

Q1 2007 Results of the PKN ORLEN Group in accordance with IFRS

Performance - General Overview

Refining and Retail

- 40.4 higher oil throughput and first-time consolidation of Mazeikiu Refinery's sales contributed to a growth in sales of gasoline and diesel fuel by 48.9% and 45.9%, respectively.
- Decrease in the Ural-Brent differential from USD 3.59 per barrel to USD 3.38 per barrel caused a (-) PLN 16m year-on-year drop in the Parent Company's EBIT.
- Higher refining margins combined with increased sales volumes of gasoline, diesel fuel, Ekoterm and Jet fuel had a PLN 87m positive effect on the Parent Company's EBIT.
- Higher retail sales volumes at the Parent Company improved the operating result by PLN 44m, whereas a drop in retail margins on gasoline and LPG reduced EBIT by PLN 5m.

Petrochemicals and Chemicals

- The performance of Basell ORLEN Polyolefins Sp. z o.o. improved to PLN 48m on the back of 11% higher polyolefin sales coupled with price increases.
- Thanks to the continued strong demand on the fertiliser market and the construction boom, Anwil S.A.'s operating result for Q1 2007 reached PLN 83m, compared with PLN 52m in Q1 2006.
- The favourable situation in the petrochemicals segment (high margins) contributed to Unipetrol's operating profit, which reached PLN 224m.

General

- There was an improvement in EBITDA (PLN 995m against PLN 983m in Q1 2006), despite an operating loss at the Mazeikiu Group.
- The Mazeikiu Group reported a loss of PLN 334m, attributable to the consequences of the fire which took place in October 2006. As a result of the fire, in Q1 2007 the Mazeikiu Refinery operated at approx. 50% capacity and produced a lot of low-margin products, especially heavy fuel oil. Moreover, failure of the Druzhba Pipeline in July 2006 caused considerable disruptions to the refinery's crude oil supply system. At present, the refinery's entire crude oil requirement is satisfied with oil delivered to the plant by sea through the port in Butinge, which generates higher costs compared with the traditional supply source.
- Implementation of the M&A strategy (acquisitions) brought about an increase in the net debt to equity ratio from 19.7% in Q1 2006 to 39.2% in Q1 2007 (average values).
- Implementation of the OPTIMA savings programme yielded tangible cost efficiencies of PLN 88m, with the largest savings of PLN 49m and PLN 20m achieved in the refining (wholesale and retail) and the chemicals segments, respectively.
- Net of the costs of strategic projects, the Parent Company's fixed costs moved up slightly, by 0.9%, compared with Q1 2006.

Financial Highlights

Q1/07	Q4/06	q/q +/- (%)	Q1/06	y/y +/- (%)	in PLN million, unless stated otherwise	2007	2006	y/y +/- (%)
14	-3	-566.7	106	-86.8	Refining	14	106	-86.8
370	82	351.2	310	19.4	Petrochemicals	370	310	19.4
83	83	0.0	57	45.6	Chemicals	83	57	45.6
108	182	-40.7	6	1700.0	Retail	108	6	1700.0
-64	-10	540.0	49	-230.6	Other ¹	-64	49	-230.6
-136	-161	-15.5	-111	22.5	Unallocated ²	-136	-111	22.5
375	173	116.8	417	-10.1	EBIT	375	417	-10.1
-75	-244	-69.2	0	-	Non-recurring events ³	-75	0	-
-63	0	-	0	-	Refining	-63	0	-
0	-230	-	0	-	Petrochemicals	0	0	-
0	-10	-	0	-	Chemicals	0	0	-
0	-1	-	0	-	Retail	0	0	-
-1	-11	-90.6	0	-	Other ¹	-1	0	-
-11	8	-233.6	0	-	Unallocated ²	-11	0	-
450	417	8.0	417	7.9	Clean EBIT ³	450	417	7.9
995	713	39.5	983	1.2	EBITDA	995	983	1.2
1,070	957	12	983	8.8	Clean EBITDA ³	1,070	983	8.8
140	76	84.2	373	-62.5	Net profit	140	373	-62.5
49	146	-66.4	348	-85.9	Profit attributable to equity holders of the parent	49	348	-85.9
113	390	-71.0	348	-67.5	Clean profit attributable to equity holders of the parent ³	113	348	-67.5
594	1,046	-43.2	-557	-206.7	Net cash provided by (used in) operating activities	594	-557	-206.7
4.0	2.1	90.5	5.8	-31.0	ROACE (%) ⁴	4.0	5.8	-31.0
39.2	21.9	79.0	19.7	99.0	Net debt to equity ratio (%) ⁵	39.2	19.7	99.0
0.12	0.34	-66.4	0.81	-85.8	EPS	0.12	0.81	-85.8
0.26	0.91	-71.1	0.81	-67.5	Clean EPS	0.26	0.81	-67.5
0.00	0.00	-	4.50	-	Dividend per share	0.00	4.50	-

1) PKN ORLEN's companies responsible for utilities, employee-related services and maintenance.

2) Includes the PKN Corporate Centre and companies not included in the segments specified above.

3) Non-recurring events: provision for general economic risk and revaluation of the Mazeikiu Group's non-current assets

4) ROACE = operating profit after tax / average capital employed (equity + net debt).

5) Calculated based on the average values of the balance-sheet items.

Macroeconomic Factors

Q1/07	Q4/06	q/q +/- (%)	Q1/06	y/y +/- (%)		2007	2006	y/y +/- (%)
4.99	2.73	82.8	2.56	94.9	Average refining margin ¹ (USD/bbl)	4.99	2.56	94.9
3.38	3.56	-5.1	3.59	-5.8	Ural/Brent differential (USD/bbl)	3.38	3.59	-5.8
57.79	59.60	-3.0	61.79	-6.5	Average price of Brent crude (USD/bbl)	57.79	61.79	-6.5
2.97	2.99	-0.7	3.19	-6.9	Average PLN/USD exchange rate ²	2.97	3.19	-6.9
3.89	3.85	1.0	3.83	1.6	Average PLN/EUR exchange rate ²	3.89	3.83	1.6
692.15	699.18	-1.0	490.53	41.1	Average margin on ethylene (USD/t)	692.15	490.53	41.1
645.01	654.08	-1.4	484.09	33.2	Average margin on propylene (USD/t)	645.01	484.09	33.2

1) Calculated on the basis of the algorithm: products (88.36%) vs. Brent Dtd (100%).

Products include: gasoline (25.21%), diesel fuel (23.20%), naphta (16.51%), light fuel oil (15.31%), heavy fuel oil (5.44%) and Jet (2.69%).

