land (ORLEN PetroTank Sp z o.o.)
837	blank bills issued by ORLEN PetroCentrum Sp. z o.o. to PKN ORLEN, which are guarantees of agreements with petrol stations owners
295	retention bond for repair and assembly of a turbine (Orlen Wir Sp z o.o.)
186	performance bond (ORLEN Oil Sp z o.o.)
143	contentious amount resulting from an unsettled service rendered by the legal office, Kancelaria Prawna Setkowicz i Partnerzy, due to termination of the cooperation agreement (ORLEN PetroTank Sp z o.o.)
129	guarantee of receivables (O.Wir Sp z o.o. to PKN ORLEN S.A.)
120	tender guarantee deposit (ORLEN Oil Sp z o.o.)
17	guarantee of receivables (O.Wir Sp z o.o. to Mostostal Zabrze Holding S.A.)
17	blank bills issued by ORLEN PetroCentrum Sp. z o.o. to PKN ORLEN which are guarantees of distributors' lease agreements
Total 588,840	

Guarantees, sureties and other contingent liabilities granted by the PKN ORLEN S.A. Group:	**30 September 2005**
Guarantees and sureties granted to:	**324,294**
unconsolidated related parties	288,387
other parties	35,907
Other contingent liabilities:	**588,840**
excise tax liabilities	536,554
other	52,286
Total contingent liabilities of the PKN ORLEN S.A. Group:	**913,134**

Additional information concerning significant proceedings in front of the court, a body appropriate for arbitration proceedings or a public administrative bodies and on other risks of the Company and its related parties have been presented under Note XI.

VIII. SIGNIFICANT EVENTS DURING THE PERIOD FROM 1 JULY 2005 TO THE DATE OF THIS REPORT, PRESENTED IN THE CURRENT REPORTS

1. Changes in the PKN ORLEN S.A. Supervisory Board

On 29 June 2005 the Ordinary General Shareholders' Meeting of PKN ORLEN S.A. appointed new members to the Supervisory Board:

- Mr Adam Sęk,
- Mr Andrzej Olechowski.

On 6 September 2005 PKN ORLEN Management Board was informed that Mr Piotr Osiecki resigned from the position of the member of the PKN ORLEN S.A. Supervisory Board as of the nearest General Shareholders' Meeting.

The resignation followed appointment of Mr Piotr Osiecki to the position of Vice-President of the Management Board of PZU Asset Management S.A.

Mr Piotr Osiecki was appointed to the Supervisory Board on 5 August 2004. He was a member of the Audit Committee and the Corporate Governance Committee of the Supervisory Board.

2. Changes in PKN ORLEN S.A. Management Board

The Supervisory Board of PKN ORLEN at the meeting held on 19 July 2005, acting upon the motion of the Ministry of State Treasury, in accordance with art. 9 section 1 para. 3 of the Company's Articles of Association, appointed Mr Dariusz Witkowski to the position of Member of PKN ORLEN Management Board effective 1 August 2005.

3. Agreement for crude oil supply to Unipetrol Rafinérie

The Management Board of PKN ORLEN S.A. announces that on 29 September 2005, the Company concluded an agreement with Unipetrol Rafinérie a.s., under which effective 1 January 2006 PKN ORLEN shall become the exclusive supplier of REBCO crude oil to Unipetrol Rafinérie a.s. The estimated turnover resulting from crude oil sales under this agreement approximates USD 1 billion, i.e. ca PLN 3,239 billion per year, according to the average National Bank of Poland USD/PLN exchange rate of 29 September 2005. The agreement provides also that the parties shall negotiate terms of sweet crude oil supply within the subsequent two months.

The agreement refers to creation of a crude oil supply center within the PKN ORLEN S.A. Group, for deliveries to refineries in Płock, Litvinov and Kralupy.

4. Closing of mandatory tender offering for shares in Unipetrol a.s., Paramo a.s. and Spolana a.s.

The Management Board of PKN ORLEN S.A. announces that the mandatory tender offering for shares issued by Unipetrol a.s., Paramo a.s. and Spolana a.s. was concluded on 12 October 2005. In accordance with a report provided by Patria Finance a.s., a broker house carrying out the mandatory tender offering process, the minority shareholders subscribed as follows:
- for the sale of 49,660 shares in Paramo a.s. shares, standing for 3.7 % of that company's share capital,
- for the sale of 277,671 shares in Spolana a.s. shares, standing for 3.6 % of that company's share capital,
- for the sale of 2,461 shares in Unipetrol a.s. shares, standing for 0.0014 % of that company's share capital.

The total value of shares subscribed at the price defined during the mandatory tender offering amounts to CZK 91.97 million, i.e. ca PLN 12 million according to the National Bank of Poland average exchange rate of 14 October 2005.

(cf. also regulatory announcements no.: 48/2005 of 19 July 2005, 49/2005 of 26 July 2005, 52/2005 of 12 August 2005, 56/2005 of 26 August 2005, 57/2005 of 26 August 2005).

5. PKN ORLEN S.A. integration strategy with Unipetrol a.s.

On 17 October 2005, Management Board of PKN ORLEN S.A. announced its integration strategy with Unipetrol a.s., including among others the expected effects of the operational improvement program and first improvements captured already in 2005.

The operational improvement program provides for an improvement in efficiency and realization of precisely selected targets which should contribute to an increase of Unipetrol's EBITDA by minimum 45% in 2008 compared to 2004, based on the same average macro-environment as in 2004.

