Polski Koncern Naftowy ORLEN
Spółka Akcyjna

# Unconsolidated financial statements for the year ended 31 December 2006

## prepared in accordance with International Financial Reporting Standards together with an independent auditor's opinion

# SECURITIES AND EXCHANGE COMMISSION

## Unconsolidated yearly report R 2006
(current year)

(in accordance with § 86 section 1 point 3 of the Minister of Finance Decree of 19 October 2005, Journal of Laws No. 209, item 1744)
**(for issuers of securities whose business activity embraces manufacture, construction, trade and services)**

for the reporting year 2006, that is for the period from 1 January 2006 to 31 December 2006 which includes financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 19 April 2007
(submission date)

**POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA**
(full name of the issuer)

| | |
|---|---|
| **PKN ORLEN S.A.** | **CHEMICAL (che)** |
| (abbreviated name of the issuer) | (industrial sector in line with classification of Warsaw Stock Exchange) |

| | |
|---|---|
| 09-411 | PŁOCK |
| (zip code) | (location) |

| | |
|---|---|
| CHEMIKÓW | 7 |
| (street) | (number) |

| | | |
|---|---|---|
| **48 24 365 28 95** | **48 24 365 40 40** | **media@orlen.pl** |
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| **774-00-01-454** | **610188201** | **www.orlen.pl** |
| (NIP) | (REGON) | (www) |

**KPMG AUDYT SP. Z O.O.**

(entity authorized to conduct audit)

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## POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
## SELECTED FINANCIAL DATA

| SELECTED FINANCIAL DATA | thousand PLN | | thousand EUR | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Data in respect of unconsolidated financial statement** | | | | |
| I. Total sales revenues | 33 501 034 | 22 789 106 | 8 591 991 | 5 844 709 |
| II. Profit from operations | 2 001 006 | 2 693 771 | 513 197 | 690 870 |
| III. Profit before tax | 2 602 229 | 3 158 663 | 667 392 | 810 101 |
| IV. Net profit | 2 199 876 | 2 527 214 | 564 201 | 648 153 |
| V. Net cash provided by operating activities | 1 859 752 | 2 311 982 | 476 971 | 592 953 |
| VI. Net cash used in investing activities | (6 945 423) | (1 319 192) | (1 781 289) | (338 332) |
| VII. Net cash provided by / (used in) financing activities | 5 109 647 | (995 273) | 1 310 468 | (255 258) |
| VIII. Net change in cash and cash equivalents | 23 976 | (2 483) | 6 149 | (637) |
| IX.Earnings and diluted earnings per ordinary share (in PLN/EUR) | 5,14 | 5,91 | 1,32 | 1,52 |
| | **as of 31 December 2006** | **as of 31 December 2005** | **as of 31 December 2006** | **as of 31 December 2005** |
| X. Non-current assets | 18 996 554 | 11 921 862 | 4 958 382 | 3 111 783 |
| XI. Current assets | 8 474 447 | 7 288 258 | 2 211 956 | 1 902 343 |
| XII. Total assets | 27 471 001 | 19 210 120 | 7 170 339 | 5 014 126 |
| XIII. Long-term liabilities | 4 249 852 | 2 302 788 | 1 109 274 | 601 062 |
| XIV. Short-term liabilities | 8 211 563 | 4 042 629 | 2 143 340 | 1 055 186 |
| XV. Equity | 15 009 586 | 12 864 703 | 3 917 724 | 3 357 878 |
| XV. Share capital * | 1 057 635 | 1 057 635 | 276 058 | 276 058 |
| XVII. Number of issued ordinary shares | 427 709 061 | 427 709 061 | 427 709 061 | 427 709 061 |
| XVIII. Book value and diluted book value per share (in PLN/EUR) | 35,09 | 30,08 | 9,16 | 7,85 |

* Share capital after revaluation in accordance with IAS 29.

The above data for 2006 and 2005 were translated into EUR by the following exchange rates:

- specific positions of assets, equity and liabilities - by the average exchange rate published by the National Bank of Poland as of 31 December 2006 – 3,8312 PLN/EUR
- specific items in profit and loss and cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of month during the period (1 January - 31 December 2006) –- 3,8991 PLN/EUR.

# POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
## UNCONSOLIDATED BALANCE SHEET
## (all amounts in PLN thousand)
**(Translation of a document originally issued in Polish)**

| | Note | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 8 001 116 | 7 808 558 |
| Intangible assets | 6 | 42 806 | 29 100 |
| Long-term financial investments | 7 | 32 652 | 40 144 |
| Investment in associates | 7 | 10 791 463 | 3 915 547 |
| Loans (granted) | 7 | 5 589 | 1 744 |
| Perpetual usufruct of land | | 75 948 | 61 057 |
| Other non-current assets | 8 | 46 980 | 65 712 |
| **Total non-current assets** | | **18 996 554** | **11 921 862** |
| **Current assets** | | | |
| Inventory | 9 | 4 515 736 | 4 021 063 |
| Trade and other receivables | 10 | 3 475 623 | 2 726 092 |
| Income tax receivable | | 55 394 | 22 128 |
| Loans (granted) | | 3 387 | 675 |
| Short-term prepayments | 11 | 55 396 | 58 702 |
| Cash and cash equivalents | 12 | 307 315 | 283 509 |
| Other financial assets | 13 | 55 446 | 103 620 |
| Non-current assets clasiffied as held for sale | | 6 150 | 72 469 |
| **Total current assets** | | **8 474 447** | **7 288 258** |
| **Total assets** | | **27 471 001** | **19 210 120** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Equity** | | | |
| Nominal share capital | 18 | 534 636 | 534 636 |
| Share capital revaluation adjustment | 18 | 522 999 | 522 999 |
| **Share capital** | 18 | **1 057 635** | **1 057 635** |
| Nominal share premium | | 1 058 450 | 1 058 450 |
| Share premium revaluation adjustment | 18 | 168 803 | 168 803 |
| **Share premium** | | **1 227 253** | **1 227 253** |
| **Hedging reserve** | | **23 447** | **78 440** |
| **Retained earnings:** | **18** | **12 701 251** | **10 501 375** |
| incl. net profit | | 2 199 876 | 2 527 214 |
| accumulated profit from previous years | | - | 858 231 |
| **Total equity** | | **15 009 586** | **12 864 703** |
| **Long-term liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | 3 495 630 | 1 374 165 |
| Provisions | 15 | 475 737 | 605 100 |
| Deferred tax liabilities | 26 | 228 199 | 323 523 |
| Other long-term liabilities | 16 | 50 286 | - |
| **Total long-term liabilities** | | **4 249 852** | **2 302 788** |
| **Short-term liabilities** | | | |
| Trade and other liabilities and accrued expenses | 17 | 4 457 301 | 3 436 942 |
| Provisions | 15 | 604 812 | 574 472 |
| Interest-bearing loans and borrowings | 14 | 3 139 842 | 30 007 |
| Deferred income | | 1 081 | 1 168 |
| Other short-term financial liabilities | | 8 527 | 40 |
| **Total short-term liabilities** | | **8 211 563** | **4 042 629** |
| **Total liabilities and shareholders' equity** | | **27 471 001** | **19 210 120** |

**POLSKI KONCERN NAFTOWY ORLEN S.A.**
**UNCONSOLIDATED INCOME STATEMENT**
**(all amounts in PLN thousand)**
**(Translation of a document originally issued in Polish)**

| | Note | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|---|
| **Operating activities** | | | |
| **Net sale revenues** | | | |
| Sales of finished goods | | 33 841 496 | 30 320 169 |
| Excise tax and other charges | | (9 450 413) | (9 910 302) |
| Revenues from sale of finished goods, net | | 24 391 083 | 20 409 867 |
| Revenues from sale of finished goods, net | | 9 888 116 | 2 522 500 |
| Excise tax and other charges | | (778 165) | (143 261) |
| Revenues from sale of merchandise and raw materials, net | | 9 109 951 | 2 379 239 |
| **Total sales revenues** | | **33 501 034** | **22 789 106** |
| Cost of finished goods sold | | (20 883 850) | (15 756 877) |
| Cost of merchandise and raw materials sold | | (8 558 853) | (1 815 612) |
| Cost of finished goods, merchandise and raw materials sold | 23 | (29 442 703) | (17 572 489) |
| **Gross profit on sales** | | **4 058 331** | **5 216 617** |
| Distribution expenses | | (1 457 965) | (1 479 349) |
| General and administrative expenses | | (549 174) | (537 863) |
| Other operating revenues | 24 | 253 560 | 185 287 |
| Other operating expenses | 24 | (303 746) | (690 921) |
| **Profit from operations** | | **2 001 006** | **2 693 771** |
| Financial revenues | 25 | 891 903 | 654 981 |
| Financial expenses | 25 | (290 680) | (190 089) |
| **Net financial revenues and expenses** | | **601 223** | **464 892** |
| **Profit before tax** | | **2 602 229** | **3 158 663** |
| Income tax expense | **26** | (402 353) | (631 449) |
| **Net profit** | | **2 199 876** | **2 527 214** |
| **Basic and diluted earnings per share** | 18 | **5,14** | **5,91** |

## POLSKI KONCERN NAFTOWY ORLEN S.A.
## UNCONSOLIDATED STATEMENT OF CASH FLOWS
## (all amounts in PLN thousand)
**(Translation of a document originally issued in Polish)**

| | Note | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|---|
| **Cash flows - operating activities** | | | |
| **Net profit** | | **2 199 876** | **2 527 214** |
| Adjustments for: | | | |
| Depreciation | | 901 548 | 893 043 |
| Interest and dividend, net* | | (505 394) | (160 920) |
| Income tax expense | | 402 353 | 631 449 |
| Loss/(Profit) on investing activities | | 13 224 | (19 919) |
| (Increase) in receivables | 20 | (948 316) | (619 755) |
| (Increase) in inventories | | (494 673) | (1 399 088) |
| Increase in liabilities and accruals | 20 | 907 731 | 898 521 |
| (Decrease) / Increase in provisions | 20 | (86 123) | 456 964 |
| Other adjustments | | 471 | (254 020) |
| Income tax paid | | (530 945) | (641 507) |
| **Net cash provided by operating activities** | | **1 859 752** | **2 311 982** |
| **Cash flows - investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (1 115 272) | (1 026 053) |
| Proceeds from the sale of property, plant and equipment | | 54 829 | 28 043 |
| Proceeds from the sale in shares of Naftoport Sp. z o.o. | | - | 67 692 |
| Proceeds from the sale of subsidiaries | | 22 599 | 12 854 |
| Proceeds from the sale of shares in AWSA Holland | | 73 007 | - |
| Acquisition of shares ** | | (6 839 951) | (1 820 522) |
| Acquisition of liabilities of the Unipetrol Group | | - | (241 174) |
| Proceeds from repayment of liabilities of the Unipetrol Group | | 260 734 | 193 034 |
| Proceeds from the sale of short-term securities | | - | 1 010 986 |
| Interest and dividends received | | 603 521 | 221 768 |
| Loans granted to related parties | | (7 232) | (2 700) |
| Proceeds from repayment of loans granted to related parties | | 675 | 245 081 |
| Other adjustments | | 1 667 | (8 201) |
| **Net cash used in investing activities** | | **(6 945 423)** | **(1 319 192)** |
| **Cash flow - financing activities** | | | |
| Proceeds from long and short-term borrowings and loans | | 6 644 367 | 260 679 |
| Repayment of long and short-term borrowings and loans | | (1 466 567) | (293 873) |
| Interest paid | | (56 263) | (51 059) |
| Settlement of liabilities due to finance lease | | (11 890) | - |
| Dividends paid | | - | (911 020) |
| **Net cash provided by / (used in) financing activities** | | **5 109 647** | **(995 273)** |
| **Net change in cash and cash equivalents** | | **23 976** | **(2 483)** |
| Effect of exchange rate changes | | (170) | 40 |
| **Cash and cash equivalents, beginning of the period** | | **283 509** | **285 952** |
| **Cash and cash equivalents, end of period** | 12 | **307 315** | **283 509** |
| incl. cash and cash equivalents not available for use | | 3 000 | - |

* incl. dividend from Polkomtel S.A. of PLN 461 270 thousand in the period of 12 months ended 31 December 2006 and PLN 83 290 thousand in the period of 12 months ended 31 December 2005.

** including in 2006 the amount of PLN (6 759 742) thousand related to acquisition of Mazeikiu and in 2005 the amount of PLN (1 802 254) thousand related to acquisition of Unipetrol Group.