(Source: CIF NWE quotations, except for HSFO FOB ARA).

2) Source: National Bank of Poland.

Segment Information

Market Overview

In Q1 2007, the average price of Brent oil stood at USD 57.79 per barrel and was lower by 6.5% relative to the corresponding period of 2006. The decline in crude oil prices went hand in hand with a reduction of the URAL/Brent differential by 5.8%, from USD 3.59 per barrel in Q1 2006 to USD 3.38 per barrel in Q1 2007. In Q1 2007, the average commodity price of gasoline amounted to USD 567.21 per tonne and was lower by 1.4% on Q1 2006. Similar trends were seen in the prices of diesel fuel, Ekoterm and JET A-1 fuel, which declined by 4.8%, 5.7% and 3.5%, to USD 549.05 per tonne, USD 524.56 per tonne and USD 592.86 per tonne, respectively.

The crack margins on gasoline went up by 20.1%, to USD 130.89 per tonne. The margins on diesel fuel also rose slightly, by 2.3%, to USD 112.73 per tonne, while the margins on JET A-1 fuel expanded by 5.7%, to USD 156.54 per tonne. On the other hand, decreases were recorded in margins on light fuel oil, which shrank by 1.7%, to USD 88.24 per tonne. Q1 2007 also saw high levels of crack margins on benzene (an increase of 90.2%, to USD 582.00 per tonne), ethylene (an increase of 41.1%, to USD 692.15 per tonne), propylene (an increase of 33.2%, to USD 645.01 per tonne), phenol (an increase of 39.4%, to USD 1,179.83 per tonne), butadiene (an increase of 52.8%, to USD 702.45 per tonne) and acetone (an increase of 30.1%, to USD 708.99 per tonne).

As far as the exchange rates are concerned, in Q1 2007 the euro strengthened by 1.6% (from 3.83 PLN/EUR in Q1 2006 to 3.89 PLN/EUR in Q1 2007), while the U.S. dollar weakened by 6.9% (from 3.19 PLN/USD in Q1 2006 to 2.97 PLN/USD in Q1 2007).

According to estimates by the Energy Market Agency (Agencja Rynku Energii S.A.), the domestic consumption of fuel (including gasoline, diesel fuel and light fuel oil) grew by approximately 57 thousand tonnes (or 1.7%) in Q1 2007 compared with Q1 2006, and reached 3,407 thousand tonnes. In the period under review, the consumption of gasoline decreased to 889 thousand tonnes (by 3.7%), and of light fuel oil to 436 thousand tonnes (by 33.5%). A significant increase was recorded in the consumption of diesel fuel, up by 311 thousand tonnes (or 17.6%) in Q1 2007 compared with the corresponding period of the previous year.

In Q1 2007, favourable economic conditions continued to prevail in Poland. The GDP grew by 6.1% over the full year 2006, and according to estimates for Q1 2007, its growth rate may reach as much as 7%. Investment and consumer demand turned out to be the main drivers of this growth.

At the end of March 2007, the Consumer Prices Index climbed to 2.5% (y/y), compared with 0.4% (y/y) in March 2006 and 1.4 (y/y) in December 2006. The increase in CPI was due to significant hikes in the prices of fuel, food and health products.

The strong economic growth over the last few quarters contributed to improvement in the situation on the labour market. At the end of Q1 2007, the unemployment rate stood at 14.4%, and was 3.4 pp and 0.5 pp lower relative to the end of Q1 2006 and the end of 2006, respectively.

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Refining (Production and Wholesale)

Refining (Production and Wholesale)	3 months ended March 31 2007		3 months ended March 31 2006		% change 3 months	
	PLN '000	USD '000	PLN '000	USD '000	PLN '000	USD '000
Results according to IFRS						
Revenue, including:	11,349,207	3,826,693	9,036,766	2,835,064	25.6%	35.0%
Sales to third parties	6,662,386	2,246,404	5,141,877	1,613,138	29.6%	39.3%
Intra-company sales	4,686,821	1,580,289	3,894,889	1,221,926	20.3%	29.3%
Segment's costs	-11,298,206	-3,809,497	-8,933,700	-2,802,729	26.5%	35.9%
Other operating income	54,618	18,416	35,475	11,129	54.0%	65.5%
Other operating expenses	-91,271	-30,774	-32,460	-10,184	181.2%	202.2%
Segment's profit/loss*	14,348	4,838	106,081	33,280	-86.5%	-85.5%
Sales to third parties (thousand tonnes)	4,108		2,650		55.0%	

*) The segment's operating profit/loss, net of the costs not allocated to any of the segments, incurred at the Group level.

The major companies of the Refining segment are: PKN ORLEN S.A., Rafineria Trzebinia S.A., Rafineria Nafty Jedlicze S.A., the wholesale business of the Regional Market Operators (ORLEN PetroCentrum Sp. z o.o., ORLEN Morena Sp. z o.o., ORLEN PetroProfit Sp. z o.o., ORLEN PetroTank Sp. z o.o., ORLEN PetroZachód Sp. z o.o.), ORLEN Petrogaz Płock Sp. z o.o., ORLEN Asphalt Sp. z o.o., ORLEN Oil Sp. z o.o., and the companies belonging to the Unipetrol Group of the Czech Republic: Paramo a.s., Unipetrol Rafinerie a.s., and Ceska Rafinerska a.s. Beginning from Q1 2007, the production and wholesale operations of the Mazeikiu Group have also been included in the segment.

In Q1 2007, the segment's revenue grew by 25.6% relative to the corresponding period of 2006. The main driver behind this growth were larger sales volumes of the segment's core products: the sales of diesel fuel went up by 558.5 thousand tonnes (54.6%) in volume terms and PLN 672,115 thousand (31.3%) in value terms, and the sales of Eurosuper 95 gasoline grew by 367.6 thousand tonnes (79.8%) in volume terms and PLN 548.8 thousand (58.9%) in value terms. Higher sales of gasoline and diesel fuel were mainly attributable to higher annual contacts concluded with the key customers, the discount programmes offered by the Parent Company, and the first-time consolidation of the Mazeikiu Refinery. LPG sales improved by 68.4 thousand tonnes (147.0%) after Orlen Gaz Sp. z o.o. took over a part of the market from competition, selling LPG imported from the Mazeikiu Refinery. A significant improvement in the weather conditions and a relatively early start of the road construction and general construction season boosted the market demand for bitumens. Consequently, bitumen sales grew by PLN 35,606.0 thousand (or 144.0%) compared with Q1 2006. On the other hand, higher sales of fuel oil III were mainly due to the inclusion of the Mazeikiu Refinery companies in consolidation in Q1 2007 and the shutdown of the HOG unit at the Parent Company. In Q1 2007, the Ekoterm light fuel oil was the only product whose sales volumes continued to decline, decreasing by 152.7 thousand tonnes (or 30.8%). The lower sales of light fuel oil are due to high temperatures in Q1 2007, limiting the demand for the product, and a large number of customers switching to alternative energy sources. The estimated positive effect of the higher sales volumes recorded by the Parent Company on EBIT was PLN 43m.