The strategy adopted by Unipetrol envisages also the capital group restructuring through divestitures of businesses which Unipetrol has independently determined as non-core: in Aliachem, Lovochemie, Agrobochemie and Kaučuk.

Smooth target realization in core segments: refinery, petrochemical, chemical and retail sale, will be supported by the created 26 Polish-Czech teams responsible for the defined tasks.

Assumed financial targets are:

- IRR of PKN ORLEN investment in Unipetrol > 33.9%
- Consolidated EBITDA for Unipetrol in 2008 > EUR 442 million, including:
  -impact of Partnership Program *> EUR 138 million*

The first improvements to be captured by Unipetrol already in 2005 will amount to ca EUR 28 million.
The initial expected integration synergies in respect of PKN ORLEN will exceed EUR 24 million.

The aforementioned financial and operational targets are based on the following actual average macro-environment factors observed in 2004: Brent oil price USD 38.2/b, Brent/Ural differential USD 4.1/b, refinery margin USD 3.5/b, exchange rate of EUR/CZK 31.90.

Additional important assumptions considered in the above calculations:

- IRR – of PKN ORLEN investment in Unipetrol – of minimum 33.9% does not include the provisions - PKN ORLEN has made potential provisions for business risk which include a provision to cover possible negative financial effects associated with agreements concerning sale of some Unipetrol assets. Including the provision for potential business risk, IRR of PKN OREN investment in Unipetrol would amount to 28%.
- Consolidated EBITDA includes Unipetrol, Unipetrol Rafinérie, Paramo, Chemopetrol, Kaučuk, Spolana, Benzina fully consolidated; Česká Rafinérská consolidated by the proportional method; Agrobohemie and Aliachem consolidated by the equity method. EBITDA calculations do not include the effects of possible divestments.
- Unipetrol EBITDA base results for 2004 adjusted for one-off expenses and non-operating and extraordinary charges.
- EBITDA calculations do not include the effects of possible divestments.
- Price paid by PKN ORLEN to the Czech Property Fund for Unipetrol shares: CZK 11,303 million + 14.55% price adjustment = EUR 428 million, the price agreed for debt (CZK 1,745 million = EUR 58 million) less repayment of EUR 15 million, project costs of EUR 12 million. Total expected mandatory tender offer for shares cost of EUR 3.1 million included. Total investment: EUR 486 million (assuming EUR/CZK exchange rate of 30.35 as of 24.05.2005).
- Return on investment – of 33% - calculated using outlays as defined for the internal return ratio calculation included in the presentation "PKN ORLEN and Unipetrol – Partnership for the Central Europe", adjusted by the nominal value of receivables excluding repayments (EUR 104 million), and considering PKN ORLEN share in Unipetrol profit in 2009, including the impact of initiatives and average 2004 macro-economic conditions.

IX. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY VIA RELATED PARTIES AT LEAST 5% OF THE TOTAL VOTES AT THE PARENT'S GENERAL MEETING AS AT THE DATE OF FILING THE REPORT

Shareholder	% of votes at the GSM presented in the prior quarter report *	Number of shares presented in the prior quarter report *	Change of % in the period 16 September 2005 - 31 October 2005	% of votes at GSM at the report filing date **	Number of shares at the report filing date **
Nafta Polska S.A.	17.32%	74,076,299	-	17.32%	74,076,299
State Treasury	10.20%	43,633,897	-	10.20%	43,633,897
The Bank of New York (holders of GDRs)	12.29%	52,564,818	(0.33)	11.96%	51,166,086
Other	60.19%	257,434,047	0.33	60.52%	258,832,779
	- - - - - -	- - - - - - - -	- - - - - -	- - - - - -	- - - - - - - -
Total	100%	427,709,061	-	100%	427,709,061
	=======	=========	======	=======	========

* Data as at 16 September 2005
** Data as at 31 October 2005

In accordance with the regulatory announcement no. 33/2005, filed on 25 May 2005, FMR Corp. with direct and indirect subsidiaries, seated in Boston, and Fidelity International Limited with direct and indirect subsidiaries, seated in Bermuda, held 21,436,944 PKN ORLEN shares as at 24 May 2005, which is 5.01% of the share capital, and gives title to 21,436,944 votes at the general meeting and 5.01% of the total votes at PKN ORLEN General Meeting.
The percentage interest of the above shareholders in the Company's share capital is compatible with the percentage of votes at the General Shareholders' Meeting as at this report filing date.

X. CHANGES IN THE NUMBER OF THE COMPANY'S SHARES HELD BY THE MANAGEMENT BAORD AND SUPERISORY BOARD IN ACCORDANCE WITH THE COMPANY'S RECORDS

The number of shares held by the Management Board and Supervisory Board in the third quarter 2005:

	Number of shares, options as of the date of the prior quarter report filing *	Acquisition	Disposal	Increase due to changes in composition	Decrease due to changes in composition	Number of shares as at the date of report filing **
Management Board	-	-	-	-	-	-
Supervisory Board	2,950	-	-	-		2,950
Raimondo Eggink	2,950	-	-	-	-	2,950

* Data as at 16 September 2005
** Data as at 31 October 2005

XI. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINITRATION BODIES AND ON OTHER RISKS OF THE PARENT COMPANY AND ITS RELATED PARTIES