## POLSKI KONCERN NAFTOWY ORLEN S.A.
## STATEMENT OF CHANGES IN UNCONSOLIDATED EQUITY
### (all amounts in PLN thousand)
**(Translation of a document originally issued in Polish)**

| | Nominal share capital | Share capital revaluation adjustment | Nominal share premium | Share premium revaluation adjustment | Hedging reserve | Retained earnings * | Total equity |
|---|---|---|---|---|---|---|---|
| **1 January 2006** | **534 636** | **522 999** | **1 058 450** | **168 803** | **78 440** | **10 501 375** | **12 864 703** |
| Net profit | - | - | - | - | - | 2 199 876 | 2 199 876 |
| Increase in cash flow hedge accounting | - | - | - | - | 28 945 | - | 28 945 |
| Deferred tax on increase in cash flow hedge accounting | - | - | - | - | (5 498) | - | (5 498) |
| Decrease in cash flow hedge accounting | - | - | - | - | (96 840) | - | (96 840) |
| Deferred tax on decrease in cash flow hedge accounting | - | - | - | - | 18 400 | - | 18 400 |
| **31 December 2006** | **534 636** | **522 999** | **1 058 450** | **168 803** | **23 447** | **12 701 251** | **15 009 586** |

| | Nominal share capital | Share capital revaluation adjustment | Nominal share premium | Share premium revaluation adjustment | Hedging reserve | Retained earnings * | Total equity |
|---|---|---|---|---|---|---|---|
| **1 January 2005** | **534 636** | **522 999** | **1 058 450** | **168 803** | **104 396** | **8 885 384** | **11 274 668** |
| Dividend | - | - | - | - | - | (911 020) | (911 020) |
| Net profit | - | - | - | - | - | 2 527 214 | 2 527 214 |
| Decrease in cash flow hedge accounting | - | - | - | - | (32 045) | - | (32 045) |
| Deferred tax on decrease in cash flow hedge accounting | - | - | - | - | 6 089 | - | 6 089 |
| Other | - | - | - | - | - | (203) | (203) |
| **31 December 2005** | **534 636** | **522 999** | **1 058 450** | **168 803** | **78 440** | **10 501 375** | **12 864 703** |

* Detailed information in note 18

(all amounts in PLN thousand)

**The statement of profits and losses recognized directly in equity regarding 2006 and 2005**

| | 2006 | 2005 |
|---|---|---|
| Increase/(Decrease) in valuation of financial instruments, net | 23 447 | (25 956) |
| Other | - | (203) |
| Profit/(loss) recognized directly in equity | 23 447 | (26 159) |
| Profit for the period | 2 199 876 | 2 527 214 |
| **Profit recognized in current period and in equity, total** | **2 223 323** | **2 501 055** |

## 1. Name, address, main operating segments of the Company

Polski Koncern Naftowy ORLEN S.A. seated in Płock, Chemików 7 ("Company", "PKN ORLEN") was formed through transformation of a state-owned enterprise into a joint stock company, on the basis of the Public Notary Act of 29 June 1993. The Company was registered as Mazowieckie Zakłady Rafineryjne i Petrochemiczne "Petrochemia Płock" S.A. in the District Court in 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, 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.

According to the Articles of Association dated 22 November 2006, the Company's activity includes:

- processing of crude oil and manufacturing of oil-derivative (refinery and petrochemical) products and semi finished products,
- domestic and foreign trade on own account, on a commission and as a consignee, including in particular: the trade of crude oil, oil-derivative and other fuel, sale of motor vehicles, parts and accessories for motor vehicles, sale of industrial and consumer goods,
- research and development activity, project work, construction and production activities on own account and as a consignee, in the areas of processing, storage, packaging and trade in solid, liquid and gaseous oil products, derivative chemical products as well as transportation: by land, by rail, water and by pipeline,
- transportation activity including road, rail, water and pipeline transport,
- storage of crude oil and liquid fuels, creation and management of oil stock in accordance with appropriate regulations,
- services connected to the principal activity, especially:
  - land and sea reloading,
  - refining of gas and oil including ethylization, dyeing and blending of components,
- purchase, trade and processing of used lubricant oils and other chemical waste,
- manufacturing, transportation and trade in electrical and heating energy,
- overhaul of appliances used in principle activities, especially refinery and petrochemical installations, oil storage appliances, petrol stations and means of transportation,
- metal production and manufacturing of plastics,
- operation of petrol stations, bars, restaurants and hotels,
- capital investment activities, in particular: purchasing and trade of shares and stakes in domestic and foreign trade,
- activities in the area of education, professional training and internal human capital services,
- activities in the area of accounting and bookkeeping as well as activities related to databases and its processing,
- financial agency services, including receipt of money orders and transference of liabilities to cheque drawers,
- providing services in respect of the clearance of electronic fuel cards,
- geodetic and cartographic activities,
- crude oil exploration,
- natural gas exploration,
- manufacturing of prefabricated buildings of metal, excluding service activities,
- production of metal construction excluding service activities,
- service in respect of metal constructions installation,
- performance of general civil work relating to building construction,
- performance of general civil work in the area of line constructions: pipelines, power supply lines, electric traction line and telecommunication – long-distance transmission lines,
- performance of general civil work in the area of construction of distribution lines: pipelines, power supply lines, electric traction line and telecommunication – local lines,
- performance of general civil work in the area of mining and production.
- performance of general civil work in the area of telecommunication and data communications as well as advisory, including the performance of activity comprising stationary telephony, telegraphy, data communications, mobile telephony, data transmission,
- performance of general civil work in the area of informatics, including edition activity in frames of software, other activity connected to the data bases and data processing, advisory in frames of computer software, conservation and repair of office machinery and computer equipment
- recruitment and make employees available as well as advisory in frames of economic activity and management.

As at 31 December 2005, Nafta Polska S.A. held directly or indirectly 17.32% of shares in the Company, the Polish State Treasury 10.20%, Bank of New York (as a depositor) 5.59%, and other shareholders 66.89% of the Company's shares. On 22 January 2007 Bank of New York decreased its share in the share capital and number of voting rights on the general meeting of PKN ORLEN to the level of 4.95%.

## The composition of the Management Board

The composition of the Management Board of the Company as at 31 December 2006 was the following:

Igor Chalupec - President of the Management Board, General Director
Cezary Filipowicz – Vice-President of the Management Board of Upstream and Crude Procurement
Wojciech Heydel - Vice-President of the Management Board of Sales
Piotr Kownacki – Vice-President of the Management Board of Audit and Regulation
Jan Maciejewicz - Vice-President of the Management Board of Cost Management
Cezary Smorszczewski - Vice-President of the Management Board, Chief Investment Officer
Paweł Szymański - Member of the Management Board, Chief Financial Officer
Krzysztof Szwedowski- Member of the Management Board of Organization and the Capital Group

During the year 2006 the following changes in composition of the Management Board of PKN ORLEN S.A. took place:

On 21 December 2005 the Supervisory Board of PKN ORLEN S.A., after a motion of the Minister of State Treasury, appointed Mr. Cezary Stanisław Filipowicz to the position of the Vice-President of the Management Board of PKN ORLEN S.A., effective 2 January 2006.

The Supervisory Board of PKN ORLEN S.A., at the meeting held on 31 March 2006, dismissed Mr. Dariusz Witkowski from the position of the Member of the Management Board and appointed Mr. Krzysztof Szwedowski to the position of the Member of the Management Board of PKN ORLEN S.A.

On 17 October 2006 the Supervisory Board of PKN ORLEN S.A., appointed Mr. Piotr Kownacki to the position of the Vice-President of the Management Board of PKN ORLEN S.A., effective 23 October 2006.

The following changes to the composition of the Management Board took place after 31 December 2006:

On 18 January 2007 the Supervisory Board of PKN ORLEN S.A., with the majority of votes, dismissed Mr. Igor Chalupec from the position of the President of the Management Board, effective from 18 January 2007. Mr. Igor Chalupec held the position of the President and Chief Executive Officer of the PKN ORLEN Management Board from 1 October 2004.
At the same time, the Supervisory Board of PKN ORLEN has appointed Mr. Piotr Kownacki, the Vice President till that day, responsible for Audit and Regulations of PKN ORLEN, to the position of the President and Chief Executive Officer of the PKN ORLEN Management Board.

On 15 March 2007 the Supervisory Board of PKN ORLEN S.A., with the majority of votes, dismissed Mr. Jan Maciejewicz, on his behalf, from the position of the Vice-President of the Management Board of Cost Management as well as on behalf of the President of the Management Board, unanimously, Mr. Cezary Smorszczewski from the position of the Vice-President of the Management Board of Capital Investment. Simultaneously, the Supervisory Board of PKN ORLEN S.A., upon request of the President of the Management Board, appointed Mr. Krystian Pater to the Member of the Management Board of PKN ORLEN S.A.

The composition of the Management Board of PKN ORLEN as at the day of publication of the financial statements is the following:

Piotr Kownacki - President of the Management Board, General Director
Cezary Filipowicz - Vice-President of the Management Board, Upstream & Crude Oil Procurement
Wojciech Heydel - Vice-President of the Management Board, Sales
Krystian Pater - Member of the Management Board, Production
Paweł Szymański - Member of the Management Board, Chief Financial Officer
Krzysztof Szwedowski - Member of the Management Board, Organization and Support Function

### The composition of the Supervisory Board of PKN ORLEN S.A.

The composition of the Supervisory Board as at 31 December 2006 was as following:

Zbigniew Macioszek - Chairman of the Supervisory Board
Wojciech Pawlak - Deputy Chairman of the Supervisory Board
Konstanty Brochwicz-Donimirski – Member of the Supervisory Board
Robert Czapla – Member of the Supervisory Board
Marek Drac-Tatoń - Member of the Supervisory Board
Raimondo Eggink - Member of the Supervisory Board
Krzysztof Rajczewski – Member of the Supervisory Board
Wiesław Rozłucki - Member of the Supervisory Board
Ryszard Sowiński – Secretary of the Supervisory Board

During the year 2006 the following changes in the composition of the Supervisory Board of PKN ORLEN S.A. took place:

On 31 January 2006 the Extraordinary General Shareholders Meeting of PKN ORLEN S.A. dismissed Mr. Jacek Bartkiewicz from the position of Chairman of the Supervisory Board and from the Supervisory Board. In addition, the Extraordinary General Shareholders Meeting dismissed from the Supervisory Board: Mr. Maciej Gierej, Mr. Krzysztof Obłój, Mrs. Małgorzata Okońska-Zaremba, Mr. Adam Sęk and Mr. Ireneusz Wesołowski. Simultaneously, the Extraordinary General Shareholders Meeting appointed to the Supervisory Board: Mr. Dariusz Dąbski to the position of the Chairman of the Supervisory Board, Mr. Maciej Mataczyński to the position of independent Member of the Supervisory Board and Mr. Zbigniew Macioszek and Mr. Wojciech Pawlak to the positions of Members of the Supervisory Board.

On 28 March 2006 the Management Board of PKN ORLEN S.A. was informed by the Minister of State Treasury that, due to resignation of Mr. Adam Maciej Pawłowicz (a representative for the Ministry of State Treasury), he dismissed him from his position in the Supervisory Board effective 28 March 2006.

On 26 June 2006 the Management Board of PKN Orlen was informed on the resignation of Mr. Dariusz Dąbski from the position of the Chairman of the Supervisory Board. Mr. Dariusz Dąbski was the Chairman of the Supervisory Board from 31 January 2006.

On 27 June 2006 The Ordinary General Shareholders Meeting of PKN ORLEN S.A. dismissed Mr. Andrzej Olechowski from the position of the Member of the Supervisory Board of PKN ORLEN S.A. Simultaneously, The Ordinary General Shareholders Meeting of PKN ORLEN S.A. appointed Mr. Maciej Mataczyński, the Member of the Supervisory Board of PKN ORLEN S.A., to the position of the Chairman of the Supervisory Board as well as Mr. Ryszard Sowiński to the Supervisory Board of PKN ORLEN S.A. and Mr. Wiesław Rozłucki to the position of the Independent Member of the Supervisory Board of PKN ORLEN S.A..

On 11 September 2006 the Management Board of PKN ORLEN S.A. was informed by the Minister of State Treasury that, he appointed, on behalf of the shareholder – State Treasury Mr. Marek Drac-Tatoń to the Supervisory Board of PKN ORLEN.

On 9 November 2006 Mr. Maciej Mataczynski resigned from the position of the Chairman of the PKN ORLEN Supervisory Board with effect from 9 November 2006.

On 30 November 2006 The Extraordinary General Shareholders Meeting of PKN ORLEN S.A. appointed Mr. Zbigniew Macioszek, the Member of the Supervisory Board of PKN ORLEN S.A., to the position of the Chairman of the Supervisory Board and Mr. Robert Czapla, Mr. Konstanty Brochwicz-Donimirski and Krzysztof Rajczewski to the position of Members of the Supervisory Board.

## 2. Principles of presentation

### Information on principles adopted for preparation of financial statement for 2006

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 unconsolidated financial statements in accordance with IFRSs approved by the European Commission.

The financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards adopted by the European Union and in the scope required under the Minister of Finance Decree of 19 October 2005 on current and periodical information provided by issuers of securities (Official

Journal no. 209, item 1744). The financial statements cover the period from 1 January to 31 December 2006 and the comparative period from 1 January to 31 December 2005.
In preparation of these financial statements the Company applied International Financial Reporting Standards adopted by the European Union (IFRSs) in force as at 31 December 2006.

The financial statements are compliant with all IFRS requirements adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2006 and 31 December 2005, results of its operations and cash flows for the year ended 31 December 2006 and 31 December 2005.
The financial statements have been prepared assuming that the Company will continue to operate as a going concern in the foreseeable future. As at the date of approval of these financial statements there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

## Statement of the Management Board

Under the Minister of Finance Decree of 19 October 2005 on current and periodical information provided by issuers of securities, the Management Board of PKN ORLEN S.A. hereby honestly and sincerely declares that to the best of their knowledge the foregoing financial statements and comparative data were prepared in compliance with accounting principles in force and that they reflect true and fair view on financial position and its financial result of PKN ORLEN and that the Management Board Commentary on the Company's Operations presents true overview of PKN ORLEN's development, achievement and business situation of PKN ORLEN, including basic risks and exposures.

The Management Board of PKN ORLEN declares that the entity, authorized to audit and conducting the audit of financial statements, was selected in compliance with the law and that the entity and auditors conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations of the domestic law.
In compliance with principles of corporate governance (as adopted by the Management Board of PKN ORLEN S.A.) the auditor was selected by the Supervisory Board by means of resolution No 485/2005 of 21 January 2005 on the selection of an auditor. The Supervisory Board made the selection in order to ensure complete independence and objectivity of the selection itself as well as fulfillment of tasks by the auditor.

## 3. Functional currency and presentation currency of financial statements

Functional currency of the Company and presentation currency of the foregoing financial statements is polish zloty.

## 4. Accounting principles

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

## 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 item of property, plant and equipment 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.

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.
Depreciation of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied periods and depreciation rates is verified periodically (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.

The Company estimates the residual value of property, plant and equipment. The residual value is the net amount which the Company 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 periodically (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 |

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 by an appropriate allowance. The recoverable amount of property, plant and equipment reflects the higher of net selling price and value in use. Impairment allowances are recognized as other 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 non-current assets 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 Company 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 with a definite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically 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 standard economic useful lives for amortization of intangible assets are:

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

All intangible assets generated by the Company are not recognized as assets and are recorded in the profit and loss for the period when the related cost has been incurred except for intangible assets arising from development (or from the development phase of an internal project).