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In Q1 2007, the segment's costs increased by 26.5%, which followed mainly from higher sales of the Group companies and the first-time consolidation of the Mazeikiu Group companies. The latter increased the Group's costs by PLN 2,532m.

The segment's operating result of PLN 14.3m versus PLN 106.1m in Q1 2006 was significantly affected by the consolidation of the segment's Lithuanian companies, which generated a loss of PLN 262.2m in Q1 2007. An external factor with a significant bearing on the operating result was the strong appreciation of the zloty against the U.S. dollar. The cumulative negative effect of the stronger zloty (on the differential and the margins) was PLN 63m. The Group's operating result was additionally reduced due to the year-on-year decrease in the Ural/Brent differential in Q1 2007. The estimated effect of the decrease in the Ural/Brent differential on the Parent Company's financial result was PLN (-)16m. At the same time the segment's result benefited from an upswing in refining product margins, which increased EBIT by PLN 44m at the Parent Undertaking alone. In Q1 2007, the companies of the Unipetrol Group contributed PLN 49m to the segment's result, compared with a loss of PLN 56m in the corresponding period of the previous year.

In Q1 2007, the implementation of the OPTIMA Programme generated savings of PLN 35,647 thousand for the segment.

In Q1 2007, the expenditure on property, plant and equipment and intangible assets grew by PLN 270,413 thousand relative to Q1 2006. Expenditure incurred by the Mazeikiu Refinery in Q1 2007 and allocated to the segment amounted to PLN 230,215 thousand.

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Refining (Retail)

Refining (Retail)	3 months ended March 31 2007		3 months ended March 31 2006		% change 3 months	
	PLN' 000	USD' 000	PLN' 000	USD' 000	PLN' 000	USD' 000
Results according to IFRS						
Revenue, including:	3,423,324	1,154,267	3,116,215	977,636	9.9%	18.1%
Sales to third parties	3,416,509	1,151,969	3,106,297	974,525	10.0%	18.2%
Intra-company sales	6,815	2,298	9,918	3,112	-31.3%	-26.2%
Segment's costs	-3,316,340	-1,118,194	-3,142,945	-986,022	5.5%	13.4%
Other operating income	38,286	12,909	42,843	13,441	-10.6%	-4.0%
Other operating expenses	-36,958	-12,461	-9,693	-3,041	281.3%	309.8%
Segment's profit/loss*	108,312	36,520	6,420	2,014	1587.1%	1713.3%
Sales to third parties (thousand tonnes)	1,053		916		15.0%	

*) The segment's operating profit/loss, net of the costs not allocated to any of the segments, incurred at the Group level

The operations of the following companies were classified as belonging to the retail segment: PKN ORLEN S.A., ORLEN Deutschland GmbH, ORLEN PetroProfit Sp. z o.o., ORLEN PetroCentrum Sp. z o.o., ORLEN PetroZachód Sp. z o.o. and Benzina a.s. of the Czech Unipetrol Group. Beginning from Q1 2007, the retail operations of the Mazeikiu Group have also been included in the segment.

In Q1 2007, the segment's revenue increased by PLN 307,109 thousand, or 9.9%, year on year. The growth in revenue was driven by significantly higher sales volumes, which increased by 136.5 thousand tonnes, or 14.9%. In Q1 2007, sales of diesel fuel, 22.9% higher compared with Q1 2006, accounted for a very large share of retail sales. The higher sales volume of diesel fuel was accompanied by higher sales revenue (up by PLN 162,524 thousand). Unlike in the previous quarters, there was an improvement in the sales volume of gasoline, which grew by 6.7%, to 513 thousand tonnes, although in value terms gasoline sales declined by PLN 87,440 thousand due to lower prices at service stations in Q1 2007. The favourable trends were also seen in the sales volume of LPG. LPG sales rose by 32.9% to 59 thousand tonnes in volume terms, and by PLN 26,870 thousand in value terms. The favourable LPG sales trends were driven by market developments connected with the increasing number of LPG-fuelled cars and a higher number of LPG units available at service stations. The segment's sales volume growth in Q1 2007 was driven by very strong product sales of the Parent Company (an increase of 16.4%), ORLEN Deutschland (an increase of 2.7%) and Benzina (an increase of 26.9%). In the case of ORLEN Deutschland, the growth in its sales volume resulted to a large extent from incorporation in its network of 30 services stations acquired from BP. Benzina's strong sales were achieved mainly due to the implementation of the new market strategy including rebranding, the strengthening of the brand image, and the favourable situation on the fuel market in the Czech Republic, reflected by the increased demand for diesel fuel.

The segment's operating profit for Q1 2007 reached PLN 108,312 thousand, against PLN 6,420 thousand in Q1 2006. In Q1 2007, the Parent Company's profit in this segment amounted to PLN 106m, compared with PLN 15m in Q1 2006. The increase in the Parent Company's retail sales of fuels contributed PLN 44m to the growth of the segment's operating result. In Q1 2007, the retail margins on gasoline and LPG dropped year on year, by 14.3% and 6.0%, respectively, while the margins on diesel fuel went up by 12.8%. The trends in retail margins led to a PLN 5m decline in the Parent Company's EBIT. Q1 2007 saw a PLN 8m

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increase in margins on non-fuel goods and services, to PLN 78.3m. In the period under review, the retail business* of ORLEN Deutschland in Germany sustained a loss of PLN 3m. To compare, in the corresponding period of the previous year, its loss amounted to (-)PLN 4m. The loss was due mainly to the lower fuel retail margins resulting from the increase in the VAT rate applicable to gasoline.

The savings achieved by the segment thanks to the OPTIMA Programme in Q1 2007 amounted to PLN 13,359 thousand.

In Q1 2007, expenditure on property, plant and equipment and intangible assets fell slightly year on year, by PLN 4,151 thousand, to PLN 52,171 thousand. Expenditure incurred by the Mazeikiu Refinery in Q1 2007 and allocated to the segment amounted to PLN 3 thousand.

*) ORLEN Deutschland is also engaged in wholesale business, classified as Production and Wholesale.