1. Excise tax contingent liability of Rafineria Trzebinia S.A.

On 15 October 2004, the Head of the Customs Office in Kraków instituted tax proceedings in order to determine the excise tax liability at Rafineria Trzebinia S.A. for May, June, July and August 2004. As a result of the proceedings, on 5 April 2005 Rafineria Trzebinia S.A. received decisions from the Head of the Customs Office in Kraków, where the total excise tax liability was set for the period of May-August 2004 at about PLN 60 million. According to the Management Board of Rafineria Trzebinia S.A., the company possesses all necessary expert opinions confirming correctness of the applied classification of goods taxed with 0% rate. On 12 April 2005, the Management Board of Rafineria Trzebinia S.A. filed an appeal against the discussed decisions and a motion to suspend execution of the decision until the date of settling the matter in the court of second instance.
On 5 May 2005, in reply to its motion, Rafineria Trzebinia S.A. received a decision from the Head of the Customs Office in Kraków suspending execution of the above decision.
On 9 June 2005 the Director of the Customs Chamber in Kraków, having examined the Company's appeal of 12 April 2005 against the decision of the Head of the Customs Office in Kraków of 31 March 2005, quashed the decision of the first instance authority and submitted it for further examination.
On 28 July 2005 the Head of the Customs Office in Kraków, upon receipt of the Customs Chamber decision, without providing any further evidence in the case determined an excise tax liability for May-September 2004 at total PLN 100 million. The above decisions were issued without any references to claims presented in the appeal of 12 April 2005. The Management Board of Rafineria Trzebinia S.A. still claims that it possesses all necessary legal opinions confirming correctness of the applied classification of goods taxable with 0% rate, which according to the Management Board guarantees a positive outcome of the proceedings.
On 9 August 2005 the Management Board of Rafineria Trzebinia S.A. appealed against the above decisions and filed a motion to suspend execution of the decisions until the case would be decided by the second instance authority.
On 11 August 2005, the Head of the Customs Office in Kraków, having examined the Company's appeal of 8 August 2005, suspended the decision in respect of setting the excise tax liability for the period of May-August 2004 at about PLN 100 million. As at the date of preparation of these consolidated financial statements, the outcome of the above appeal was not yet known.
Currently, apart from the aforementioned proceedings initiated by the Customs Office in Kraków, acting under the authorization from the General Tax Control Inspector of 18 January 2005, the Tax Control Office in Kraków is conducting control proceedings with respect to reliability of the stated tax bases and correctness of calculation and settlement of excise tax and value added tax for 2002 and 2003.
As at the date of preparation of these financial statements, the final outcome of the above control proceedings or potential impact of control extended to other periods were not yet known.

On 25 November 2004, the Supervisory Board of Rafineria Trzebinia S.A. adopted a resolution on performing a tax audit for the period from 2000 to 2004, including a review of correctness of procedures and correctness of tax settlements to be summarized in "Report on agreed upon procedures concerning review of control procedures at Rafineria Trzebinia S.A.". The 2000-2004 tax audit was completed and its results presented to the Supervisory Board.

On 22 April 2005, having received the first stage report on control procedures, the Supervisory Board of Rafineria Trzebinia S.A. ordered the second detailed stage of the "Report on agreed upon procedures" which would involve an analysis of transactions in the selected areas of the company's activity. As at the date of preparation of these consolidated financial statements, the Supervisory Board examined the results of the second stage control and issued appropriate recommendations to the Company's Management Board concerning assessment of the internal control procedures.

2. Claims and court proceedings

In accordance with an agreement of 20 December 2002, Tankpol Sp. z o.o. ("Tankpol") transferred to PKN ORLEN ownership of 40% shares in ORLEN PetroTank Sp. z o.o. ("Petrotank") in exchange for receivables due from Tankpol. On 30 October 2003, a suit was filed at court against PKN ORLEN for compensation of PLN 69,898 thousand or return of the transferred shares. On 26 January 2004 Tankpol modified its claim and demanded PLN

36,383 thousand or return the transferred shares. Tankpol supported the suit with a new valuation of Petrotank for PLN 232.147 thousand. As a result of the proceedings, on 22 March 2005 the court dismissed Tankpol Sp. z o.o. suit. Tankpol appealed against the verdict. In the view of the Company's Management Board, based on an independent legal opinion, the final result of the dispute should not have a material impact on the presented financial results or settlements' balances.