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 recognized by the Company 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.
If there is objective evidence that an impairment loss has been incurred, the amount of difference between the asset's carrying amount and the present value of estimated future cash flows is recognized in profit and loss.

### 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 Company and the amount of revenue can be measured reliably. Sale of goods and merchandise includes excise tax and fuel charges.
The net revenue from the sale of finished goods and merchandise 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 records 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.
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 Company as retained earnings.
Changes in the fair value of cash flow 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, net of 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 Company's remuneration plans, its 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 Company does not assign assets which would be used for future retirement or jubilee liabilities. The Company 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 value 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, at each balance sheet date in the following way:

a) foreign currency monetary items shall be translated using the closing rate;
b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

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. The foreign exchange differences are stated in the profit and loss in the 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 Company intends and has the ability to hold to the maturity date, except for the Company'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 in the profit and loss.
Financial assets held to maturity are measured at 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 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 hedging 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 (i.e. derivative that is embedded in a financial asset or financial liability at fair value through profit and loss is not separated).

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

The Company recognizes financial asset on its balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The financial asset is derecognized when the contractual rights to economic benefits and risk related to this financial asset were executed, expired or the Company transferred the contractual rights and risks.
Derivatives used by the Company 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 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.

## Shares

Shares are stated at acquisition cost, including transaction costs. If, based on conducted analyses, indications exist at the balance sheet date that the assets would not generate significant majority or all of forecasted economic benefits in the future, an impairment allowance is recognized.

## 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 positive 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 held for sale/disposal

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

- a decision was declared by the Company's Management Board for the disposal;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a 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 held 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 Company shall recognize a provision when it has a present obligation (legal or constructive) as a result of past event and 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 Company 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 Company conducts regular reclamation of contaminated land that decreases the provision by its utilization.

## Government grants

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 recognized 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.

## Operating segments

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

The Company adopted a business segments as the primary reporting format i.e. as the dominant source of risks and benefits related to sale of goods and services. A secondary reporting format is geographical segments that are associated with activity conducted in different geographical areas.

The operations of the Company are divided into two main segments: Refining Segment and Petrochemical Segment.
- The Refining Segment comprises crude oil processing as well as wholesale and retail trade in refinery products,
- The Petrochemical Segment encompasses production and sales of petrochemicals.

The other operations of PKN ORLEN include mainly support functions.

Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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

Settlements between segments of PKN ORLEN (plants, departments, etc.) are valued on the basis of the following prices:
- controlling prices (e.g. semi-finished products)
- estimated prices (e.g. utilities)
- inter-settlements cost (services rendered to other segments).

Segment operating costs have been allocated as appropriate. Other costs which cannot be reliably determined have been included as unallocated expenses, reconciling total segment results to profit from operations.

## The 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.

## Impact of new Standards and interpretations on the Company's unconsolidated financial statements

Until 31 December 2006 the following new Standards, changes and interpretations to International Financial Reporting Standards were published:
- IFRS 7 "Financial Instruments: Disclosure" – in force from 1 January 2007
- IFRS 8 "Operating Segments" – in force from 1 January 2009
- IAS 1 "Presentation of Financial Statements" – in force from 1 January 2007
- IFRIC 11 – "Group and Treasury Share Transactions" – in force from 1 March 2007
- IFRIC 12 – "Service Concession Arrangements" – in force from 1 January 2008.

Acceptance of IFRS 8, IFRIC 11 and IFRIC 12 by the European Union is pending.
The Company assessed the impact of application of the above interpretations and changes and determined that the changes in IFRS 7, IFRS 8 and IAS 1 might have impact on the presentation of financial statements when applied. According to a preliminary assessment, the most significant influence on the presentation of financial statements would have application of IFRS 8 "Operating Segments". Commencing 1 January 2009, following acceptance of IFRS 8 by European Union, the Company will publish segment data based on management segments.

According to a preliminary assessment, the application of IFRIC 11 and IFRIC 12 would not have a significant influence on the unconsolidated financial statements.

(all amounts in PLN thousand)

## 5. Property, plant and equipment

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Land | 239 516 | 201 694 |
| Buildings and constructions | 4 594 478 | 4 299 542 |
| Machinery and equipment | 2 564 605 | 2 724 985 |
| Vehicles and other | 217 656 | 178 399 |
| Construction in progress | 384 861 | 403 938 |
| **Total property, plant and equipment** | **8 001 116** | **7 808 558** |

Changes of property, plant and equipment by categories:

| | Land | Buildings and constructions | Machinery and equipment | Vehicles and other | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Gross book value** | | | | | | |
| 1 January 2006 | 201 694 | 5 844 896 | 5 513 829 | 400 931 | 444 506 | 12 405 856 |
| Increase | 37 962 | 646 083 | 374 530 | 104 050 | 1 140 434 | 2 303 059 |
| Reclassification | (5) | 110 | (80) | (25) | - | - |
| Decrease | (135) | (37 849) | (79 691) | (57 418) | (1 161 862)* | (1 336 955) |
| **31 December 2006** | **239 516** | **6 453 240** | **5 808 588** | **447 538** | **423 078** | **13 371 960** |
| 1 January 2005 | 162 618 | 5 145 002 | 4 477 868 | 373 662 | 1 284 878 | 11 444 028 |
| Increase | 39 359 | 742 207 | 1 098 310 | 49 810 | 1 076 063 | 3 005 749 |
| Reclassification | - | 40 | (30) | (10) | - | - |
| Decrease | (283) | (42 353) | (62 319) | (22 531) | (1 916 435) | (2 043 921) |
| **31 December 2005** | **201 694** | **5 844 896** | **5 513 829** | **400 931** | **444 506** | **12 405 856** |
| **Accumulated depreciation and impairment allowances** | | | | | | |
| 1 January 2006 | - | 1 545 354 | 2 788 844 | 222 532 | 40 568 | 4 597 298 |
| Depreciation | - | 338 539 | 500 750 | 47 135 | - | 886 424 |
| Other increases | - | 2 023 | 2 058 | 6 040 | - | 10 121 |
| Impairment allowances | - | (1 358) | 997 | 165 | (2 351) | (2 547) |
| Reclassification | - | 108 | (21) | (87) | - | - |
| Decrease | - | (25 904) | (48 645) | (45 903) | - | (120 452) |
| **31 December 2006** | **-** | **1 858 762** | **3 243 983** | **229 882** | **38 217** | **5 370 844** |
| 1 January 2005 | - | 1 221 078 | 2 361 650 | 193 320 | 45 911 | 3 821 959 |
| Depreciation | - | 345 283 | 480 218 | 46 470 | - | 871 971 |
| Other increases | - | - | 689 | - | - | 689 |
| Impairment allowances | - | 6 557 | 342 | (427) | (5 343) | 1 129 |
| Reclassification | - | 1 | (1) | - | - | - |
| Decrease | - | (27 565) | (54 054) | (16 831) | - | (98 450) |
| **31 December 2005** | **-** | **1 545 354** | **2 788 844** | **222 532** | **40 568** | **4 597 298** |
| **Net book value** | | | | | | |
| **1 January 2006** | **201 694** | **4 299 542** | **2 724 985** | **178 399** | **403 938** | **7 808 558** |
| **31 December 2006** | **239 516** | **4 594 478** | **2 564 605** | **217 656** | **384 861** | **8 001 116** |
| **1 January 2005** | **162 618** | **3 923 924** | **2 116 218** | **180 342** | **1 238 967** | **7 622 069** |
| **31 December 2005** | **201 694** | **4 299 542** | **2 724 985** | **178 399** | **403 938** | **7 808 558** |

* Including in 2006 e.g. transfers to specific groups of property, plant and equipment of PLN 1,092,919 thousand.

(all amounts in PLN thousand)

Impairment allowances for property, plant and equipment as at 31 December 2006 and 31 December 2005 amounted to PLN 142,081 thousand and PLN 144,628 thousand respectively.

In 2006 the Company reviewed economic useful lives of property, plant and equipment applied afore. Should the rates from previous years be applied, depreciation expense would be higher by PLN 16,764 thousand. The gross book value of all fully depreciated property, plant and equipment still in use as at 31 December 2006 amounted to PLN 1,085,038 thousand and as at 31 December 2005 amounted to PLN 910,937 thousand.
Impairment allowances disclosed in property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeded its recoverable amount. The impairment allowances are charged to operating expenses. The impairment allowances relate primarily to liquid fuels warehouse bases and petrol stations.

As at 31 December 2006 and 31 December 2005 no property, plant and equipment were used as a pledge for the Company's liabilities.

## 6. Intangible assets

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Acquired licenses, patents and similar intangible assets | 42 211 | 29 098 |
| Other | 595 | 2 |
| | ------------ | ------------ |
| **Total intangible assets** | **42 806** | **29 100** |
| | ======= | ======= |

(all amounts in PLN thousand)

The changes of intangible assets were as follows:

| | Acquired licenses, patents and similar intangible assets | Other | Total |
|---|---|---|---|
| **Gross book value** | | | |
| 1 January 2006 | 174 209 | 5 040 | 179 249 |
| Increase | 28 822 | 4 146 | 32 968 |
| Decrease | (1 565) | (203) | (1 768) |
| **31 December 2006** | **201 466** | **8 983** | **210 449** |
| 1 January 2005 | 156 538 | 3 659 | 160 197 |
| Increase | 18 318 | 1 517 | 19 835 |
| Decrease | (647) | (136) | (783) |
| **31 December 2005** | **174 209** | **5 040** | **179 249** |
| **Accumulated depreciation and impairment allowances** | | | |
| 1 January 2006 | 145 111 | 5 038 | 150 149 |
| Depreciation | 14 354 | 2 | 14 356 |
| Other increases | - | 3 551 | 3 551 |
| Impairment allowances | - | - | - |
| Decrease | (210) | (203) | (413) |
| **31 December 2006** | **159 255** | **8 388** | **167 643** |
| 1 January 2005 | 125 332 | 3 647 | 128 979 |
| Depreciation | 20 411 | 10 | 20 421 |
| Other increases | - | 1 517 | 1 517 |
| Impairment allowances | (26) | (1) | (27) |
| Decrease | (606) | (135) | (741) |
| **31 December 2005** | **145 111** | **5 038** | **150 149** |
| **Net book value** | | | |
| **1 January 2006** | **29 098** | **2** | **29 100** |
| **31 December 2006** | **42 211** | **595** | **42 806** |
| **1 January 2005** | **31 206** | **12** | **31 218** |
| **31 December 2005** | **29 098** | **2** | **29 100** |

Impairment allowances for intangible assets as at 31 December 2006 and 31 December 2005 amounted to PLN 47 thousand.

In 2006 the Company reviewed economic useful lives of intangible assets applied afore. Should the rates from previous years be applied, adjustment to depreciation expense would not be material. The gross book value of all fully depreciated intangible assets still in use as at 31 December 2006 amounted to PLN 135,393 thousand and as at 31 December 2005 amounted to PLN 115,496 thousand.

The titles to perpetual usufruct of land obtained under an administrative decision were recognized by the Group at fair value as off balance sheet items in the amount of PLN 941,518 thousand as at 31 December 2006.

As at 31 December 2006 and 31 December 2005 the Company possessed concessions for public services due to which annual concession fees recognized in the profit and loss in a given period are paid.
The Company possesses concessions for the following activities:

- the trade of electrical energy for the period 05.11.1998 – 15.11.2008
- transportation and distribution of electrical energy for the period 05.11.1998 – 15.11.2008
- manufacturing and trade of heating energy for the period 05.11.1998 – 15.04.2013
- transportation and distribution of heat energy for the period 05.11.1998 – 15.11.2008
- manufacturing of electrical energy for the period 05.11.1998 – 15.11.2008

(all amounts in PLN thousand)

## 7. Financial assets

### a) Significant shares in related parties

| Name | Seat | 31 December 2006 | 31 December 2005 | Company's interest in capital/ in voting rights as at 31 December 2006 | Company's interest in capital/ in voting rights as at 31 December 2005 | Principal activity |
|---|---|---|---|---|---|---|
| AB Mazeikiu Nafta | Lithuania - Juodeikiai | 6 759 742 | - | 84,2% | - | throughput of crude oil |
| UNIPETROL a.s. | Czech Republic- Praha | 1 812 882 | 1 812 882 | 62,99% | 62,99% | asset management of Unipetrol Group |
| ORLEN Deutschland AG | Germany - Elmshorn | 503 803 | 503 803 | 100% | 100% | asset management and retail fuel sales |
| Basell ORLEN Polyolefins Sp. z o.o. | Poland - Płock | 453 699 | 453 699 | 50% | 50% | production, distribution and sale of polyolefines |
| Polkomtel S.A. | Poland - Warsaw | 436 495 | 436 495 | 19,61% | 19,61% | rendering mobile telecommunication services |
| Anwil S.A. | Poland - Włocławek | 176 200 | 176 200 | 84,49% | 84,49% | production of nitric fertilizers, polyvinyl chloride |
| Niezależny Operator Międzystrefowy Sp. z o.o.* | Poland - Warsaw | 84 004 | 84 004 | 35,00% | 35,00% | rendering ground telecommunication services |
| Rafineria Trzebinia S.A. | Poland - Trzebinia | 74 503 | 74 503 | 77,15% | 77,15% | processing of paraffin, production and sale of fuel and oils |
| Rafineria Nafty Jedlicze S.A. | Poland - Jedlicze | 64 000 | 64 000 | 75% | 75% | processing of paraffin, production and sale of processing derivatives |
| ORLEN Oil Sp. z o.o. | Poland - Kraków | 57 144 | 57 144 | 51,69% | 51,69% | processing of paraffin, production and sale of processing derivatives |
| ORLEN Eko Sp. z o.o. | Poland - Płock | 77 100 | 2 000 | 100% | 100% | waste management, processing of non-metal waste |
| ORLEN Asfalt Sp. z o.o. | Poland - Płock | 50 000 | 50 000 | 82,46% | 82,46% | production and processing of products of crude oil refining |
| Other | | 421 368 | 390 105 | | | |
| | | ------------- | ------------- | | | |
| **Total** | | **10 970 940** | **4 104 835** | | | |
| **Impairment allowances** | | | | | | |
| ORLEN Deutschland AG | | (75 000) | (75 000) | | | |
| Niezależny Operator Międzystrefowy Sp. z o.o.* | | (65 970) | (65 970) | | | |
| Other | | (38 507) | (48 318) | | | |
| | | ------------- | ------------- | | | |
| **Total impairment allowances** | | **(179 477)** | **(189 288)** | | | |
| **Net value of significant shares in related parties** | | **10 791 463** | **3 915 547** | | | |
| | | ======== | ======== | | | |