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Petrochemicals

Petrochemicals	3 months ended March 31 2007		3 months ended March 31 2006		Change % 3 months	
	PLN '000	USD '000	PLN '000	USD '000	PLN '000	USD '000
Results according to IFRS						
Revenue, including	3,313,603	1,117,271	3,000,199	941,239	10.4%	18.7%
Sales to third parties	2,351,820	792,980	1,985,799	622,996	18.4%	27.3%
Intra-company sales	961,783	324,291	1,014,400	318,243	-5.2%	1.9%
Segment's costs	-2,877,624	-970,269	-2,701,157	-847,422	6.5%	14.5%
Other operating income	13,557	4,571	33,257	10,434	-59.2%	-56.2%
Other operating expenses	-79,956	-26,959	-22,141	-6,946	261.1%	288.1%
Segment's profit/loss*	369,580	124,614	310,158	97,304	19.2%	28.1%
Sales to third parties (thousand tonnes)	765		710		7.7%	

*) The segment's operating profit/loss, net of the costs not allocated to any of the segments, incurred at the Group level.

Starting from 2006, the Petrochemicals segment has been divided into two areas of operations: Petrochemicals and Chemicals. The new Petrochemicals segment comprises petrochemical operations of the following companies: PKN ORLEN S.A., Etylobenzen Sp. z o.o., Chemopetrol a.s., Kaucuk a.s. and Unipetrol Trade a.s. (subsidiaries of Unipetrol a.s.), the petrochemicals business of ORLEN PetroZachód Sp. z o.o., and Basell Orlen Polyolefins Sp. z o.o.

Over Q1 2007, the segment's revenue grew by PLN 313,404 thousand (10.4%) in comparison with the corresponding period of 2006. The increase was driven by higher selling prices of particular products coupled with a rise in the sales volumes of the segment's key products, such as polyolefins (a total increase of 11%), olefins (up by 6.4%), ethylene oxide (up by 22%) and paraxylene (6.2%).

In Q1 2007, the segment generated a profit of PLN 369,580 thousand, relative to PLN 310,158 thousand posted in Q1 of the previous year. In particular the Unipetrol Group boasted an excellent operating profit allocated to the Petrochemicals segment in the amount of PLN 224m, which means a 66.5% growth. The good situation on the petrochemicals market driven by growing margins and favourable market conditions in Central and Eastern Europe, was reflected in the level of Chemopetrol a.s.'s and Kauczuk a.s.'s operating profits of PLN 196m and PLN 74m, respectively.

The positive sales dynamics of polyolefins boosted the operating result of Basell Orlen Polyolefins Sp. z o.o., which achieved a profit of PLN 48m, compared with PLN 11m in Q1 2006. On the other hand, the Parent Undertaking's operating result allocated to the Petrochemicals segment was PLN 110m in Q1 2007, down from PLN 167m in the corresponding period of the previous year.

The implementation of the OPTIMA programme generated segment-wide savings of PLN 688 thousand in Q1 2007.

In the same period, the expenditure on property, plant and equipment and intangible assets fell by PLN 2,954 thousand relative to Q1 2006, totalling PLN 51,212 thousand.

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Chemicals

Chemicals	3 months ended March 31 2007		3 months ended March 31 2006		Change % 3 months	
	PLN '000	USD '000	PLN '000	USD '000	PLN '000	USD '000
Results according to IFRS						
Revenue, including	736,968	248,489	848,454	266,182	-13.1%	-6.6%
Sales to third parties	732,149	246,864	846,157	265,461	-13.5%	-7.0%
Intra-company sales	4,819	1,625	2,297	721	-	-
Segment's costs	-656,237	-221,268	-786,710	-246,811	-16.6%	-10.3%
Other operating income	4,440	1,497	7,845	2,461	-43.4%	-39.2%
Other operating expenses	-2,347	-791	-12,614	-3,957	-81.4%	-80.0%
Segment's profit/loss*	82,824	27,926	56,975	17,875	45.4%	56.2%
Sales to third parties (thousand tonnes)	469		566		-17.1%	

*) The segment's operating profit/loss, net of the costs not allocated to any of the segments, incurred at the Group level.

Starting from 2006, the Petrochemicals segment has been divided into two areas of operations: Petrochemicals and Chemicals. The new Chemicals segment comprises the related operations of the following companies: Zakłady Azotowe Anwil S.A., Spolana a.s. and ORLEN PetroProfit Sp. z o.o. In Q4 2006, Zakłady Azotowe Anwil S.A. concluded a purchase agreement with Unipetrol a.s. whereby it acquired Unipetrol's stake in Spolana a.s., representing 81.8% of that company's share capital. The aggregate price for the acquired shares amounted to *ca.* PLN 88m and was paid by ANWIL with internally generated cash.

In Q1 2007, the segment recorded a drop in revenue. It went down by PLN 111,486 thousand (13.1%) on the corresponding quarter of 2006, largely as a consequence of lower sales volumes of polyvinyl chloride, ammonium nitrate, soda lye and caustic soda, which fell by 27.1 thousand tonnes (29.1%), 12.8 thousand tonnes (8.5%), 16.6 thousand tonnes (38%) and 5.1 thousand tonnes (42.6%), respectively. The sales of CANWIL were an exception, rising by 10 thousand tonnes (up by 9.2%) from the previous year's level, to 118.9 thousand tonnes.

The sales of polyvinyl chloride were adversely affected by fierce price competition on the part of Chinese producers, as well as Borsodchem on the domestic market. In the discussed period, the Group also encountered certain problems involving the logistics side of its operations, which rendered impossible the river transport of fertilisers and caused difficulties with ammonia collection by road transport, due to a shortage of transport vehicles for distribution purposes.

The positive factors included a robust demand, due to the ongoing fertiliser application season, and the resulting high prices in this product area. In the period concerned, there was a rise in the selling prices of both ammonium nitrate and CANWIL, by 8.0% and 7.2%, respectively. The continued upswing in the investment goods and construction markets translated into a rising demand for polyvinyl chloride and granulates, lifting their prices by 9.7%. Another factor worth mentioning was the buoyant state of the sodium hydroxide and caprolactam markets and a higher demand for those substances.

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The combined favourable effect of the above factors was reflected in the performance of Anwil S.A., whose operating profit in Q1 2007 rose by PLN 34m year on year, reaching PLN 83m. As a result of the profit growth reported by Anwil S.A., the entire Chemicals segment's profit for Q1 2007 improved by 45.4%.

In Q1 2007, the expenditure on property, plant and equipment and intangible assets was reduced by PLN 35,539 thousand. In the same period, the implementation of the OPTIMA programme generated segment-wide savings of PLN 20,338 thousand.