3. Disposal of shares in NOM Sp. z o.o.

On 20 May 2003, the Management Board of the Company submitted a put option execution declaration for all Niezależny Operator Miedzystrefowy Sp. z o.o. ("NOM") shares owned by PKN ORLEN S.A. to Polskie Sieci Energetyczne S.A. ("PSE"). The "put" price amounted to PLN 111.5 million and was calculated as a sum of nominal value of the shares sold and a cumulative investment premium calculated according to the Agreement dated 8 June 2000 regulating the cooperation between the NOM shareholders.
On 20 October 2003, PSE filed a suit to the Court of Arbitration of the Polish Chamber of Commerce in Warsaw, regarding the determination of the invalidity of the sale of shares agreement.
On 26 April 2005 the Company received a verdict of the Court of Arbitration of the Polish Chamber of Commerce in Warsaw. The verdict of the arbitration court is unfavorable for the Company. As a consequence the estimations of the Management Board in relation to the assessment of the risk of non-collection of the above receivable was changed. The Company provided an allowance for the receivable in the amount of PLN 111.5 million presented in the financial statements for the year 2004.
On 20 May 2005 the Company filed a complaint at the District Court in Warsaw for quash of the above judgment of the arbitration court and applied for suspending the execution of the court verdict.
On 26 June 2005, the District Court rejected the application for suspending of execution of the arbitration court verdict.
On 29 July 2005, PKN ORLEN demanded that PSE would repay within a week the contractual penalty of PLN 111.5 million.
On 8 August 2005 PKN ORLEN received a letter from PSE where PSE stated it was not bound to settle the penalty.
On 5 August 2005 PKN ORLEN filed at the Court of Arbitration of the Polish Chamber of Commerce in Warsaw a suit for adjudication of the contractual penalty of PLN 111.5 million.
On 15 September 2005, PKN ORLEN filed at the Court of Arbitration of the Polish Chamber of Commerce in Warsaw an amended suit for adjudication of a contractual penalty of PLN 33,453 thousand.
The District Court in Warsaw has not arrived at any judgment in respect of the complaint issued by PKN until the date of preparation of these consolidated financial statements. After completion of the legal proceedings related to the sale of shares in NOM, the Company would perform appropriate adjustments to its records and financial statements, should it prove necessary.

4. Power transfer fee in settlements with Zakład Energetyczny Płock S.A.

According to the paragraph 36 of the Decree of Ministry of Economy dated 14 December 2000 relating to detailed methods of determination and computation of tariffs and electricity settlement regulations (Official Journal No. 1 dated 15 January 2001), the method of settlement of system fee, constituting an element of a power transfer fee was changed. According to the paragraph 37 of the Decree a different method of system fee calculation has been allowed. Following the decision of the Chairman of the Energy Regulatory Office, the electricity sale agreement between Zaklad Energetyczny Plock S.A. ("ZEP S.A.") and PKN ORLEN was signed. The agreement did not determine contentious issues concerning system fees for the period from 5 July 2001 to 30 June 2002, as it was regarded as a civil case to be settled by an appropriate court. ZEP S.A. called on PKN ORLEN to compromise agreement, while the District Court in Warsaw summoned PKN ORLEN as a co-defendant in a court case Polskie Sieci Energetyczne against ZEP S.A. The Company's Management estimated the claim and in 2002 set up an accrual in the amount of PLN 8,272 thousand for liability to ZEP S.A., and created a provision for that purpose in the amount of PLN 9,781 thousand.
As a consequence of the negative court decision PKN ORLEN was obliged to pay a liability connected with the system fee to ZEP S.A. in the amount of PLN 46,232 thousand. In relation to that in 2004 the provision for the business risk was increased by PLN 28,179 thousand to cover the whole claim.
The proceedings were suspended by the ruling of the District Court in Warsaw of 2 June 2005 until the case of PSE S.A. against ZE Plock S.A., where PKN ORLEN SA is an outside intervener, is decided. On 3 August 2005 a complaint was filed against the above decision of stay of proceedings.

5. Anti-trust proceedings

As at the date of the preparation of the report, the Company was a party in two anti-trust proceedings.

Upon to the decision of the Chairman of the Office of Competition and Consumer Protection ("OCCP") from 21 March 2005, an anti-trust proceedings were started in connection with an allegation that Polski Koncern Naftowy ORLEN S.A. in Plock concluded an agreement with the Grupa Lotos S.A. in Gdansk which limited competition on the domestic sale market of universal petrol U95 through an unanimous decision to give up production and distribution of U95 and thus eliminating competition on the domestic U95 sale market as well as excluding the risk of the market take-over by the competition.
Relating to the received letter PKN ORLEN S.A. released a statement on put charges and gave answers to questions set by the Chairman of OCCP. Answers to the further questions put by OCCP were sent on 5 May 2005.

The proceedings to take evidence are pending. They are prolonged due to motions filed by PKN ORLEN S.A. in order to limit access rights to evidence and due to respective decisions which are to be issued in this respect by the Chairman of OCCP and which may be sued at the Consumer and Competition Court. As the proceedings are at their earliest stage, it is difficult to assess the risk that PKN ORLEN S.A. may be fined.

On 21 March 2005, the Company received a letter in which the Chairman of OCCP requested information on monoethylene glycol and "Petrygo" radiator liquid market in the years 2000-2004. The letter concerns the proceedings in the area of setting prices for antifreeze liquid to "Petrygo" radiators and prices for monoethylene glycols. In these proceedings OCCP issued a decision of 19 July 2000 imposing penalty in the amount of PLN 40 million. The Company appealed to Anti-Trust Court against the negative decision of OCCP. On 13 August 2001 the Anti-Trust Court annulled fully the decision of OCCP, which accused PKN ORLEN S.A. of applying monopolistic practice, at the same time annulling the cash penalty. Consequently, in 2001 due to this fact the provision was fully reversed. OCCP applied on 4 October 2001 to annul the verdict. On 10 July 2003 the Supreme Court annulled the verdict of the District Court dated 13 August 2001.
The case was conducted again by the District Court in Warsaw and the Consumer and Competition Court (former Anti-Trust Court), which at the hearing on 21 July 2004 pronounced the judgment again revoking the appealed decision of OCCP.
Due to the received letter PKN ORLEN S.A. answered the questions of OCCP on 11 April 2005. Simultaneously OCCP approved prolongation of the period for responding to queries up to 6 May 2005 concerning determining the proper geographical market of monoethylene glycol. A response defining the adequate geographical market of monoethylene glycol was sent to OCCP on 6 May 2005. Upon the OCCP's request, additional information was provided on 18 May 2005.