* Detailed information in Note 30 m

(all amounts in PLN thousand)

| Name | Seat | 31 December 2006 | 31 December 2005 | Company's interest in capital/ in voting rights as at 31 December 2006 | Company's interest in capital/ in voting rights as at 31 December 2005 | Principal activity |
|---|---|---|---|---|---|---|
| **b) Significant shares in other parties** | | | | | | |
| Telewizja Familijna S.A. | Poland - Warsaw | 26 004 | 26 004 | 11,96% | 11,96% | radio and television related activity |
| Naftoport Sp. z o.o. | Poland - Gdańsk | 31 026 | 39 502 | 14,10% | 17,95% | construction, operation and maintenance of loading station for liquid fuels |
| Other | | 11 208 | 11 209 | | | |
| | | ------------- | ------------- | | | |
| **Total** | | **68 238** | **76 715** | | | |
| **Impairment allowances** | | | | | | |
| Telewizja Familijna S.A. | | (26 004) | (26 004) | | | |
| Other | | (9 582) | (10 567) | | | |
| | | ------------- | ------------- | | | |
| **Total impairment allowances** | | **(35 586)** | **(36 571)** | | | |
| | | ======== | ======== | | | |
| **Investments held to maturity** | | | | | | |
| Telewizja Familijna S.A. bonds * | Poland - Warsaw | 26 000 | 26 000 | | | |
| Impairment allowances | | (26 000) | (26 000) | | | |
| | | ------------- | ------------- | | | |
| **Net value of investments held to maturity** | | **-** | **-** | | | |
| | | ======== | ======== | | | |
| **Net value of significant shares in other parties** | | **32 652** | **40 144** | | | |
| | | ======== | ======== | | | |
| **c) Loans granted** | | | | | | |
| Related parties | | **5 589** | **1 744** | | | |
| | | ======== | ======== | | | |

* As at 8 April 2003 the bankruptcy of Telewizja Familijna S.A. was declared; book value of shares and bonds as at 31 December 2005 and 31 December 2004 was fully covered by an allowance.

(all amounts in PLN thousand)

## 8. Other non-current assets

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Receivables due to payments to subsidiaries' equity | 14 721 | 24 776 |
| Receivables due to acquisition of liabilities of the Unipetrol Group | 29 716 | 36 458 |
| Receivables from sale of shares | 2 500 | 4 200 |
| Other | 43 | 278 |
| | ------------- | ------------- |
| Total | **46 980** | **65 712** |
| | ======== | ======== |

## 9. Inventories

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Raw materials | 2 463 786 | 2 303 974 |
| Work in progress | 434 550 | 424 076 |
| Finished goods | 1 392 501 | 1 176 000 |
| Merchandise | 224 899 | 117 013 |
| | ------------- | ------------- |
| **Total inventory, net** | **4 515 736** | **4 021 063** |
| | ======== | ======== |

The value of inventories valued at net realizable value amounted to PLN 1,833 thousand as at 31 December 2006 and PLN 632 thousand as at 31 December 2005. The inventory allowances to net realizable value amounted to PLN 6,771 thousand as at 31 December 2006 and PLN 2,524 thousand as at 31 December 2005.

As at 31 December 2006 and 31 December 2005 inventories of the Company were not used as a pledge for its liabilities.

Starting from 2002, mandatory reserves are established based on the schedule in accordance with the Minister of Economy Decree (the decree of 19 December 2005 currently in force, Official Journal no. 266. item 2240) to arrive at the end of 2008 at the level equal to 76 days of average daily production, import and intra-Community acquisitions less export and intra-Community supplies (in addition the relevant economy Minister is obliged to establish the reserves of liquid fuels in the amount equal to consumption of fuels in 14 days on average in a given year).
The detailed methods of calculation and formation of the mandatory reserves of liquid fuels are contained in the Minister of Economy Decree of 12 May 2006 (Official Journal no 92 item 642).
The new act on reserves of crude oil, refinery products and natural gas and the principles of proceeding in the event of threat to national liquid fuels security and disturbance on the oil market has been signed by the President of the Republic of Poland in March 2007. The act introduces additional provisions in force for the member countries of the International Energy Agency (IEA). Poland is to become a member of IEA in 2007.
The new act introduced additional provisions such as:

- building up mandatory reserves by additional 10% with regard to the so-called inaccessible reserves,
- changes to methods of calculation of reserves (quantities sold in the country were replaced by net imports of crude oil in the revised methodology),
- building up a 30-days reserves of LPG.

Upon consideration of the above one may expect an increase in the cost of maintaining of reserves.

The value of mandatory reserves held by the Company as at 31 December 2006 and 31 December 2005 amounted to PLN 2,443,865 thousand and PLN 1,894,254 thousand, respectively.

(all amounts in PLN thousand)

## 10. Trade and other receivables

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Trade receivables | 3 198 480 | 2 400 876 |
| Excise tax and fuel charge receivables | 215 777 | 158 649 |
| Taxation, duty and social security receivables | 135 263 | 56 658 |
| Receivables from sale of property, plant and equipment | 2 233 | 16 469 |
| Prepayments for property, plant and equipment | 57 657 | 3 416 |
| Receivables due to acquisition of liabilities of the Unipetrol Group | 7 820 | 286 255 |
| Prepayments for delieveries | 41 264 | 2 818 |
| Other receivables | 72 702 | 33 574 |
| **Total trade and other receivables, gross** | **3 731 196** | **2 958 715** |
| Receivables allowances | (255 573) | (232 623) |
| **Total trade and other receivables, net** | **3 475 623** | **2 726 092** |

Trade and other receivables include PLN 540,059 thousand of amounts denominated in foreign currencies as at 31 December 2006 and PLN 396,128 thousand as at 31 December 2005. Trade receivables result primarily from the sales of finished goods and sales of merchandise.
Concentration of credit risk relating to trade receivables is limited due to a large number of customers with specified trade credit limits and their dispersion across many different industries principally in Poland, Germany, Czech Republic and Lithuania.
The assumed repayment period of receivables involved with the usual course of sales operations is 14 to 30 days.
Maximum trade credit limit risk amounted to PLN 3,124,583 thousand as at 31 December 2006. The Management Board believes that the risk of doubtful receivables is reflected by the relevant allowance.
No transfers of rights to receivables as a security for the Company's liabilities have been made as at 31 December 2006 and as at 31 December 2005.

The receivables allowances:

| | 2006 | 2005 |
|---|---|---|
| Receivables allowances, beginning of period | 232 623 | 338 038 |
| Allowance made during the period | 117 786 | 99 685 |
| Allowance reversed during the period | (84 475) | (194 899) |
| Allowance used during the period | (10 361) | (10 201) |
| **Receivables allowances, end of period** | **255 573** | **232 623** |

## 11. Prepayments

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Leases | 16 556 | 14 846 |
| Insurances | 31 163 | 35 816 |
| Other | 7 677 | 8 040 |
| **Total** | **55 396** | **58 702** |

## 12. Cash and cash equivalents

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Cash on hand and in bank | 228 891 | 243 914 |
| Cash in transit | 78 423 | 39 595 |
| **Total** | **307 315** | **283 509** |

Total cash and cash equivalents denominated in foreign currencies amounted to PLN 57,421 thousand as at 31 December 2006 and to PLN 70,874 thousand as at 31 December 2005.

(all amounts in PLN thousand)

Cash and cash equivalents not available for use as at 31 December 2006 amounted to PLN 3,000 thousand.
Taking into account cooperation of the Company mainly with well-established Polish and international banks, the risk relating to depositing cash and cash equivalents is considerably limited.

## 13. Other financial assets

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Derivatives | 18 205 | 7 498 |
| Hedging instruments | 37 241 | 96 122 |
| **Total other financial assets** | **55 446** | **103 620** |

## 14. Interest-bearing loans and borrowings

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| **Bank loans** | **6 635 472** | **1 404 172** |
| Including: | | |
| short-term | 3 139 842 | 30 007 |
| long-term | 3 495 630 | 1 374 165 |

Maturities of principal installments as at 31 December 2006 and 31 December 2005 were as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Up to 1 year | 3 139 842 | 30 007 |
| Between 1 and 5 years | 3 495 630 | 1 374 165 |
| **Total** | **6 635 472** | **1 404 172** |

The value of interest-bearing loans and borrowings drawn by the Company and debt securities issued increased in 2006 by 5,231,300 thousand net. The change in indebtedness level resulted primarily from:

- drawing of foreign loans translated to PLN:
  - EUR 800,000 thousand (PLN 3,053,200 thousand) of a short term consortium multi currency bridge loan (BNP Paribas acting as Agent)
  - USD 348,269 thousand (PLN 1,069,912 thousand) of a consortium multi currency loan (BTM acting as Agent) – in 2006 there was a translation of portion of USD 215,910 thousand to EUR 181,061 thousand
  - USD 300,000 thousand (PLN 861,844 thousand) of a consortium multi currency loan (BNP Paribas acting as Agent)
  - EUR 230,000 thousand (PLN 877,795) of a long term consortium multi currency revolving loan (BNP Paribas acting as Agent)
  - EUR 171,596 thousand (PLN 663,098 thousand) of a consortium multi currency loan (BTM acting as Agent)
- drawing of loans in PLN:
  - PLN 100,000 thousand in PKO BP S.A.
  - PLN 29,691 thousand in BH w Warszawie S.A.
- increase of indebtedness of PLN 61,863 thousand resulting from foreign exchange differences and loans interest
- repayment of foreign currency loans translated to PLN:
  - USD 218,269 thousand (PLN 695,993 thousand) of a consortium double currency loan (ING acting as Agent)
  - EUR 171,596 thousand (PLN 663,098 thousand) of a consortium double currency loan (ING acting as Agent)
  - USD 4,997 thousand (PLN 15,795 thousand) of a consortium multi currency loan (BTM acting as Agent)
- repayment of loans and borrowings in PLN
  - PLN 100,000 thousand in PKO BP S.A.
  - PLN 11,217 thousand in BPH S.A.

### Bank loans by currency (PLN thousand)

| | | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| PLN | (1) | 44 818 | 26 299 |
| USD | (2) | 1 252 079 | 713 387 |
| EUR | (3) | 5 338 575 | 664 486 |
| | | -------------- | -------------- |
| **Total** | | **6 635 472** | **1 404 172** |
| | | ======== | ======== |

As at 31 December 2006 and 31 December 2005 the level of flat interest rates and loan margins relating to used bank loans were as follows:

| | | | |
|---|---|---|---|
| **PLN (1)** | | | |
| **31 December 2006** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 44 818 | | |
| T/N WIBOR | | to | 0,06% |
| 1M WIBOR | | to | 0,06% |
| **Total PLN** | **44 818** | | |
| **USD (2)** | | | |
| **31 December 2006** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 1 252 079 | | |
| 6M LIBOR | | to | 0,18% |
| **Total USD** | **1 252 079** | | |
| **EUR (3)** | | | |
| **31 December 2006** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 5 338 575 | | |
| 6M EURIBOR | | 0,12% | 0,18% |
| **Total EUR** | **5 338 575** | | |
| | ---------------- | | |
| **Total** | **6 635 472** | | |
| | ========= | | |

| | | | |
|---|---|---|---|
| **PLN (1)** | | | |
| **31 December 2005** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 26 299 | | |
| T/N WIBOR | | to | 0,06% |
| 1M WIBOR | | 0,07% - | 0,10% |
| **Total PLN** | **26 299** | | |
| **USD (2)** | | | |
| **31 December 2005** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 713 387 | | |
| 3M LIBOR | | to | 0,40% |
| **Total USD** | **713 387** | | |
| **EUR (3)** | | | |
| **31 December 2005** | **Indebtedness balance** | **Margin/rate within the range** | |
| Floating rate | 664 486 | | |
| 3M EURIBOR | | to | 0,40% |
| **Total EUR** | **664 486** | | |
| | ---------------- | | |
| **Total** | **1 404 172** | | |
| | ========= | | |

## Bank loans by currency (PLN thousand) - continued

As at 31 December 2006 and 31 December 2005 interest rates for specific bases were as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| T/N Wibor | 4,11% | 4,60% |
| 1M Wibor | 4,12% | 4,60% |
| 3 M Euribor | 3,7250% | 2,4870% |
| 6 M Euribor | 3,8530% | 2,6370% |
| 3M Libor (USD) | 5,3600% | 3,5362% |
| 6M Libor (USD) | 5,3700% | 4,7000% |

As at 31 December 2006 and 31 December 2005, in accordance with agreements concluded with banks, the Company had unutilized amount of bank loans and borrowings at floating rate of PLN 3,979,241 thousand and PLN 2,987,430 thousand respectively.
In 2006 the effective interest rate for loans denominated in PLN was formed at the level of 4.22%, and for loans denominated in EUR at 3.11% and for loans denominated in USD at 5.11 %
As at 31 December 2006 bank loans and borrowings were not pledged on the Company's assets.