Other Activities

Other activities Results according to IFRS	3 months ended March 31 2007		3 months ended March 31 2006		Change % 3 months	
	PLN '000	USD '000	PLN '000	USD '000	PLN '000	USD '000
Revenue, including	501,569	169,118	510,349	160,109	-1.7%	5.6%
Sales to third parties	245,360	82,730	250,519	78,594	-2.1%	5.3%
Intra-company sales	256,209	86,388	259,830	81,515	-1.4%	6.0%
Segment's costs	-552,527	-186,299	-458,204	-143,750	20.6%	29.6%
Other operating income	13,624	4,594	8,796	2,760	54.9%	66.4%
Other operating expenses	-26,418	-8,908	-12,042	-3,778	119.4%	135.8%
Segment's profit/loss*	-63,752	-21,496	48,899	15,341	-230.4%	-240.1%
Sales to third parties (thousand tonnes)	42		25		68.0%	

*) The segment's operating profit/loss, net of the costs not allocated to any of the segments, incurred at the Group level.

Apart from the companies engaged in the production of energy and provision of services to PKN ORLEN S.A., the Other Activities segment includes a number of undertakings which were spun off, mainly as a result of the Group restructuring. Starting from Q1 2007, the segment has been expanded to include other business of the Mazeikiu Refinery.

In Q1 2007, the segment sustained a loss of (-)PLN 63,752 thousand, as opposed to the operating profit of PLN 48,899 thousand achieved in Q1 2006. The major driver of the negative result on Other Activities was the operations of the Unipetrol Group and Mazeikiu Refinery included in the discussed segment, which in Q1 2007 posted losses of (-)PLN 12,762 thousand and (-)PLN 71,278 thousand.

In Q1 2007, the implementation of the OPTIMA programme generated savings of PLN 18,030 thousand for the segment.

In the same period, the expenditure on property, plant and equipment and intangible assets grew by PLN 1,635 thousand compared with Q1 2006. In Q1 2007, the expenditure of the Mazeikiu Refinery allocated to the Other Activities segment amounted to PLN 551 thousand.

Financial Overview

Income Statement

In Q1 2007, the Group's total sales revenue increased by PLN 2,077,575 thousand (or 18.3%) compared with Q1 2006, on the back of higher sales to third parties in most areas of the Group's operations, including mainly: in Refining (Production + Wholesale) – up by PLN 1,520,509 thousand (or 29.6%), in Refining (Retail) – up by 310,212 thousand (or 10.0%), and in Petrochemicals – up by PLN 366,021 thousand (or 18.4%). Chemicals and Other Activities were the segments where sales value decreased in the period under review, by PLN 114,008 thousand (or 13.5%) and PLN 5,159 thousand (or 2.1%), respectively. The growth in the sales value followed from an increase of 1,568 thousand tonnes in the Group's total sales volume. A particularly material growth was recorded in the volume of wholesale and retail sales of engine fuels (gasolines, diesel fuel, liquefied petroleum gas, Jet A-1 fuel) and light fuel oil (Ekoterm), which expanded by 1,104.5 thousand tonnes (or 35.8%) relative to Q1 2006. The growth was partly due to the first-time consolidation of the Mazeikiu Refinery in Q1 2007, which in the period under review generated total sales revenue of PLN 1,781,601 thousand.

In Q1 2007, the operating expenses went up by PLN 955,499 thousand (or 17.9%). The greater dynamics of this item is attributable to the increased scale of the Group's operations, including the consolidation of the Mazeikiu Group. A noteworthy development is that the share of fixed costs (depreciation and amortisation, contracted services, salaries and wages, taxes and charges, as well as other operating expenses) in the total operating expenses remained largely unchanged.

In Q1 2007, the cost of products, goods for resale and materials sold grew by PLN 1,704,327 thousand (or 16.9%). However, it should be noted that the growth was attributable to the consolidation of the Mazeikiu Group, whose cost of products, goods for resale and materials sold in Q1 2007 was PLN 1,870,180 thousand. The level of the Group's cost of products, goods for resale and materials sold was positively affected by a drop in the price of the processed crude oil. The gross profit on sales amounted to PLN 1,643,021 thousand and was higher by PLN 373,248 thousand (or 29.4%) than in Q1 2006.

In Q1 2007, the Group recorded an increase in selling costs and general and administrative by PLN 100,734 thousand (or 15.6%) and PLN 150,438 thousand (or 61.1%), respectively, compared with Q1 2006. The higher general and administrative expenses were attributable mainly to the increase in this item at PKN ORLEN S.A. and Unipetrol a.s., and the consolidation of the Mazeikiu Refinery. In Q1 2007, the general and administrative expenses of the Mazeikiu Group amounted to PLN 96m.

In Q1 2007, the Group's other operating income decreased by PLN 3,402 thousand, while its other operating expenses went up by PLN 160,018 thousand. The increase in other operating expenses followed from an increase in other operating expenses of the Parent Company (creation of a PLN 11.6m provision for general economic risk and a PLN 17.8m higher cost of liquidation of property, plant and equipment), and of the Unipetrol Group (PLN 41.7m revaluation of assets held for sale).

In Q1 2007, the Group earned an operating profit of PLN 374.8m, compared with PLN 417.4m in the corresponding period of 2006. An operating loss of PLN 334m reported by the Mazeikiu Group in Q1 2007 had the strongest effect on the deterioration of the operating result. A noteworthy fact is the strong year-on-year increase in

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EBIT in Q1 2007 reported in the largest companies of the Group, including: the Unipetrol Group (by PLN 195m), the Anwil Group (by PLN 30m) and the Basell Orlen Polyolefins Group (by PLN 38m).

In Q1 2007, financial income amounted to PLN 47,747 thousand and was lower by PLN 99,235 thousand than in Q1 2006. The decrease in financial income was due to a PLN 86.6m decline in the income of the Unipetrol Group. Over the same period, the ORLEN Group's financial expenses grew by PLN 92,216 thousand, owing to the increase in the Parent Company's debt related to the financing of the Mazeikiu Refinery acquisition. Consequently, in Q1 2007 the Group recorded a net loss on financing activities in the amount of PLN 212,714 thousand vs. a net loss of PLN 21,263 thousand in Q1 2006.

In Q1 2007, the share in the net profit of the Group undertakings valued with the equity method stood at PLN 53,202 thousand, compared with PLN 46,752 thousand in Q1 2006.

Corporate income tax amounted to PLN 74,821 thousand, up by PLN 4,745 thousand on Q1 2006.

The Group earned a net profit of PLN 140,429 thousand, which means a decrease of PLN 232,370 on the respective figure for Q1 2006.