The proceedings to take evidence are still pending. They are prolonged due to motions filed by PKN ORLEN SA and the petitioner in order to limit access rights to evidence and due to respective decisions that need to be issued in this respect by the Chairman of OCCP and which may be sued at the Consumer and Competition Court.

As the above proceedings are at their initial stage it is difficult to assess the risk of a fine which might again be imposed on PKN ORLEN S.A.. Due to elapse of time and considerable changes in the business environment where PKN ORLEN S.A. operates, the risk of a fine is insignificant.

In both proceedings PKN ORLEN S.A. is represented by the legal office Kancelaria Adwokacka Prawa i Konkurencji based on the power of attorney granted by the Company's Management Board.

The financial statements do not include provisions related to the above proceedings as in the view of PKN ORLEN S.A. Management Board, supported by an independent legal opinion, a risk that the Company would be charged with a fine is remote.

6. Tax audit in Orlen Oil Sp. z o.o.

On 13 December 2004, the Supervisory Board of Orlen Oil Sp. z o.o. adopted a resolution to conduct a tax audit for the period from 2000 to the present date, including the control of correctness of the Company's procedures and controls of settling tax liabilities which would be summarized in "Report on agreed upon procedures concerning

review of control procedures in Orlen Oil Sp. z o.o." As at the date of preparation of these consolidated financial statements, both the tax audit and "Report on agreed upon procedures concerning review of control procedures in Orlen Oil Sp. z o.o." did not reveal any material risks or discrepancies.

7. Tax audit in Rafineria Nafty Jedlicze S.A.

On 17 December 2004 the Supervisory Board of Rafineria Nafty Jedlicze S.A. adopted a resolution to conduct a tax audit for the period from 2000 to the present date, which would verify correctness of the Company's procedures and controls of settling tax liabilities which would be summarized in "Report on agreed upon procedures concerning review of control procedures in Rafineria Nafty Jedlicze S.A." As at the date of preparation of these consolidated financial statements, the tax audit did not disclose risks which estimated value would have a significant impact on the company's operations.

8. Investement relief

In accordance with the Decree on Investment Expenditure and in line with article 18a of the Corporate Income Tax Act (in force till 31 December 1999) and article 3.1 of the Amendment of 20 November 1999 to the Corporate Income Tax Act (in force from 1 January 2000), the taxpayer is entitled to deduct investment expenditures from the tax base in a given tax year and in the following tax year half of the previously deducted amount, i.e. the so-called investment premium. In the years 1998-2003, the Group companies benefited from their entitlement to the following investment relieves and premiums (amounts deducted from income):

PKN Group	Investment relief	Investment premium
2001	98,927	43,750
2002	14,234	49,222
2003	-	6,923
	---	---
Total	113,161	99,895
	======	=====

The tax relieves and premiums are conditional. The Corporate Income Tax regulations assume loss of the entitlement to investment relieves if any of the following events occurs within three years from the end of the tax year when the relief has been exercised:

1) the taxpayer has outstanding tax liabilities exceeding 3% of particular taxes due for specific tax years, in relation to taxes constituting the state budget's income and social insurance liabilities; in respect to VAT, the arrears may not exceed 3% of the output tax;

2) taxpayers transfer – in any form – ownership title to assets to which income deductions or tax exemptions relate; this does not refer to transfer of ownership resulting from a change in the legal personality, business combinations or separation of business entities carried out in compliance with the Commercial Code's regulations;

3) there are no longer grounds for recognition as the taxpayer's assets those items of property, plant and equipment which have been adopted for chargeable use under tenancy, lease or similar agreements;

4) the taxpayer is subject to liquidation proceedings or its bankruptcy has been declared;

5) the taxpayer receives any form of reimbursement of investment expenditure.

Tax authorities may also deny a claim to tax allowances if the taxpayer has been charged with outstanding tax liabilities at the moment in which the tax incentives deduction were recognized.

In accordance with the Amendment of 20 November 1998 to the Corporate Income Tax Act (Official Journal No. 144, item 931) when the title to deductions made under art.18a of the Corporate Income Tax Act (in force to 31 December 1999) and art. 3.1 of the Amendment of 20 November 1999 to the Corporate Income Tax Act (in force from 1 January 2000) no longer exists due to circumstances discussed under paragraph 1) above, it is assumed that the title is not lost if the taxpayer makes adjustments to its tax return and settles the tax arrears with accrued interest or settles the arrears with interest within 14 days from the decision of the first instance authority defining the tax liability.

Regarding purchase of assets in the Czech Republic, PKN Orlen Group is subject to the regulations of Tax Investment Relieves Act and Corporate Income Tax Act binding in the Czech Republic. According to these regulations tax investment relieves of the Unipetrol Group companies are of conditional nature. Non compliance with specified conditions may result in a loss of tax investment relieves and an obligation to return received relieves (i.e. the repayment of unpaid tax liability for all the years when tax investment relieves have been granted), increased by the relevant penalties and fines.

Effective May 2000, non compliance with the regulations imposed by the Corporate Income Tax Act and the Tax Investment Relieves Act results in the following:

a) if the condition related to the maximum decrease of tax base is not met, an investing entity is obliged to submit additional tax return (on the basis of which additional tax liability is imposed) for the period during which the condition has not been met;
b) if general and detailed conditions are not met (except for the condition mentioned in point a), a taxpayer loses the right to tax investment relief and is obliged to submit additional tax returns for every period during which the tax investment relief has been used. Thus, in such a case the investing entity is obliged to return all of the granted tax investment relieves, to settle all tax liabilities from which it has been released over the period covered by the relief, together with the relevant penalties and charges.