## 15. Provisions

| Long-term provisions | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Land reclamation provision | 252 177 | 404 714 |
| Retirement benefits and jubilee bonuses | 101 992 | 115 972 |
| Business risk provision | 3 800 | 3 800 |
| Shield programmes provision | 99 428 | 68 718 |
| Other provisions | 18 340 | 11 896 |
| **Total** | **475 737** | **605 100** |

| Short-term provisions | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Land reclamation provision | 91 400 | 46 350 |
| Retirement benefits and jubilee bonuses | 14 241 | 9 143 |
| Business risk provision | 415 380 | 361 727 |
| Shield programmes provision | 24 492 | 130 500 |
| Other provisions | 59 299 | 26 752 |
| **Total** | **604 812** | **574 472** |

The Company has legal obligation to reclaim contaminated land in area of production plant in Płock, petrol stations and warehouse bases. In the period 2000-2006 an assessment of the contaminated objects and estimation of future expenditures on land reclamation were conducted by an independent expert. The amount of the land reclamation provision was reassessed by the Management Board on the basis of analysis of the independent expert. The amount of the provision is the Management Board's best estimate in respect of future expenditures taking into account the average level of costs necessary to remove contamination, by facilities constituting basis of creating the provision.
The change in the average level of costs necessary to remove contamination has impacted the land reclamation provision in the amount of PLN 159.518 thousand. The main reason causing the change of the land reclamation provision is the decrease of soil required.

In 2006 the Company changed the assumptions for calculation of retirement benefits and jubilee bonuses provision. Should the prior year's assumptions be taken into account, the provision would have been higher by PLN 25,819 thousand.

(all amounts in PLN thousand)

The changes in provisions in particular periods were as follows:

## Change in long-term provisions

| | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **1 January 2006** | 404 714 | 115 972 | 3 800 | 68 718 | 11 896 | 605 100 |
| Provision made during the period | - | 1 260 | - | 30 710* | 8 272 | 40 242 |
| Provision used during the period | - | (37) | - | - | (14) | (51) |
| Provision reversed during the period | (152 537) | (15 203) | - | - | (1 814) | (169 554) |
| | ======= | ====== | ===== | ====== | ====== | ======= |
| **31 December 2006** | **252 177** | **101 992** | **3 800** | **99 428** | **18 340** | **475 737** |
| | ======= | ====== | ===== | ====== | ====== | ======= |

* shield programmes provision reclassified from short to long term portion

| | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **1 January 2005** | 347 531 | 104 614 | 17 757 | 25 464 | 2 968 | 498 334 |
| Provision made during the period | 57 636* | 13 890 | 14 783 | 43 254 | 9 428 | 138 991 |
| Provision used during the period | (86) | (2 532) | - | - | - | (2 618) |
| Provision reversed during the period | (367) | - | (28 740) | - | (500) | (29 607) |
| | ======= | ======= | ====== | ====== | ====== | ======= |
| **31 December 2005** | **404 714** | **115 972** | **3 800** | **68 718** | **11 896** | **605 100** |
| | ======= | ======= | ====== | ====== | ====== | ======= |

* incl. the amount of PLN 51,561 of land reclamation provision reclassified from short to long term portion

(all amounts in PLN thousand)

## Change in short-term provisions

| | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **1 January 2006** | 46 350 | 9 143 | 361 727 | 130 500 | 26 752 | 574 472 |
| Provision made during the period | 59 299 | 13 346 | 64 726 | - | 55 320 | 192 691 |
| Provision used during the period | (14 249) | (8 248) | (2 586) | (75 298) | (20 283) | (120 664) |
| Provision reversed during the period | - | - | (8 487) | (30 710)* | (2 490) | (41 687) |
| | ====== | ===== | ======= | ====== | ====== | ======= |
| **31 December 2006** | **91 400** | **14 241** | **415 380** | **24 492** | **59 299** | **604 812** |
| | ====== | ===== | ======= | ====== | ====== | ======= |

* shield programmes provision reclassified from short to long term portion

| | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **1 January 2005** | 106 143 | 9 013 | 46 384 | 44 536 | 29 371 | 235 447 |
| Provision made during the period | - | 8 347 | 338 264** | 122 746 | 13 880 | 483 237 |
| Provision used during the period | (7 989) | (8 217) | - | (36 782) | (10 500) | (63 488) |
| Provision reversed during the period | (51 804)* | - | (22 921) | - | (5 999) | (80 724) |
| | ======= | ====== | ======= | ====== | ====== | ======= |
| **31 December 2005** | **46 350** | **9 143** | **361 727** | **130 500** | **26 752** | **574 472** |
| | ======= | ====== | ======= | ====== | ====== | ======= |

* incl. the amount of PLN 51,561 of land reclamation provision reclassified from short to long term portion

** including provision for the potential negative financial impact of execution of the agreements concerning the disposal of portion of assets of Unipetrol Group

## Long-term and short-term provisions

| 31 December 2006 | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **Long-term provisions** | 252 177 | 101 992 | 3 800 | 99 428 | 18 340 | 475 737 |
| **Short-term provisions** | 91 400 | 14 241 | 415 380 | 24 492 | 59 299 | 604 812 |
| | ======= | ======= | ======= | ======= | ====== | ========= |
| Total | **343 577** | **116 233** | **419 180** | **123 920** | **77 639** | **1 080 549** |
| | ======= | ======= | ======= | ======= | ====== | ========= |

| 31 December 2005 | Land reclamation provision | Retirement benefits and jubilee bonuses | Business risk provision | Shield programmes provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **Long-term provisions** | 404 714 | 115 972 | 3 800 | 68 718 | 11 896 | 605 100 |
| **Short-term provisions** | 46 350 | 9 143 | 361 727 | 130 500 | 26 752 | 574 472 |
| | ======= | ======= | ======= | ======= | ====== | ======== |
| Total | **451 064** | **125 115** | **365 527** | **199 218** | **38 648** | **1 179 572** |
| | ======= | ======= | ======= | ======= | ====== | ======== |

(all amounts in PLN thousand)

## 16. Other long-term liabilities

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Liabilities due to payments to subsidiaries' equity | 28 600 | - |
| Finance lease liabilities | 21 686 | - |
| **Total** | **50 286** | **-** |

## 17. Trade and other liabilities and accrued expenses

Trade and other liabilities comprised of the following:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Trade liabilities | 2 848 973 | 2 000 402 |
| Liabilities due to acquisition of property, plant and equipment | 337 204 | 250 469 |
| Holiday pay accrual | 15 269 | 17 711 |
| Payroll liabilities | 12 482 | 12 769 |
| Loyalty programme VITAY | 22 786 | 61 858 |
| Excise tax and fuel charge liabilities | 788 817 | 646 989 |
| Other taxation, duty and social security liabilities | 293 391 | 319 138 |
| Other liabilities and accrued expenses | 138 379 | 127 606 |
| **Total** | **4 457 301** | **3 436 942** |

Trade and other liabilities and accrued expenses denominated in foreign currencies amounted to PLN 2,085,699 thousand as at 31 December 2006 and PLN 1 508 796 thousand as at 31 December 2005. The carrying amount of short-term trade liabilities is equal to its fair value by virtue of its short-term characteristics.

The VITAY is a loyalty program created for individual customers. The VITAY program is in operation on the Polish market since 14 February 2001. Purchases made by customers are granted with VITAY points that can be subsequently exchanged for fuel or VITAY gifts.
From June 2006 fuel prize is available for customers in discount of fuel price which is not current expense of VITAY program but decrease fuel sales.
The provision is created with regard to the unrealized amount of points. It is recognized in the period when the points were granted to customers. As a result of changes regarding the substance of gifts, separate provisions are created for fuel and non-fuel gifts.
The provision is estimated on the basis of proportion of fuel and non fuel gifts granted, total unrealized amount of points and current cost per one VITAY point. The provision is equal to 75% of the value of unrealized points (75% being a ratio for points' realizability).

### 18. Shareholders' equity

In accordance with the Commercial Register, the share capital of Polski Koncern Naftowy ORLEN S.A. as at 31 December 2006 amounted to PLN 534,636 thousand. It is divided into 427,709,061 shares with nominal value of PLN 1.25 each.

(all amounts in PLN thousand)

The share capital as at 31 December 2006 and 31 December 2005 consisted of the following series of shares:

| Share series | Number of shares issued as at 31 December 2006 | Number of shares issued as at 31 December 2005 | Number of shares authorized as at 31 December 2006 | Number of shares authorized as at 31 December 2005 |
|---|---|---|---|---|
| A series | 336 000 000 | 336 000 000 | 336 000 000 | 336 000 000 |
| B series | 6 971 496 | 6 971 496 | 6 971 496 | 6 971 496 |
| C series | 77 205 641 | 77 205 641 | 77 205 641 | 77 205 641 |
| D series | 7 531 924 | 7 531 924 | 7 531 924 | 7 531 924 |
| | 427 709 061 | 427 709 061 | 427 709 061 | 427 709 061 |

In 2006 and 2005 there was no additional issue of shares.

In Poland, each new issuance of shares is labeled as a new series of shares. All of the above series involve the exact same rights.
The balance of the hedging reserve results from valuation of derivatives meeting the criteria for hedge accounting (for cash flow hedges).

The shareholder structure as at 31 December 2006 was as follows:

| | Number of shares | Number of voting rights | Nominal value of shares | % share in share capital |
|---|---|---|---|---|
| Nafta Polska S.A. | 74 076 299 | 74 076 299 | 92 595 374 | 17,32% |
| Skarb Państwa | 43 633 897 | 43 633 897 | 54 542 371 | 10,20% |
| Bank of New York (as a depositary) | 23 919 466 | 23 919 466 | 29 899 333 | 5,59% |
| Other | 286 079 399 | 286 079 399 | 357 599 249 | 66,89% |
| **Total** | **427 709 061** | **427 709 061** | **534 636 327** | **100,00%** |

Retained earnings comprise of the following titles:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Reserve capital | 9 617 634 | 6 232 189 |
| Privatization Fund created with the privatization of Petrochemia Plock S.A. | 53 476 | 53 476 |
| Undistributed profit from changes in accounting policies | - | 858 231 |
| Revaluation reserve from revaluation of property, plant and equipment in 1995 | 643 923 | 649 047 |
| Reserve capital from disposal of property, plant and equipment revalued in 1995 | 186 342 | 181 218 |
| Net profit | 2 199 876 | 2 527 214 |
| **Total retained earnings** | 12 701 251 | 10 501 375 |

The share capital and share premium as at 31 December 1996, in accordance with IAS 29.24 and 29.25, were revalued on a basis of monthly general price indices by PLN 691,802 thousand (PLN 522,999 thousand revaluation of share capital and PLN 168,803 thousand revaluation of share premium). Therefore were presented as share capital revaluation adjustment and share premium revaluation adjustment in the balance sheet.

(all amounts in PLN thousand)

In 2006 the Company did not pay dividends to shareholders as a result of meeting the condition of acquisition of Mazeikiu Nafta AB shares according to the resolution of the General Meeting of PKN ORLEN S.A.

Calculation of earnings per share and diluted earnings per share is presented below:

| | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Weighted average number of ordinary shares issued | 427 709 061 | 427 709 061 |
| Earnings and diluted earnings per share (in PLN) | 5,14 | 5,91 |

As at 31 December 2006 and 31 December 2005 there was no dilutive effect that could have had impact on the above calculation.

### Method of calculation of earnings per share and diluted earnings per share for the years ended 31 December 2006 and 31 December 2005

| | | 2006 | 2005 |
|---|---|---|---|
| Net profit for the year (in PLN) | (A) | 2 199 876 021,08 | 2 527 214 367,72 |
| Weighted average number of ordinary shares | (B) | 427 709 061 | 427 709 061 |
| Earnings per ordinary share (in PLN) | (A/B) | 5,14 | 5,91 |
| Weighted average number of expected ordinary shares | C | 427 709 061 | 427 709 061 |
| Diluted earnings per ordinary share (in PLN) | (A/C) | 5,14 | 5,91 |

The Company calculated earnings per share and diluted earnings per share in accordance with the IFRSs.

## 19. Suggested distribution of the Company's profit for 2006, retained earnings and distribution of profit for 2005 (amounts in PLN)

### a. Suggested distribution of profit for 2006

A new dividend policy communicated in a revised development strategy of PKN ORLEN for 2006-2009, announced in January 2006, assumes setting recommended dividend level in comparison to free cash flow for shareholders after realization of investment budget and capital structure optimization („Free Cash Flow to Equity" – FCFE). According to the new policy the Management Board set the target of the payment at a level not lower than 50% of FCFE (set as the minimum in the dividend policy)

As the result of the acquisition of shares Mazeikiu Nafta AB (MN) by PKN ORLEN S.A. on 15 December 2006 as well as in the face of realizing the investment program of Group, the Management Board expects that in 2007 the level of consolidated indebtedness of the Company will exceed the optimum level between 1.5x - 2.0x EBITDA. This situation, in the opinion of the Management Board, will cause the necessity of optimization of the indebtedness and consequently the negative indicator of FCFE.

Rating agency Fitch Ratings estimates the periodical increase of the Company's net debt to the level between 2,5x - 3,0x of EBITDA at the end of 2007. This resulted in the fact that on 15 December 2006 Fitch Ratings ("Agency") lowered long-term international investments rating for PKN ORLEN S.A. from "BBB/negative watch" up till now, to "BBB-/negative outlook".

Considering the factors mentioned above, mainly the intention of the Management Board of maintenance of the long-term rating on the investment level, the Management Board proposes to assign the net profit for 2006 in the amount of PLN 2 199 876 021,08, decreased by 5,000,000.00 of Social Fund charge, (the amount of PLN 2 194 876 021,08) to the reserve capital:

| | |
|---|---|
| Reserve capital | 2 194 876 021,08 |
| Distribution to Social Fund | 5 000 000,00 |
| | --------------------------- |
| Total | 2 199 876 021,08 |
| | ================ |

(all amounts in PLN thousand)

### b. According to resolution of Company's General Shareholders' Meeting, profit for 2005 was distributed as follows:

| | |
|---|---|
| Reserve capital | 2 522 214 367,72 |
| Distribution to Social Fund | 5 000 000,00 |
| | ------------------------- |
| Total | 2 527 214 367,72 |
| | ============== |

The distribution of the profit results from the note § 1 section 2 of the Resolution no 6 of the Ordinary General Meeting of PKN ORLEN S.A. dated 27 June 2006, precisely the fulfillment of the condition of the acquisition of Mazeikiu Nafta AB shares till 31 March 2007.