Balance Sheet

As at the end of Q1 2007, the Group had total assets of PLN 45,170,682 thousand, down by 0.5% relative to December 31st 2006. Over the same period, non-current assets fell by PLN 390,078 thousand (or 1.4%), to PLN 27,270,720 thousand, mainly due to a PLN 319,446 thousand decrease in the value of property, plant and equipment and of shares in the undertakings valued with the equity method. Current assets grew from PLN 17,758,286 thousand as at December 31st 2006 to PLN 17,899,962 thousand as at the end of Q1 2007. The increase in current assets was driven mainly by increases in trade and other receivables, as well as prepayments and accrued income and cash, by PLN 450,076 thousand, PLN 15,428 thousand and PLN 42,372 thousand, respectively. When compared with the value as at the end of 2006, working capital (current assets - current liabilities) went up from PLN 2,879,908 thousand to PLN 4,056,613 thousand, as a result of lower trade and other payables, accruals and deferred income and other financial liabilities.

As at the end of Q1 2007, the Group's total equity stood at PLN 21,661,932 thousand, and was higher by PLN 79,369 thousand (or 0.4%) than as at the end of 2006, primarily thanks to an increase in retained profit of PLN 40,914 thousand. Non-current liabilities amounted to PLN 9,665,401 thousand, that is PLN 707,258 more than as at the end of 2006, mainly owing to growth in loans and borrowings of PLN 765,898 thousand. This growth was principally driven by an increase of PLN 785,172 thousand in long-term loans and borrowings of the Parent Company. Current liabilities were down from PLN 14,878,378 thousand as at December 31st 2006 to PLN 13,843,349 thousand as at March 31st 2007. Under current liabilities, significant decreases were recorded in trade and other payables and accruals (PLN 583,003 thousand) and other financial liabilities (PLN 465,943). The 745,986 thousand increase in the Group's total debt (under loans, borrowings and securities in issue), to PLN 11,235,091 thousand as at the end of Q1 2007, was attributable to the purchase of the Mazeikiu Refinery.

Cash-Flow Statement

In Q1 2007, net cash provided by operating activities stood at PLN 594,358, up by PLN 1,151,553 thousand relative to Q1 2006. This increase was principally driven by favourable trends seen in Q1 2007, when compared with Q1 2006, in inventories (a decrease of PLN 150,881 thousand in Q1 2007, compared with an increase of

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PLN 235,175 thousand in Q1 2006) and receivables (an increase of PLN 283,344 thousand in Q1 2007, compared with an increase of PLN 649,274 thousand in Q1 2006). On the other hand, operating cash flows were adversely affected by a decline in the net profit, which in Q1 2007 was lower by PLN 232,370 thousand relative to the corresponding period of the previous year.

In Q1 2007, net cash used in investing activities stood at (-)PLN 987,814 thousand, compared with (-)PLN 403,529 thousand in Q1 2006. The larger amount of cash used in investing activities resulted from the Parent Company's acquisition of financial assets worth PLN 463.6m (mandatory tender offer made by PKN ORLEN S.A. for the shares held by AB Mazeikiu Nafta minority shareholders) in Q1 2007.

In Q1 2007, financing activities provided net cash of PLN 436,016 thousand, while in Q1 2006 the net cash provided by financing activities was PLN 601,234 thousand. The lower net balance on financing activities in Q1 2007 relative to Q1 2006 is connected with the decrease in long- and short-term loans and borrowings contracted. The decrease in long- and short-term loans and borrowings was offset by proceeds from issues of debt securities by the Parent Company.

These cash flows caused an increase in cash in Q1 2007 to PLN 2,393,692 thousand (by PLN 42,560 thousand).

APPENDIX I

POLSKI KONCERN NAFTOWY ORLEN S.A. CONDENSED CONSOLIDATED INCOME STATEMENTS for the periods of 3 months ended March 31st 2007 and March 31st 2006 (PLN '000)

ITEM	3 months ended Mar 31 2007 (unaudited)	3 months ended Mar 31 2006 (unaudited)	% change 3 months
Revenue from sales of products	13,764,280	10,807,098	27.4%
Excise tax and other charges	-3,475,321	-2,763,643	25.8%
Net revenue from sales of products	10,288,959	8,043,455	27.9%
Revenue from sales of goods for resale and materials	3,604,874	3,477,924	3.7%
Excise tax and other charges	-485,609	-190,730	154.6%
Net revenue from sales of goods for resale and materials	3,119,265	3,287,194	-5.1%
Total sales revenue	13,408,224	11,330,649	18.3%
Cost of products sold	-8,670,450	-7,175,832	20.8%
Cost of goods for resale and materials sold	-3,094,753	-2,885,044	7.3%
Cost of products, goods for resale and materials sold	-11,765,203	-10,060,876	16.9%
Gross profit on sales	1,643,021	1,269,773	29.4%
Selling costs	-746,537	-645,803	15.6%
General and administrative expenses	-396,628	-246,190	61.1%
Other operating income*	129,338	132,740	-2.6%
Other operating expenses	-254,432	-94,414	169.5%
Gain on disposal of all or part of shares in subordinated undertakings		1,280	-100.0%
Operating profit	374,762	417,386	-10.2%
Financial income	47,747	146,982	-67.5%
Financial expenses *	-260,461	-168,245	54.8%
Net financial income/expenses	-212,714	-21,263	900.4%
Share in net profit/loss of undertakings valued with equity method	53,202	46,752	13.8%
Profit before tax	215,250	442,875	-51.4%
Corporate income tax	-74,821	-70,076	6.8%
Net profit	140,429	372,799	-62.3%
including:			
Profit (loss) attributable to minority interests	91,228	25,097	263.5%
Profit attributable to equity holders of the Parent Company	49,201	347,702	-85.8%

* Including costs related to increased debt.