The Unipetrol Group companies were granted with tax investment relieves in the amount of PLN 282 million in the years 2000–2001; it is planned to utilize PLN 51 million out of that amount until 2007. As at the date of preparation of these financial statements, PLN 12 million were used within the investment incentives.

9. Polish tax regulations

Poland has currently a number of regulations in force concerning value added tax, excise tax, corporate income tax and social security. The tax law is often amended, which results in lack of clarity as well as inconsistencies. The frequent discrepancies in tax law interpretations provided within state authorities and those issued by state authorities to taxpayers generate uncertainty and conflicts concerning the interpreted issues. Tax settlements and other regulated areas of activity (for instance customs and foreign exchange control) are controlled by the respective authorities which are entitled by law to impose high fines, penalties and related interest. Due to the above, the tax risk in Poland is substantially higher than that typical for countries with better developed taxation systems.

There are no formal procedures in Poland for determining the final taxation charge. Tax settlements may be subject to tax control over five years since the end of the calendar year when the tax liability reaches its maturity. There is a risk that respective authorities adopt a different interpretation of the tax law than the Group companies, which could have a significant impact on their tax liabilities.

XII. INFORMATION ABOUT CURRENT PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF THE PARENT COMPANY AND RELATED PARTIES OF THE TOTAL VALUE EXCEEDING 10% OF THE COMPANY'S EQUITY

As at 30 September 2005, the Parent Company was not a party in proceedings concerning liabilities or receivables of the Parent Company or related entities, of the value exceeding 10% of the Company's equity.

XIII. RELATED PARTIES

1. Information about unusual related party transactions

During the period from 1 January to 30 September 2005, there were no unusual related party transactions concluded between related parties within the Group, where the transaction value would exceed EUR 500 thousand.

The transactions concluded within the Group were trade transactions resulting from the type of activity of the particular Group's entities.

2. Information on significant related party transactions

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

In the period of 9 months ended 30 September 2005 and as at 30 September 2005 the Group companies did not grant any advances, loans, borrowings, guarantees and sureties or any other agreements obliging to pay in favour of the Company and its related companies, to managing and supervising persons and their relatives.
As at 30 September 2005 and 30 September 2004 the Group companies did not grant any loans to managing and supervising persons and their relatives.
In the periods of 9 months ended 30 September 2005 and 30 September 2004 there were no significant transactions concluded with members of the Management Board, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

b) Transactions with related parties concluded through the supervising persons

In the third quarter 2005 the Company obtained statements on transactions with related parties extended in scope in regard of the amended IAS 24 "Related Party Disclosures".

	Sale	Purchase	Receivables	Liabilities	Dividend paid
Legal persons *	86,083	256,675	31,145	68,171	-
Natural persons**	771	61	106	-	-

* Transactions in the period of performing duties as supervising persons in the Company.
** In the period covered by the financial statements the recorded transactions comprised of those below EUR 500 thousand.

In the period presented in the financial statements 9 persons acted as members of the Supervisory Board.

c) Transactions with related parties concluded through the managing persons

In the third quarter 2005 members of the Company's key executive personnel did not conclude any significant transactions with related parties in regard of IAS 24 "Related Party Disclosures".

d) Transactions of the Company with related parties in the period from 1 January to 30 September 2005 and the settlement balances as at 30 September 2005

	PKN ORLEN Group					
	Consolidated subsidiaries 1)	Consolidated associates 2)	Non-consolidated subsidiaries 1)	Non-consolidated associates 2)	Consolidated jointly controlled entities 3)	Total related parties
Sales	2,900,264	5,767	7,731	-	514,488	3,428,250
Purchases	621,207	43,956	61,497	-	4,472	731,132
Financial revenues from interest	3,273	324	1	1	20	3,619
Financial expenses on interest	7	-	(3)	2	(1)	5
Gross short-term receivables	1,018,286	1,595	3,756	77	136,197	1,159,911
Short-term liabilities	101,987	5,013	7,469	959	648	116,076
Gross long-term receivables	68,534	-	192	-	-	68,726
Long-term liabilities	-	-	-	-	-	-

1) Parent Company, using its title to vote (above 50% voting rights), appoints supervisory personnel in those entities, and in some cases also management board members.
2) Parent Company exercises considerable influence on the entity's supervisory bodies via its representatives.
3) Parent Company exercises a joint control over the entities under the deed of association.

3. Remuneration, together with remuneration from profit paid to the Management Board, Supervisory Board and the key executive personnel in accordance with IAS 24

Management Board remuneration includes salaries, bonuses, annual bonus and equivalent for unused annual holiday.

The remuneration paid to the Management Board, Supervisory Board and key executive personnel amounted to:

	for 9 months ended 30 September 2005 (unaudited)	for 9 months ended 30 September 2004 (unaudited)
Parent's Management Board*	19,300	18,488
Parent's Supervisory Board	635	654
Parent's key executive personnel	14,825	12,355
Group key management personnel**	46,372	32,991
Total	**81,132**	**64,488**

* In the period of 9 months ended 30 September 2005 the remuneration was paid to the former Management Board members of PLN 10,827 thousand, which were recognized in the prior year costs, and gratuities of PLN 1,620 thousand related to 2005.
** Management Boards, Supervisory Boards and key executive personnel of the Group companies.