### Method of calculation of book value and diluted book value per share as at 31 December 2006 and 31 December 2005

| | | 2006 | 2005 |
|---|---|---|---|
| Book value (PLN) | (A) | 15 009 586 446,02 | 12 864 705 361,26 |
| Number of shares | (B) | 427 709 061 | 427 709 061 |
| Book value per share (PLN) | (A/B) | 35,09 | 30,08 |
| Expected number of shares | C | 427 709 061 | 427 709 061 |
| Diluted book value per share (PLN) | (A/C) | 35,09 | 30,08 |

The Company calculated book value per share and diluted book value per share in accordance with the IFRSs.

## 20. Explanation of differences between changes in the balance sheet positions and changes presented in the cash flow statement

| | 2006 | 2005 |
|---|---|---|
| Balance sheet change in other non-current assets and trade and other receivables | (730 799) | (869 718) |
| Change in investment receivables | (9 215) | (21 031) |
| Change in receivables due from Unipetrol Group entities | (253 888) | 293 708 |
| Change in advances for construction in progress | 54 241 | (16 753) |
| Other | (8 655) | (5 961) |
| | -------------- | -------------- |
| **Change in receivables in the cash flow statement** | **(948 316)** | **(619 755)** |
| | ======== | ======== |

| | 2006 | 2005 |
|---|---|---|
| Balance sheet change in other long-term liabilities and trade and other liabilities and accrued expenses | 1 070 645 | 989 368 |
| Change in investment liabilities | (86 735) | (74 230) |
| Change in liabilities due to additional payments to subsidiaries' equity | (55 100) | - |
| Change in finance lease liabilities | (21 686) | - |
| Other | 607 | (16 617) |
| | -------------- | -------------- |
| **Change in liabilities and accrued expenses in the cash flow statement** | **907 731** | **898 521** |
| | ======== | ======== |

| | 2006 | 2005 |
|---|---|---|
| Balance sheet change in provisions | (99 023) | 445 791 |
| Change in deferred tax liabilities recognized directly in equity | 12 900 | 6 136 |
| Reclassification of deferred tax charge recognized in equity in the prior period to the net result | - | 5 037 |
| **Change in provisions in the cash flow statement** | **(86 123)** | **456 964** |

The amount of PLN (254 020) thousand, presented in 2005 as “other” in operating activities in the cash flow statement, comprised of:

| | 2005 |
|---|---|
| Change in acquired receivables due from Unipetrol a.s. Group entities | (293 708) |
| Proceeds/outflows from acquisition of receivables due from Unipetrol Group entities | 48 140 |
| Loss on foreign exchange differences | 27 573 |
| Change in prepayments and deferred income | (20 543) |
| Other | (15 482) |
| **Total** | **(254 020)** |

**Sale of shares in subsidiaries and associates**

In 2006 PKN ORLEN sold shares in 3 subsidiaries and associates. The cumulative impact of the transactions amounted to:

| | 2006 |
|---|---|
| Proceeds from sale of shares | 95 606 |
| Agreed sales price | 98 480 |
| Net assets of entities sold | 92 357 |
| Result on sale | 6 123 |
| Net cash and cash equivalents proceeds | 89 483 |

(all amounts in PLN thousand)

## 21. Segment data

### Revenues, expenses and financial result by business segments

| | Refining Segment | | Petrochemical Segment | | Other operations | | Adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | for the year ended | | for the year ended | | for the year ended | | for the year ended | | for the year ended | |
| | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 |
| Sales to external customers | 28 564 793 | 19 841 360 | 4 285 672 | 2 430 296 | 522 791 | 413 710 | | | 33 373 256 | 22 685 366 |
| Transactions with other segments | 6 069 012 | 3 391 765 | 2 980 471 | 2 000 353 | 765 503 | 650 988 | (9 814 986) | (6 043 106) | - | - |
| Settlement of hedging transactions | 21 100 | | 106 678 | 103 740 | | | | | 127 778 | 103 740 |
| **Total sales revenues** | 34 654 905 | 23 233 125 | 7 372 821 | 4 534 389 | 1 288 294 | 1 064 698 | (9 814 986) | (6 043 106) | 33 501 034 | 22 789 106 |
| **Total operating expenses** | (32 709 900) | (20 239 953) | (6 874 916) | (3 913 165) | (1 214 001) | (1 082 265) | 9 814 986 | 6 043 106 | (30 983 831) | (19 192 277) |
| Other operating revenues | 167 660 | 118 514 | 38 823 | 36 655 | 37 003 | 20 671 | | | 243 486 | 175 840 |
| Other operating expenses | (117 405) | (184 093) | (55 535) | (54 693) | (31 093) | (88 630) | | | (204 033) | (327 416) |
| **Segment result** | **1 995 260** | **2 927 593** | **481 193** | **603 186** | **80 203** | **(85 526)** | **-** | **-** | **2 556 656** | **3 445 253** |
| Unallocated revenues | | | | | | | | | 10 074 | 9 447 |
| Unallocated costs | | | | | | | | | (565 724) | (760 929) |
| **Profit from operations** | | | | | | | | | **2 001 006** | **2 693 771** |
| Financial revenues | | | | | | | | | 891 903 | 654 981 |
| Financial expenses | | | | | | | | | (290 680) | (190 089) |
| **Profit before tax** | | | | | | | | | **2 602 229** | **3 158 663** |
| Income tax expense | | | | | | | | | (402 353) | (631 449) |
| **Net profit** | | | | | | | | | **2 199 876** | **2 527 214** |

(all amounts in PLN thousand)

| | Refining Segment | | Petrochemical Segment | | Other operations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 |
| Segment assets employed | 11 662 388 | 9 627 641 | 2 835 803 | 3 122 068 | 1 261 219 | 1 586 145 | 15 759 410 | 14 335 854 |
| Unallocated assets, incl.: | | | | | | | 11 711 591 | 4 874 266 |
| clasiffied as held for sale | | | | | | | 6 150 * | 72 469 |
| Total assets | | | | | | | 27 471 001 | 19 210 120 |
| Segment liabilities | 3 405 432 | 2 726 986 | 128 851 | 178 754 | 363 061 | 407 217 | 3 897 344 | 3 312 957 |
| Unallocated liabilities | | | | | | | 8 564 071 | 3 032 460 |
| Total liabilities | | | | | | | 12 461 415 | 6 345 417 |

* shares in Petrotel Sp. z o.o.

(all amounts in PLN thousand)

## Other information by business segments – continued

| | Refining Segment | | Petrochemical Segment | | Other operations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | for the year ended | | for the year ended | | for the year ended | | for the year ended | |
| | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 |
| Cost incurred to acquire property, plant and equipment and intangible assets | 855 919 | 658 869 | 108 447 | 328 358 | 119 845 | 87 420 | 1 084 211 | 1 074 647 |
| Unallocated cost incurred to acquire property, plant and equipment and intangible assets | | | | | | | 63 556 | 42 444 |
| **Total cost incurred to acquire property, plant and equipment and intangible assets** | | | | | | | 1 147 767 | 1 117 091 |
| Segment depreciation | 480 269 | 525 859 | 247 712 | 175 983 | 144 470 | 159 641 | 872 451 | 861 483 |
| Depreciation of unallocated assets | | | | | | | 29 097 | 31 560 |
| **Total depreciation** | | | | | | | 901 548 | 893 043 |
| **Non-cash expenses other than depreciation** | 105 629 | 73 803 | 40 841 | 57 963 | 19 982 | 462 975 | 166 452 | 594 741 |

(all amounts in PLN thousand)

| | Refining Segment | | Petrochemical Segment | | Other operations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | for the year ended | | for the year ended | | for the year ended | | for the year ended | |
| | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 |
| Additions of impairment allowances | (52 291) | (60 389) | (40 841) | (34 972) | (5 645) | (7 753) | (98 777) | (103 114) |
| Unallocated allowances | | | | | | | (32 116) | (5 938) |
| **Total additions of impairment allowances** | | | | | | | (130 893) | (109 052) |
| Reversal of impairment allowances | 49 054 | 49 978 | 26 613 | 25 325 | 5 973 | 10 866 | 81 640 | 86 169 |
| Unallocated reversal of impairment allowances | | | | | | | 12 716 | 8 278 |
| **Reversal of impairment allowances** | | | | | | | 94 356 | 94 447 |

Impairment allowances by business segments include items recognized in the profit and loss, i.e.:

- receivables allowances;
- inventories allowances;
- property, plant and equipment impairment allowances.

Allowances and reversals were performed in conjunction with occurrence or extinction of indications in respect of overdue receivables, uncollectible receivables or receivables in court as well as potential impairment of property, plant and equipment.

Allowances made in the Refining Segment concerned primarily impairment of petrol stations and warehouse bases. Allowances for idle assets and obsolete raw materials were recognized in other activities segment.

(all amounts in PLN thousand)

## Geographical segments

The below table presents the Company's sales revenues by geographical segments for the period ended 31 December 2006 and 31 December 2005.

| | Revenues from sale by geographical area for the year ended | |
|---|---|---|
| | 31 December 2006 | 31 December 2005 |
| Poland | 26 220 828 | 21 116 848 |
| Germany | 521 635 | 334 741 |
| Czech Republic | 5 980 438 | 491 415 |
| Other countries | 778 133 | 846 102 |
| **Total revenues from sale by geographical area** | **33 501 034** | **22 789 106** |

## 22. Financial instruments

### a. Transactions within derivatives

According to market risk management policy approved by the Management Board of PKN ORLEN S.A., the reduction of the volatility of cash flows and potential losses resulting from events which could have a negative impact on the Company's result is the Company's major goal in terms of market risk management. Market risk management includes identification, measurement and definition of risk mitigation, taking into consideration fluctuation of exchange rates, interest rates and prices of goods.

According to market risk management policy revised in January 2006 the Company started to hedge its net operating exposure in EUR and USD systematically. Currencies forwards were used as financial instruments to hedge the above mentioned exposures. The principles of cash flow hedge accounting were not applied to the instruments acquired and settled in the same quarter. In other cases, cash flow hedge accounting was applied to this group of financial instruments. The cash flows resulting from the settlement of the instruments hedging the net operating exposure in EUR and USD amounted to PLN 126.6 million in 2006.

In May and June 2006 PKN ORLEN S.A. had concluded share purchase agreements with Yukos International B.V. and the Government of the Republic of Lithuania with regard to purchase of shares in AB Mazeikiu Nafta. In conjunction with the fact that a significant part of financing of the transaction was to be arranged by means of bank loans denominated in EUR, from August the Company has been entering into EUR forward puts in order to accumulate USD required to settle the purchase price for the shares in Mazeikiu. In addition, in December 2006 the Company acquired USD in exchange for PLN. For both of the above transactions currency forwards had been used to minimize exchange rates fluctuations. In October 2006, part of the instruments was rolled over with a gain of PLN 52.8 million. In November and December 2006, due to the weakening of USD, the final settlement of instruments resulted in a loss of PLN 156.9 million. The principles of cash flow hedge accounting were not applied to the above described instruments.

The Company values derivatives at fair value using financial instruments valuation models that utilize widely available data from active markets. The transactions can only be concluded with reliable partners that were authorized to participate in transactions as a result of procedures obliging in the Company and within limits granted. In accordance with market risk management policy, conclusion of transactions for speculation is unallowable in PKN ORLEN S.A. All the concluded hedge transactions are reflected in the physical transactions and hedge risk resulting directly from relevant actual transactions or belong to the group of probable transactions.

(all amounts in PLN thousand)

**Swap hedging transactions:**

| | Financial assets – hedging transactions - derivatives | Financial liabilities – hedging transactions - derivatives |
|---|---|---|
| Fair value as at 31 December 2005 | **96 840** | - |
| Increase | - | - |
| Decrease | **96 840** | **-** |
| sale, release, repayment | 96 840 | - |
| **Fair value as at 31 December 2006** | **-** | **-** |

Final settlement of the EUR/PLN currency-interest rate swap transactions acquired in 2003 and used as hedging transactions for revenues from petrochemical business was made in September and November 2006.

**Forward hedging transactions:**

| | Financial assets – hedging transactions - derivatives | Financial liabilities – hedging transactions - derivatives |
|---|---|---|
| Fair value as at 31 December 2005 | **-** | - |
| Increase | 37 241 | 8 504 |
| valuation | 37 241 | 8 504 |
| Decrease | **-** | **-** |
| **Fair value as at 31 December 2006** | **37 241** | **8 504** |

As at the end of December 2006 the Company's portfolio comprised 116 currency forwards acquired in 2006, including 32 forwards concerning purchase of USD currency in the amount of USD 97.5 million, 41 forwards concerning sales of USD currency in the amount of USD 169.2 million and 43 forwards concerning sales of EUR currency in the amount of EUR 250.1 million. The joint existence of both purchase and sale forward transactions in USD resulted from the corrections to the portfolio of hedging transactions that reflected anticipated changes to the net operating exposure in USD. The principles of cash flows hedge accounting have been applied to these instruments.