APPENDIX II

POLSKI KONCERN NAFTOWY ORLEN S.A. CONDENSED CONSOLIDATED BALANCE SHEETS as at March 31st 2007 and December 31st 2006 (PLN '000)

ITEM	Mar 31 2007 (unaudited)	Dec 31 2006	% change
ASSETS			
Non-current assets			
Property, plant and equipment	25,029,728	25,199,681	-0.7%
Intangible assets	529,728	619,783	-14.5%
Goodwill	143,155	143,704	-0.4%
Financial assets	568,487	570,932	-0.4%
Shares in undertakings valued with equity method	566,810	716,303	-20.9%
Loans granted	22,747	5,272	331.5%
Deferred tax asset	213,762	165,928	28.8%
Investment property	34,611	34,925	-0.9%
Perpetual usufruct right to land	88,810	87,722	1.2%
Other non-current assets	72,882	116,548	-37.5%
Total non-current assets	27,270,720	27,660,798	-1.4%
Current assets			
Inventories	7,215,289	7,398,856	-2.5%
Trade and other receivables	6,743,748	6,293,672	7.2%
Income taxes receivable	195,117	253,041	-22.9%
Short-term securities	7,025	7,424	-5.4%
Prepayments and accrued income	136,786	121,358	12.7%
Cash	2,393,692	2,351,320	1.8%
Other financial assets	193,937	302,007	-35.8%
Assets held for sale	1,014,368	1,030,608	-1.6%
Total current assets	17,899,962	17,758,286	0.8%
Total assets	45,170,682	45,419,084	-0.5%
LIABILITIES			
Equity			
Share capital	534,636	534,636	0.0%
Share capital revaluation adjustment	522,999	522,999	0.0%
Share capital*	1,057,635	1,057,635	0.0%
Share premium account	1,058,450	1,058,450	0.0%
Share premium revaluation adjustment	168,803	168,803	0.0%
Share premium account	1,227,253	1,227,253	0.0%
Hedging capital	9,563	8,506	12.4%
Currency-translation differences	-14,245	22,003	-164.7%
Retained profit, including:	16,576,457	16,535,543	0.2%
Net profit attributable to equity holders of the parent	49,201	1,985,966	-97.5%
Equity (attributable to equity holders of the parent)	18,856,663	18,850,940	0.0%
Equity attributable to minority interests	2,805,269	2,731,623	2.7%
Total equity	21,661,932	21,582,563	0.4%
Non-current liabilities			
Loans and borrowings	6,977,091	6,211,193	12.3%
Provisions	802,343	814,192	-1.5%
Deferred tax liability	1,729,277	1,765,761	-2.1%
Other non-current liabilities	156,690	166,997	-6.2%
Total non-current liabilities	9,665,401	8,958,143	7.9%

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Current liabilities			
Trade and other payables and accruals	7,638,392	8,221,395	-7.1%
Provisions	735,541	734,027	0.2%
Income tax expense	145,703	106,261	37.1%
Loans and borrowings	4,258,000	4,277,912	-0.5%
Deferred income	36,709	27,060	35.7%
Other financial liabilities	849,824	1,315,767	-35.4%
Liabilities directly related to assets classified as held for sale	179,180	195,956	-8.6%
Total current liabilities	13,843,349	14,878,378	-7.0%
Total equity and liabilities	45,170,682	45,419,084	-0.5%

* Share capital was restated in accordance with IAS 29.

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APPENDIX III

POLSKI KONCERN NAFTOWY ORLEN S.A. **CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS** **for the periods of 3 months ended** **March 31st 2007 and March 31st 2006** **(PLN '000)**

ITEM	3 months ended Mar 31 2007 (unaudited)	3 months ended Mar 31 2006 (unaudited)	Change 3 months
Cash flows from operating activities			
Net profit	140,429	372,799	-232,370
Adjustments:			
Share in net profit/(loss) of undertakings valued with equity method	-53,202	-46,752	-6,450
Depreciation and amortisation	619,624	566,310	53,314
Net interest and dividends	135,234	63,643	71,591
Income tax expense	74,821	70,076	4,745
(Profit)/loss on investing activities	106,689	-43,812	150,501
Decrease/(increase) in receivables	-283,344	-649,274	365,930
Decrease/(increase) in inventories	150,881	-235,175	386,056
(Decrease)/increase in liabilities and accruals	-303,100	-500,365	197,265
(Decrease)/increase in provisions	-10,037	-44,528	34,491
Other adjustments	64,519	42,571	21,948
Income tax paid	-48,156	-152,688	104,532
Net cash provided by operating activities	594,358	-557,195	1,151,553
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	-690,153	-521,502	-168,651
Disposal of property, plant and equipment and intangible assets	26,420	77,213	-50,793
Disposal of shares	1,698	76,772	-75,074
Acquisition of shares*	-465,688	-24,036	-441,652
Acquisition of short-term securities	-165,670	-44,711	-120,959
Disposal of short-term securities	262,754	30,210	232,544
Dividends and interest received	61,094	3,026	58,068
Loans (granted)/repaid	-12,462	2,822	-15,284
Other	-5,807	-3,323	-2,484
Net cash used in investing activities	-987,814	-403,529	-584,285
Cash flows from financing activities			
Increase in long- and short-term loans and borrowings	2,102,825	3,719,714	-1,616,889
Issue of debt securities	750,000	0	750,000
Repayment of long- and short-term loans and borrowings	-2,325,489	-3,064,625	739,136
Interest paid	-80,675	-47,135	-33,540
Other	-10,645	-6,720	-3,925
Net cash provided by financing activities	436,016	601,234	-165,218
Net increase/(decrease) in cash	42,560	-359,490	402,050
Foreign-exchange gains/(losses)	-188	28	-216
Cash at beginning of period	2,351,320	1,126,803	1,224,517
Cash at end of period, including:	2,393,692	767,341	1,626,351
restricted cash	46,777	103,090	-56,313

* Including the acquisition of shares from AB Mazeikiu Nafta minority shareholders for PLN 463,608 thousand in Q1 2007.

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APPENDIX IV

POLSKI KONCERN NAFTOWY ORLEN S.A. **KEY CONSOLIDATED FINANCIAL DATA BY BUSINESS SEGMENTS** **for the periods of 3 months ended** **March 31st 2007 and March 31st 2006** **(PLN '000)**

ITEM	3 months ended Mar 31 2007 (unaudited)	3 months ended Mar 31 2006 (unaudited)	% change 3 months
REVENUE ON SALES TO THIRD PARTIES¹			
Refining (Production and Wholesale)	6,662,386	5,141,877	29.6%
Refining (Retail)	3,416,509	3,106,297	10.0%
Petrochemicals	2,351,820	1,985,799	18.4%
Chemicals	732,149	846,157	-13.5%
Other Activities	245,360	250,519	-2.1%
TOTAL	13,408,224	11,330,649	18.3%
SEGMENT'S PROFIT/LOSS²			
Refining (Production and Wholesale)	14,348	106,081	-86.5%
Refining (Retail)	108,312	6,420	-
Petrochemicals	369,580	310,158	19.2%
Chemicals	82,824	56,975	45.4%
Other Activities	-63,752	48,899	-230.4%
Exclusions	-4,830	-4,878	-
Total of unallocated items	-131,720	-106,269	23.9%
TOTAL	374,762	417,386	-10.2%
EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT			
Refining (Production and Wholesale)	348,949	78,536	344.3%
Refining (Retail)	52,171	56,322	-7.4%
Petrochemicals	51,212	54,166	-5.5%
Chemicals	8,183	43,722	-81.3%
Other Activities	33,220	31,585	5.2%
Total of unallocated items	19,336	8,392	130.4%
TOTAL	513,071	272,723	88.1%
DEPRECIATION AND AMORTISATION			
Refining (Production and Wholesale)	271,417	189,000	43.6%
Refining (Retail)	73,136	70,290	4.0%
Petrochemicals	156,224	201,082	-22.3%
Chemicals	45,775	48,370	-5.4%
Other Activities	66,012	50,335	31.1%
Total of unallocated items	7,060	7,233	-2.4%
TOTAL	619,624	566,310	9.4%