XIV. LOAN SECURITY, GUARANTEES AND COLLATERALS OF AT LEAST 10% OF THE COMPANY'S EQUITY GRANTED BY PARENT COMPANY OR ITS SUBSIDIARIES TO A THIRD ENTITY OR ITS SUBSIDIARY

In the period from 1 January to 30 September 2005 the Company and its subsidiaries did not grant loan security, or guarantees to another entity or its subsidiary, where the value of security or guarantee constituted at least 10% of the Company's equity, except for a collateral for BOP shares held by PKN Orlen of PLN 454 million (granted in the prior period), provided by PKN ORLEN under the share pledge agreement of 19 December 2003, which secures Basell ORLEN Polyolefins Sp. z o.o. repayment of current and future claims to which the pledgee is entitled due to the financial collateral agreement concluded between entities financing BOP up to the highest securing amount of EUR 750 million.

XV. SEASONAL OR CYCLICAL CHARACTER OF THE ISSUER'S OPERATIONS IN THE PRESENTED PERIOD

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

XVI. POST BALANCE SHEET EVENTS

a) Changes in the Parent's Supervisory Board

The Extraordinary Shareholders' Meeting of PKN ORLEN held on 14 October 2005 appointed Prof. Krzysztof Obłój to the position of the Supervisory Board Member effective 14 October 2005.

XVII. IMPACT OF IFRS ADOPTION ON PRIOR PERIOD RESULTS

Due to the fact that effective 1 January 2005 the Group has been preparing its consolidated financial statements in accordance with IFRSs for statutory purposes, the below table presents the major differences identified and reported by the Group between IFRSs adopted by the European Union and Polish Accounting Standards (PASs) with respect to changes in the opening balance of equity as at 1 January 2004, 30 September 2005 and 31 December 2004 and data in respect of the net profit for the respective periods of 3 and 9 months ended 30 September 2004 and for the year 2004.

	Net profit for 12 months period ended 31 December 2004 (unaudited)	Net profit for 9 months period ended 30 September 2004 (unaudited)	Net profit for 3 months period ended 30 September 2004 (unaudited)
Consolidated according to PASs	2,588,981	1,910,101	881,246
Reversal of capitalized borrowing costs	8,011	5,790	2,123
Deferred tax on capitalized borrowing costs	(1,522)	(1,100)	(403)
Valuation of property, plant and equipment at fair value	(169,047)	(123,482)	(48,082)
Deferred tax on valuation of property, plant and equipment at fair value	32,290	22,584	7,837
Alternative treatment of the excess of fair value of identifiable assets, liabilities and contingent liabilities over acquisition cost	(27,758)	(26,910)	(9,182)
Reversal of goodwill amortization	5,765	4,284	1,470
Impairment of property, plant and equipment of ORLEN Deutschland	(65,381)	(65,381)	-
Distribution of profit other than dividends	(4,176)	(4,176)	-
Other	5,654	(13,802)	(2,217)
Consolidated according to IFRSs	**2,372,817**	**1,707,908**	**832,792**

	Net assets as at 31 December 2004 (unaudited)	Net assets as at 30 September 2004 (unaudited)	Net assets as at 1 January 2004 (unaudited)
Consolidated according to PASs	11,826,556	11,216,736	9,581,948
Reversal of capitalized borrowing costs	(63,745)	(65,965)	(71,755)
Deferred tax on capitalized borrowing costs	12,111	12,533	13,633
Valuation of property, plant and equipment at fair value	1,178,170	1,226,861	1,347,614
Deferred tax on valuation of property, plant and equipment at fair value	(214,114)	(224,273)	(246,251)
Alternative treatment of the excess of fair value of identifiable assets, liabilities and contingent liabilities over acquisition cost	273,611	274,459	301,369
Reversal of goodwill amortization	5,765	4,284	-
Impairment of property, plant and equipment of ORLEN Deutschland	(65,381)	(65,381)	-
Other	70,563	55,399	61,170
Consolidated according to IFRSs	**13,023,536**	**12,434,653**	**10,987,728**

a. Reversal of capitalized borrowing costs

In accordance with PASs borrowing costs resulting from investment loans were stated as investment expenditure. Other financial expenses were recognized in the profit and loss when incurred. In the financial statements prepared in accordance with IFRSs, the cost of loans and borrowings, including foreign exchange differences related to loans and borrowings in foreign currencies, are recognized in the profit and loss statement in the period to which they refer.

b. Alternative treatment of the excess of fair value of identifiable assets, liabilities and contingent liabilities over acquisition cost

In accordance with PASs the Company settled the excess of fair value of identifiable assets, liabilities and contingent liabilities above acquisition cost to revenues over the period from 2 to 5 years.
Under IFRS 3, the excess of fair value of identifiable assets, liabilities and contingent liabilities above acquisition cost was recognized as retained earnings.

c. Reversal of goodwill amortization

In accordance with PASs goodwill was amortized on a straight line basis over the period not longer than 5 years and presented in the profit and loss as other operating expenses. In the financial statements prepared in accordance with IFRSs, goodwill was not amortized yet decreased by impairment allowances.