(all amounts in PLN thousand)

### b. Financial instruments by class:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Financial assets at fair value through profit and loss | 18 205 | 7 498 |
| Financial assets available for sale | 43 391 | 168 591 |
| Loans and receivables, including: | 3 209 689 | 2 419 764 |
| -loans granted | 8 976 | 2 419 |
| -trade receivables | 3 200 713 | 2 417 345 |
| Cash and cash equivalents | 307 315 | 283 509 |
| Financial liabilities at fair value through profit and loss | 8 525 | 40 |
| Trade liabilities | 3 186 177 | 2 250 871 |
| Interest-bearing loans and borrowings | 6 635 472 | 1 404 172 |

The value of long-term financial assets stated at cost less impairment charges as at 31 December 2006 and as at 31 December 2005 to PLN 136 thousand and included mainly shares and stakes not quoted in an active market.
The Company recognized derivative transactions with positive fair value as financial assets at fair value through profit and loss and derivative transactions with negative fair value as financial liabilities at fair value through profit and loss.
The value of financial assets available for sale stated at fair value as at 31 December 2006 and 31 December 2005 includes hedging derivatives of PKN ORLEN that amounted to PLN 37,241 thousand as at 31 December 2006 and to PLN 96,840 thousand as at 31 December 2005.

### c. Put option agreement between PKN ORLEN and the Government of the Republic of Lithuania

The put option agreement on shares of AB Mazeikiu Nafta ("Put option agreement") concluded by PKN ORLEN and the Government of the Republic of Lithuania on 9 June 2007 contains a put option issued by PKN ORLEN, related to transfer 70,750,000 shares in AB Mazeikiu Nafta, standing for a 9.9814% stake in all issued shares. According to the put option agreement, PKN ORLEN is obliged to purchase 70,750,000 shares in AB Mazeikiu Nafta in a single transaction upon request of the Government of the Republic of Lithuania during the period of five years subsequent to closing of the share purchase transaction with respect to 216,915,941 shares in Mazeikiu, that is until 15 December 2011. The option price is equal to USD 4.0205 per share should the option be exercised in the period from 16 December 2006 to 15 December 2009 and USD 3.927 per share should it be exercised in the period from 16 December 2009 to 15 December 2011.

The premium received by PKN ORLEN in exchange for the issued put option amounted to USD 1. The fair value of the option cannot be reliably determined due to significant variability of the fair value estimation ranges.

In addition, upon acquisition of shares in AB Mazeikiu Nafta from Yukos International UK B.V., in accordance with the Lithuanian law PKN ORLEN had been obliged to announce mandatory trade offering ("MTO") for the remaining shares in Mazeikiu within a period of 30 days from acquisition of the shares from Yukos International B.V. The price per share for the purposes of MTO must have at least been equal to the highest price for shares in Mazeikiu paid by PKN ORLEN in the period of 12 months preceding announcement of MTO. The price had been fixed at LTL 10.25 per share. The maximum number of shares under the MTO equaled 110,619,778 (including the shares under the put option agreement). The value of shares under the MTO amounted to LTL 1.13 billion (equivalent of USD 434 million). On 22 December 2006 the Lithuanian Stock Exchange Commission approved the circular letter in respect of the MTO. The MTO was exercised in the period 2-15 January 2007. In connection with the settlement of the MTO performed on 18. and 19 January 2007, PKN ORLEN has become the owner of total 632,713,599 shares in AB Mazeikiu Nafta.

### d. Interest rate risk

The Company's financial liabilities are held to maturity. The effective interest rate is similar to nominal interest rate (loan margins and commissions are at relatively low level). Cash flow surpluses are deposited primarily in treasury securities i.e. State Treasury bills and/or bonds.

The Company uses bank loan financing. The fluctuation of interest rates impacts both financial expenses and financial revenues. An increase in interest rates results in an increase in the Company's financial expenses, in particular interest on loans and borrowings, as well as it contributes to an increase in interest from deposited cash.

(all amounts in PLN thousand)

### e. Credit risk

The Company has implemented credit limit policies governing granting of credit limits to customers and establishment of pledges of appropriate types. Each non-cash customer is individually assessed with regard to credit risk. A portion of trade receivables is insured within an organized trade credit insurance program. In addition, trade receivables are monitored by finance departments on a regular basis. In the event of occurrence of overdue receivables, sale is withheld and debt recovery procedures implemented as described by the obliging procedures.
As at 31 December 2006 the Company had a very low level of loans granted to subsidiaries. The loans had been granted in accordance with present market conditions. Any and all payments related to the loans have been transferred on a timely basis.
By virtue of the above, the Management Board of the Company believes that no significant credit risk exists. No risk resulting from an increase in the level of irrecoverable receivables was identified as at the balance sheet date.

### f. Currency risk

The main sources of currency risk influencing the Company are: purchases of raw materials, sales of refinery and petrochemical products, real and capital investments indexed to currencies other than the Company's functional currency or denominated in currencies other than the Company's functional currency, as well as loans, borrowings and cash in foreign currency.

In 2006 the Company hedged its net EUR exposure with currency swaps and currency forwards stabilizing cash flows from sales of petrochemicals dependent on EUR/PLN exchange rate. In addition, the Company hedged its net operating exposure in USD with currency forwards stabilizing cash flows from sales of refinery products and purchases of REBCO crude oil dependent on USD/PLN exchange rate.

Pursuant to the fact that a significant part of share purchase of Mazeikiu was financed by bank loans denominated on EUR, the Company had acquired EUR currency forward puts to accumulate USD required to settle the purchase price for the shares in Mazeikiu. For the above transactions currency forwards had been used to minimize exchange rates fluctuations.

## 23. Cost by kind

| | **for the year ended 31 December 2006** | **for the year ended 31 December 2005** |
|---|---|---|
| Materials and energy | 19 867 042 | 15 066 699 |
| Cost of merchandise and materials sold | 8 558 853 | 1 815 612 |
| External services* | 1 599 432 | 1 421 232 |
| Payroll, social security and other employee benefits | 496 000 | 475 237 |
| Depreciation | 901 548 | 893 043 |
| Taxes and charges | 216 895 | 204 924 |
| Other | 459 850 | 908 314 |
| | **32 099 620** | **20 785 061** |
| Change in inventory and prepayments | (250 152) | (407 202) |
| Cost of products and services for own use | (95 880) | (97 237) |
| **Operating cost** | **31 753 588** | **20 280 622** |
| Distribution expenses | (1 457 965) | (1 479 349) |
| General and administrative expenses | (549 174) | (537 863) |
| Other operating expenses | (303 746) | (690 921) |
| **Cost of finished goods, merchandise and raw materials sold** | **29 442 703** | **17 572 489** |

* including PLN 13,734 thousand in 2006 and PLN 13,734 thousand in 2005 of research and development cost

(all amounts in PLN thousand)

## 24. Other operating revenues and expenses

| Other operating revenues | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Profit on sale of non-financial non-current assets | 11 011 | 1 057 |
| Provision reversal | 97 758 | 28 989 |
| Allowances reversal | 94 356 | 94 447 |
| Penalties and compensations earned | 19 238 | 11 922 |
| Other | 31 197 | 48 872 |
| **Total** | **253 560** | **185 287** |

| Allowance reversed for: | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Receivables | 72 369 | 67 086 |
| Inventories | 258 | - |
| Property, plant and equipment and intangible assets | 21 729 | 27 361 |
| **Total** | **94 356** | **94 447** |

| Other operating expenses | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Loss on sale of non-financial non-current assets | 13 324 | 15 207 |
| Revaluation of non-financial non-current assets | 19 736 | 30 476 |
| Creation of provisions | 66 224 | 519 148 |
| Impairment allowances | 111 157 | 78 576 |
| Donations | 5 772 | 4 129 |
| Nonculpable shortages in non-current assets | 10 208 | 10 243 |
| Other | 77 325 | 33 142 |
| **Total** | **303 746** | **690 921** |

| Impairment allowances for: | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Receivables | (106 652) | (78 576) |
| Inventories | (4 505) | - |
| **Total** | **(111 157)** | **(78 576)** |

(all amounts in PLN thousand)

## 25. Net financial income and expenses

| | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Interest expense | (105 202) | (59 306) |
| Excess of negative foreign exchange differences | - | (47 583) |
| Excess of positive foreign exchange differences | 150 373 | - |
| Interests revenues | 44 297 | 77 466 |
| Profit from sale of shares and other securities | 6 937 | 47 333 |
| Dividends received * | 579 619 | 177 294 |
| Premium on the acquisition of liabilities of Unipetrol Group | 8 755 | 245 697 |
| Decrease in impairment allowances for receivables | 11 951 | 14 034 |
| Increase in impairment allowances for receivables | (11 134) | (19 107) |
| Settlement and valuation of financial instrument ** | (79 232) | 32 402 |
| Other | (5 141) | (3 338) |
| **Total** | **601 223** | **464 892** |

* incl. dividend from Polkomtel S.A. of PLN 461 270 thousand in the period of 12 months ended 31 December 2006 and PLN 83 290 thousand in the period of 12 months ended 31 December 2005.
** incl. in 2006 PLN (104,154) thousand net result on settlement of financial instrument hedging future payments for shares in Mažeikiu Nafta.

## 26. Income tax

| | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Current tax | (484 777) | (618 412) |
| Deferred tax | 82 424 | (13 037) |
| **Total** | **(402 353)** | **(631 449)** |

The difference between reported income tax expense in the profit and loss statement and the amount calculated based on profit before tax results from the following items:

| | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| **Profit before tax** | **2 602 229** | **3 158 663** |
| Corporate income tax for 2006 and 2005 by the valid tax rate | 494 424 | 600 146 |
| Adjustments to the current tax calculation, resulting from previous years | - | (6 793) |
| Dividends received * | (110 096) | (33 686) |
| Business risk provision | 12 583 | 66 300 |
| The excess of tax depreciation | 2 704 | 24 132 |
| Valuation of financial instruments | 1 911 | (5 037) |
| Other | 827 | (13 613) |
| **Corporate income tax** | **402 353** | **631 449** |
| Effective tax rate | 15% | 20% |

* dividends (received and due) are excluded from the tax base what significantly reduces the effective tax rate

(all amounts in PLN thousand)

The net deferred tax liability as at 31 December 2006 and 31 December 2005 consisted of the following:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| **Deferred tax assets:** | | |
| Land reclamation provision | 65 280 | 85 702 |
| Receivables allowances | 11 116 | 10 942 |
| Retirement benefits and jubilee bonuses | 22 084 | 23 704 |
| Impairment of non-current assets | 19 743 | 17 973 |
| Valuation of non-current financial assets | 40 141 | 37 091 |
| Other provisions | 37 196 | 45 553 |
| Wages and salaries, unpaid | 14 695 | 11 629 |
| Expenses for loyalty programme prizes | 12 601 | 11 753 |
| Accrued expenses | 5 736 | 7 230 |
| Unrealised negative foreign exchange differences | 12 686 | - |
| Other | 20 324 | 23 487 |
| **Total deferred tax assets** | **261 602** | **275 064** |
| **Deferred tax provision:** | | |
| Investment relief * | 110 699 | 137 155 |
| Difference between carrying ammount and tax base of property, land and equipment | 315 812 | 309 152 |
| Unrealised positive foreign exchange differences | - | 49 214 |
| Financial instruments | 5 095 | 19 419 |
| Difference in contribution in kind to Basell Orlen Polyolefins Sp. z o.o. | 42 870 | 42 870 |
| Other | 15 325 | 40 777 |
| **Total deferred tax provision** | **489 801** | **598 587** |
| **Deferred tax provision, net (Deferred tax provision - deferred tax assets)** | **228 199** | **323 523** |

* According to the Polish tax regulations, taxpayers were entitled to deduct qualified investment expenditures in a given tax year from the taxable income (investment relief). Taxable income could have been decreased additionally by 50% of investment relief in proceeding year (investment premium). This was described in detail in note 30 c.

## 27. Leases

### a) The Company as a lessee

#### - operating lease

Lease agreements and other agreements of an operating nature regard the lease of four tanks and a gas facility. The minimum lease payments recognized as costs of 2006 amounted to PLN 31 thousand and PLN 31 thousand in 2005.

Future minimum lease payments under non-cancelable operating lease agreements as at 31 December 2006 and 31 December 2005 were as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Up to 1 year | 20 | 31 |
| Between 1 and 5 years | - | 21 |
| Above 5 years | - | - |
| Total minimum lease payments due to lease agreements | **20** | **52** |

#### - finance lease

The company as a lessee as at 31 December 2006 posses the financial lease agreements. The financial lease agreements relate to the petrol stations.

(all amounts in PLN thousand)

Future minimum lease payments under non-cancelable financial lease agreements as at 31 December 2006 and 31 December 2005 were as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Up to 1 year | - | - |
| Between 1 and 5 years | 3 688 | - |
| Above 5 years | 17 998 | - |
| | --------- | --------- |
| Total minimum lease payments due to lease agreements | **21 686** | **-** |
| | ===== | ===== |

As At 31 December 2006 the carrying amount of property, land and equipment under finance lease amounted to PLN 29,321 thousand with regard to buildings and constructions.

**b) The Company as a lessor**

**- operating lease**

Operating lease agreements regard the lease of machinery, equipment, buildings and land owned by the Company. The minimum lease payments amounted to PLN 36,683 thousand in 2006 and PLN 32,694 thousand in 2005.

The lease agreements were concluded for an indefinite period hence there is no possibility to define future minimum lease payments. The parties of the agreements provided that each party may terminate the agreement in six months notice of termination.

**- finance lease**

Finance lease agreements regard the lease of distributors and steering devices owned by the Company. The agreements were concluded for a definite period. The lease term is for the major part of the economic life of the asset. After expiration of a lease agreement a lessee can purchase the object of the lease on mutually agreed conditions.

Gross investments in the lease due as at 31 December 2006 and 31 December 2005 for future periods were as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Up to 1 year | 310 | 878 |
| Between 1 and 5 years | 52 | 301 |
| Above 5 years | - | - |
| | ----------- | ----------- |
| Total gross lease investments in the lease | **362** | **1 179** |
| | ====== | ====== |

Unearned finance income as at 31 December 2006 amounted to PLN 168 thousand and as at 31 December 2005 to PLN 109 thousand.