1. Revenue on sales to third parties comprises exclusively sales to undertakings outside of the PKN ORLEN Group.

2. Segment's profit/loss comprises profit on sales to third parties and transfer to other segments.

APPENDIX V

POLSKI KONCERN NAFTOWY ORLEN S.A.
KEY CONSOLIDATED OPERATING DATA
for the periods of 3 months ended
March 31st 2007 and March 31st 2006
(tonnes)

ITEM	3 months ended Mar 31 2007 (unaudited)	3 months ended Mar 31 2006 (unaudited)	% change 3 months
CRUDE OIL THROUGHPUT ('000 tonnes)	5,768	4,109	40.4%
REFINERY OUTPUT			
Gasoline	1,179,020	786,186	50.0%
Diesel fuel	1,848,171	1,150,325	60.7%
Fuel oil (III)	756,487	261,544	189.2%
Ekoterm	290,871	437,498	-33.5%
Jet A-1	122,271	96,558	26.6%
LPG	128,078	85,955	49.0%
Other refining products	352,625	269,562	30.8%
TOTAL	4,677,523	3,087,628	51.5%
SALES OF REFINING PRODUCTS			
Gasoline	1,480,024	993,957	48.9%
Diesel fuel	2,060,454	1,412,443	45.9%
Fuel oil (III)	663,837	209,309	217.2%
Ekoterm	343,134	495,860	-30.8%
Jet A-1	134,913	94,838	42.3%
LPG	174,218	91,174	91.1%
Other refining products	291,169	261,339	11.4%
TOTAL	5,147,749	3,558,920	44.6%
CHEMICALS OUTPUT			
Polyethylene	124,465	123,800	0.5%
Polypropylene	100,383	91,623	9.6%
Ethylene	88,223	146,761	-39.9%
Propylene	57,528	112,590	-48.9%
Glycol	21,834	29,873	-26.9%
Ammonium nitrate	164,103	131,530	24.8%
CANWIL	110,851	106,196	4.4%
Polyvinyl chloride (PVC)	92,246	90,697	1.7%
Other products	380,438	602,091	-36.8%
TOTAL	1,140,071	1,435,161	-20.6%
SALES OF CHEMICALS			
Polyethylene	117,365	109,830	6.9%
Polypropylene	100,031	85,981	16.3%
Ethylene	69,351	65,902	5.2%
Propylene	66,623	61,932	7.6%
Glycol	22,923	29,452	-22.2%
Ammonium nitrate	137,999	150,804	-8.5%
CANWIL	118,874	108,869	9.2%
Polyvinyl chloride (PVC)	65,923	93,037	-29.1%
Other products	533,565	568,038	-6.1%
TOTAL	1,232,654	1,273,845	-3.2%

APPENDIX VI

POLSKI KONCERN NAFTOWY ORLEN S.A.
SALES OF KEY PRODUCTS
for the periods of 3 months ended
March 31st 2007 and March 31st 2006
(tonnes)

Sales volumes of light products at PKN ORLEN Group	3 months ended Mar 31 2007 (unaudited)	3 months ended Mar 31 2006 (unaudited)	% change 3 months
Wholesale of key light products, including:	3,140,925	2,172,874	44.6%
- gasoline	967,110	513,303	88.4%
- Diesel fuel	1,580,895	1,022,365	54.6%
- Jet A-1	134,913	94,838	42.3%
- Ekoterm	343,134	495,858	-30.8%
- LPG	114,873	46,510	147.0%
Retail sales of engine fuels, including:	1,051,818	915,398	14.9%
- gasoline	512,914	480,654	6.7%
- Diesel fuel	479,559	390,078	22.9%
- Ekoterm	0	2	-100.0%
- LPG	59,345	44,664	32.9%
Total sales of fuels, including:	4,192,743	3,088,272	35.8%
- engine fuels	3,849,609	2,592,412	48.5%

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APPENDIX VII

The Management Board of Polski Koncern Naftowy ORLEN Spółka Akcyjna (PKN ORLEN) hereby reports on the impact of the LIFO inventory valuation method on the non-consolidated profit of PKN ORLEN and the consolidated profit of the PKN ORLEN Group for Q1 2007.

The profit before tax and the net profit (i.e. including the effect of deferred tax), as estimated by the Company for PKN ORLEN and the PKN ORLEN Group using the LIFO inventory valuation method, are as follows (data in PLN '000):

IFRS	3 months ended Mar 31 2007		3 months ended Mar 31 2006	
	Method of inventory valuation at the weighted average production or acquisition cost	LIFO inventory valuation	Method of inventory valuation at the weighted average production or acquisition cost	LIFO inventory valuation
Non-consolidated profit before tax	419,573	603,242	304,018	145,381
Non-consolidated net profit	390,383	539,155	247,847	119,351
Consolidated profit before tax	215,250	442,644	442,875	263,830
Consolidated net profit	140,429	323,315	372,799	228,978

PKN ORLEN S.A. and the PKN ORLEN Group apply the inventory valuation method based on the weighted average production or weighted average acquisition cost. This method defers the impact of oil price increases or decreases on the prices of final products. Therefore, the results generated by PKN ORLEN S.A. and the PKN ORLEN Group are positively affected when crude oil prices increase, while the situation is the opposite when the prices decline. The application of the LIFO inventory valuation method results in the current production being valued based on the current price of crude oil purchased by the Group. Accordingly, an upward trend in oil prices decreases, and a falling trend in oil prices increases the Group's results relative to the results obtained when the weighted average method is applied. These trends are most apparent when crude oil prices are subject to significant changes. Due to a further decline in the price of crude oil, the adjustment to the profit reflecting the application of the LIFO inventory valuation was considerably more favourable in Q1 2007 than in Q1 2006.

The assumptions used for the calculation of estimated profits using the LIFO method are the same as those used for previous LIFO estimates; these assumptions were published in Current Report No. 29 of May 21st 2001.

Legal basis*:

Art. 56.1.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (Dz. U. No. 184, item 1539).