d. Impairment of property, plant and equipment of ORLEN Deutschland

Due to the change in the policy discussed in detail under b) above, ORLEN Deutschland AG recognized an excess of net fair value for identifiable assets, liabilities and contingent liabilities above acquisition cost in equity as at 1 January 2005. Consequently, for the purpose of consolidated annual financial statements the impairment allowance for property, plant and equipment of ORLEN Deutschland AG was increased by the amount reflecting the above change in the accounting principles and recognized in 2004 financial result.

e. Consolidation of BOP by proportionate method

PKN ORLEN S.A. possesses a 50% share in a joint-venture enterprise, Basell ORLEN Polyolefins Sp. z o.o., engaged in manufacture, distribution and sale of polyolefins.
In the records presented for the third quarter of 2004 and the third quarter of 2005, Basell ORLEN Polyolefins Sp. z o.o. has been consolidated by proportionate method. In the prior periods the company was presented in line with the equity method.
As at 30 September 2005 and 31 December 2004 and for the periods of 9 and 3 months ended 30 September 2005 and 30 September 2004, the Group share in assets, liabilities, revenues and costs of BOP presented as follows:

	30 September 2005 (unaudited)	31 December 2004 (unaudited)
Current assets	181,764	168,681
Non-current assets	954,752	860,901
Current liabilities	119,902	152,590
Non-current liabilities	456,580	346,785

	9 months ended 30 September 2005 (unaudited)	3 months ended 30 September 2005 (unaudited)	9 months ended 30 September 2004 (unaudited)	3 months ended 30 September 2004 (unaudited)
Revenue	367,663	113,861	382,595	142,528
Cost of goods, merchandise and raw materials sold	(313,304)	(89,686)	(327,931)	(118,241)
General and administrative expenses	(5,967)	(1,646)	(6,012)	(2,486)
Financial costs	(21,653)	(7,728)	(10,418)	(4,482)
Profit before tax	41,585	29,553	48,322	25,835
Income tax expense	(7,934)	(5,840)	(10,736)	(6,418)
Net profit	33,651	23,712	37,589	19,419

XVIII. SUPPLEMENTARY INFORMATION

b) Restructuring of the southern assets

The restructuring and consolidation project embraces the following companies:
- Rafineria Nafty Jedlicze S.A.
- Rafineria Trzebinia S.A.
- Orlen Oil Sp. z o.o.
- and in the future Paramo a.s., where Unipetrol a.s. is the majority shareholder.

The objective of the project is to increase assets engaged by PKN ORLEN S.A. by optimizing production structure in the above companies by matters of reorganization and restructuring of the possessed assets as well as combination of selected assets and consolidation of the companies. The project is intended also to protect assets of those companies against changes in the tax law, which may lead to discontinuation of downstream activity in the southern Poland.

In 2005 the Supervisory Boards' composition was made uniform in Rafineria Nafty Jedlicze S.A., Orlen Oil Sp. z o.o., Rafineria Trzebinia S.A. and Paramo a.s.
The Company's Management approved of the project of implementation of a personal union in the Management Boards of Rafineria Nafty Jedlicze S.A., Rafineria Trzebinia S.A., and Orlen Oil Sp. z o.o.
The outcome of the undertaken actions are changes made by the Supervisory Boards in Orlen oil Sp. z o.o. Management Board (Milan Kuncir appointed as President of the Management Board) and in Rafineria Trzebinia S.A. Management Board (Milan Kuncir acting as President of the Management Board). The Supervisory Board of Rafineria Trzebinia S.A. will soon appoint other Management Board Members.

In July 2005 PKN ORLEN Management Board approved a restructuring project for the southern assets designed by Investekspert which aims at:

- consolidation of activity related to oil and lubricant production in Orlen Oil Sp. z o.o.,
- targeted discontinuation of downstream activity in the southern Poland and grouping assets relating to this activity within a separate business,
- buy-out of minority shares/stakes (provided that the transaction is economically effective),
- targeted business combination of Orlen Oil Sp. z o.o. with Rafineria Jedlicze S.A. (after its restructuring).

A business advisor in the restructuring and consolidation process was selected and legal advisors were appointed for the process.

The sale process is being carried out in respect of subsidiaries of Rafineria Nafty Jedlicze S.A. and Rafineria Trzebinia S.A. which operations were determined as the Group non-core activity.

b) Polkomtel S.A.

PKN ORLEN S.A., KGHM Polska Miedź S.A., Polskie Sieci Elektroenergetyczne S.A. and Węglokoks S.A. concluded "Shareholders' Cooperation Agreement in Restructuring of Polkomtel S.A. Share Capital." Under the Agreement, Polish shareholders of Polkomtel S.A. with assistance of recognized advisors agreed on a negotiation strategy which was presented to foreign shareholders, i.e. TDC and Vodafone. Currently, negotiations are being carried out and correspondence is being exchanged with the foreign shareholders in order to define conditions for obtaining the optimum value of Polkomtel S.A. shares held by the Polish shareholders and to project the detailed transaction scheme.

PKN ORLEN S.A. Management Board commissioned respective analyses to be conducted in order to determine whether there are indications that Polkomtel S.A. could be regarded as a jointly controlled entity consolidated by the proportionate method in accordance with IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures".

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

.....
President
Igor Chalupec

.....	.....	.....
Vice-President	**Vice-President**	**Vice-President**
Wojciech Heydel	Jan Maciejewicz	Cezary Smorszczewski
.....	.....	
Member of the Board	**Member of the Board**	
Paweł Szymański	Dariusz Witkowski	

Płock, 7 November 2005