As at 31 December 2006 and 31 December 2005 the Company did not record contingent rents recognized in the profit and loss and allowances for bad debts concerning minimum lease payments. There were also no unguaranteed residual values accruing to the benefit of the lessor.

## 28. Commitments resulting from investment expenditures

Investment expenditures in 2006 accounted for PLN 1,147,765 thousand, including PLN 149,826 thousand of environmental protection related investments. Planned investment expenditure in the period of 12 months from the balance sheet date amounts to PLN 1,526,735 thousand, including PLN 288,110 thousand of environmental protection related investments. As at 31 December 2005 future liabilities resulting from signed contracts amounted to PLN 702,913 thousand.

(all amounts in PLN thousand)

## 29. Related party transactions

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

As at 31 December 2006 and 31 December 2005 the Company did not grant any loans to managing and supervising persons and their relatives.
In the years ended 31 December 2006 and 31 December 2005 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 of the Company

In 2006 the Company obtained statements on transactions concluded in 2006 with related parties extended in scope in regard of the amended IAS 24 "Related Party Disclosures".

| | Sale | Purchase | Receivables | Liabilities |
|---|---|---|---|---|
| **Legal persons *** | 34 542 | 138 687 | 617 | 33 668 |
| **Natural persons** | - | - | - | - |

* Transactions in the period of performing duties as supervising persons of the Company.

In the period presented in the financial statements 19 persons served as members of the Supervisory Board.

### c) Transactions with related parties concluded through the managing persons of the Company

In 2006 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 with related parties concluded through the key management personnel of the Company

In 2006 the Company obtained statements on transactions concluded in 2006 with related parties extended in scope in regard of the amended IAS 24 "Related Party Disclosures".

| | Sale | Purchase | Receivables | Liabilities |
|---|---|---|---|---|
| **Legal persons *** | - | - | - | - |
| **Natural persons** | 26 | - | - | - |

* Transactions in the period of performing duties as key management personnel of the Company.

(all amounts in PLN thousand)

**e) Transactions of the Company with related parties in the period from 1 January to 31 December 2006 and the settlement balances as at 31 December 2006**

| | Consolidated subsidiaries [1] | Consolidated associates [2] | Non-consolidated subsidiaries [1] | Non-consolidated associates [2] | Consolidated jointly controlled entities [3] | Total related parties |
|---|---|---|---|---|---|---|
| Sales | 10 963 619 | 10 339 | 4 192 | 13 838 | 2 123 812 | 13 115 800 |
| Purchases | 1 403 959 | 58 740 | 70 272 | 31 640 | 22 197 | 1 586 808 |
| Financial revenues from interest | 2 168 | 7 | 6 | 1 | 4 | 2 186 |
| Financial expenses on interest | 884 | 2 | 66 | 3 | - | 955 |
| Gross short-term receivables | 1 019 047 | 2 230 | 788 | 730 | 478 521 | 1 501 316 |
| Short-term liabilities | 199 440 | 6 618 | 16 641 | 2 878 | 2 388 | 227 965 |
| Gross long-term receivables | 102 037 | - | - | - | - | 102 037 |
| Long-term liabilities | 50 286 | - | - | - | - | 50 286 |

[1] The 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] The Company exercises significant influence on the entity's supervisory bodies via its representatives.
[3] The Company exercises a joint control over the entities under the deed of association.

(all amounts in PLN thousand)

## 30. Contingent liabilities and risks

### a. Guarantees and sureties of PKN ORLEN S.A. in 2006

| | 31 December 2005 | Increase/ Decrease | 31 December 2006 | Expiration of guarantee/ surety |
|---|---|---|---|---|
| guarantee of payment for the benefit of Lithuanian Bank in relation to mandatory trade offering for shares attributable to minority shareholders of Mazeikiu Group (released at 29 January 2007) | - | 1 283 452 | 1 283 452 | 29.01.2007 |
| guarantees issued by PKN ORLEN Group for the benefits of legal persons | 33 947 | (18 929)* | 15 018 | 31.07.2008 |
| customs guarantees issued by PKN ORLEN S.A. as collateral of settlements towards Customs Office | 800 | 2 500 | 3 300 | 03.03.2008 |
| bid guarantees issued by PKN ORLEN Group for the benefit of legal persons | 1 750 | (1 750) | - | |
| Other | 443 | 733 | 1 176 | 31.12.2007 |
| **Total guarantees and sureties:** | **36 940** | **1 266 006** | **1 302 946** | |

* risk estimation change in issued guarantees

### b. Other contingent liabilities of PKN ORLEN S.A. in 2006

| | 31 December 2005 | Increases/ Decreases | 31 December 2006 |
|---|---|---|---|
| excise tax guarantees, including collaterals submitted on behalf of PKN ORLEN S.A. and third parties in respect of movements of harmonized excise goods kept on warehouse under the excise tax suspension procedure)* | 820 197 | 137 038 | 957 235 |
| letter of credits | 14 491 | 12 494 | 26 985 |
| legal cases related to real estates with undefined legal status | 15 518 | 7 635 | 23 153 |
| anti trust proceeding of the Office for Competition and Consumers' Protection in respect of setting the price formula of anti-freeze engine coolant and glycol (detailed information in note 30 h) | - | 14 000 | 14 000 |
| legal cases | 18 028 | (12 778) | 5 250 |
| **Total other contingent liabilities:** | **868 234** | **158 389** | **1 026 623** |
| **Total contingent liabilities** (guarantees and sureties and other contingent liabilities) | **905 174** | **1 424 395** | **2 329 569** |

*including as at 31 December 2006 excise tax guarantee of PKN Orlen S.A. in the amount of PLN 854,235 thousand related to products in production plant in Płock, tax warehouses and warehouse-bases (owned and belonging to third parties) as well as bank guarantees of PKN ORLEN S.A. in the amount of 103,000 thousand submitted on behalf of Operator Logistyczny Paliw Płynnych (former NAFTOBAZY Sp. z o.o.) as excise tax guarantees.

### c. Investment relief

In accordance with tax regulations, in force in previous years, Group companies reduced the taxable income for the purposes of corporate income tax by the following titles:

- investment expenditures incurred in a given tax year (investment relief)
- 50% of the previous year's investment relief (investment premium).

(all amounts in PLN thousand)

During the period 2002-2003 Group companies reduced the taxable income by investment relief and investment premium in the following amounts:

| Year of deduction | Investment relief | Investment Premium |
|---|---|---|
| 2002 | 13 845 | 49 222 |
| 2003 | - | 6 923 |
| | --------- | -------- |
| **Total** | **13 845** | **56 145** |

Despite the fact that the investment relieves and investment premiums are of contingent nature, the Company does not identify a risk that its right to the deductions might be denied by the tax authorities.

**d. Excise tax contingent liability of Rafineria Trzebinia S.A.**

On 15 October 2004, the Head of the Customs Office in Kraków had decided to institute 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 PLN 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 by the second instance authority.

On 5 May 2005, in reply to its motion to suspend execution of a decision until the date of settling the matter, 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 Rafineria Trzebinia S.A.'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, 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 amount of about 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 opinions confirming correctness of the applied classification of goods taxable with 0 PLN 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 is decided by the second instance authority. On 11 August 2005, the Head of the Customs Office in Kraków, having examined the appeal of Rafineria Trzebinia S.A. of 8 August 2005, suspended execution of the decision in respect of setting the excise tax liability for the period of May-August 2004 at about PLN 100 million. On 14 November 2005 the Head of the Customs Office in Kraków had decided to refuse to accept evidence from the hearings of witnesses using argument that it does not constitute any significant circumstances in respect of the case. In addition, the Customs Office declined to accept corrections to excise tax declarations submitted by Rafineria Trzebinia S.A. for the period May-September 2004, resulting from the change in excise tax rate for technological oils from 60 PLN/Mg to 0 PLN. The Office declined acceptance based on the fact that there were proceedings in progress in respect of the case.

On 30 December 2005 the Head of the Customs Office in Kraków issued a decision keeping the first instance authority's decision in force. Rafineria Trzebinia S.A. prepared a complaint to the Voivodship Administrative Court against the decision of the Head of the Customs Office in Kraków together with a motion to suspend execution of the decision. The complaint and a motion to suspend execution of the decision were submitted to the Woivodship Administrative Court in Kraków on 3 February 2006. On 14 February 2006 the Head of Customs Office in Kraków issued a decision on suspending execution of the decision until the case is decided by Woivodship Administrative Court.

Until the present moment the case regarding company's excise tax liability is in progress in front of Woivodship Administrative Court and the outcome is unknown.

On 19 March 2007 Rafineria Trzebinia S.A. received a notification from the Tax Chamber in Kraków in respect of a compulsory entry made in the mortgage register by the District Court in Chrzanów for the benefit of State Treasury. The mortgage register entry regarded both real estate owned and used under perpetual usufruct by Rafineria Trzebinia. The real estates pledge for the excise tax liability for the period May-September 2004 as determined by the decisions issued by the Head of the Customs Office in Kraków.

The Management Board, based on the opinions of recognized tax advisors, states that in connection with the excise tax for technological oils proceedings in progress, there is a high probability of positive outcome, based on the evidence and arguments raised by Rafineria Trzebinia S.A. As a result Rafineria Trzebinia S.A. did not create a provision related to the case in the unconsolidated financial statement for the period ended 31 December 2006.

Submission of a certificate issued by tax authorities with regard to absence of outstanding liabilities related to taxes and charges stands as one of conditions required to obtain a permit to maintain tax consignment warehouse. At the present condition, Rafineria Trzebinia S.A. is unable to submit such certificate and as a result, in the beginning of 2007, the Management Board of Rafineria Trzebinia S.A. has decided that the sole solution to receive the permit for prolongation of tax consignment warehouse maintenance is to repay disputable liabilities.
On 6 March 2007, the Management Board of Rafineria Trzebinia S.A. filed a motion to the Customs Office in Kraków with regard to spread the payment of the disputable liabilities imposed based on decisions of the Head of the Customs Office in Kraków into installments

On 5 April 2007, a decision of the Head of the Customs Office in Kraków was received by Rafineria Trzebinia. The Head of Customs Office refused to accept the motion of the taxpayer, refusing to spread the tax liability into installments. On 6 April 2007, the Management Board of Rafineria Trzebinia S.A. appealed against the decision of the authority to the Head of the Tax Chamber in Kraków. Until the authorization date of the consolidated financial statements, the outcome of the appeal, as well as its potential impact on the financial statements, are not known.

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. On 30 November 2006 Rafineria Trzebinia S.A. received a control protocol related to the above period. On 14 December 2006 the Plenipotentiary of Rafineria Trzebinia S.A. raised reservations to the content of the protocol. The reservations regarded formal faults related to the protocol as well as to control proceedings. On 28 December 2006 the Head of Tax Control Office submitted the response to reservations raised by the Plenipotentiary of Rafineria Trzebinia S.A.

Termination date of control proceedings was extended to 29 June 2007.

On 12 May 2006 Rafineria Trzebinia S.A. received a decision of the Head of Tax Control Office in Kraków regarding institution of control proceedings with respect to reliability of the stated tax bases and correctness of calculation and settlement of value added tax and excise tax for the period from 1 January 2004 to 30 April 2004. On 15 January 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received a control protocol related to the above described period. On 29 January 2007 the Plenipotentiary of Company raised reservations and considerations to this protocol which included, among other matters, lack of legal basis for the control proceedings related to the specified period in conjunction with the decision of the Head of Customs Office in Kraków dated 17 September 2004 that waived the proceedings on determination of excise tax liability for January, February and March 2004 due to lack of legal substance. In addition the Plenipotentiary raised reservations in respect of lack of legal opinion on the matter subject to control in the control protocol.

In a letter dated 6 February 2007, the Tax Control Inspector representing the Tax Control Office in Kraków presented the office's position in respect of reservations to the control protocol for the period January-April 2004 that had been raised by the Plenipotentiary.

Termination date of control proceedings was extended to 29 June 2007.

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 are not yet known. The Management Board, based on the opinions of recognized tax advisors, believes that there is a high probability that the outcome of the proceedings will be favorable for Rafineria Trzebinia S.A. As a result, no provision for liabilities which might have arisen should the above control proceedings had unfavorable outcome for Rafineria Trzebinia has been created in the unconsolidated financial statement for the period ended 31 December 2006.

On 22 October 2006 the Plenipotentiary of Rafineria Trzebinia S.A. received a decision of the Head of the Tax Office in Małopolska regarding institution of control proceedings with respect to excise tax liability for the period of January, February and April – August 2005. The termination date of the above proceedings is 30 April 2007.

On 26 February 2007 the Head of Tax Office in Małopolska, seated in Kraków, had decided to institute tax control proceedings with regard to setting of value added tax (VAT) liability for March 2005.
The above proceedings concern intra-Community supplies of finished goods and merchandise.

On 10 January 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received a decision of the Head of the Tax Office in Kraków regarding institution of control proceedings with respect to excise tax liability for the period of November-December 2004. The proceedings concern deducting of input excise tax on purchased components with excise tax paid by the party not being an excise tax taxpayer, from the output excise tax.

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 are not yet known. The Management Board, based on the opinions of recognized tax advisors, believes that there is a high probability that the outcome of the proceedings will be favorable for Rafineria Trzebinia S.A. As a result, no provision for liabilities which might have arisen should the above control proceedings had unfavorable outcome for Rafineria Trzebinia has been created in the unconsolidated financial statement for the period ended 31 December 2006.

The share of PKN ORLEN in total voting rights at the General Meeting of Shareholders of Rafineria Trzebinia amounted to 77.15%. The carrying amount of shares was equal to PLN 74,503 thousand and the carrying amount of receivables due from Rafineria Trzebinia S.A. as at 31 December 2006 amounted to PLN 54,980 thousand.

**e. The proceedings of the Energy Regulatory Office in Rafineria Trzebinia S.A.**

On 24 March 2006 Rafineria Trzebinia S.A. received a notice from the Chairman of the Energy Regulatory Office regarding official institution of proceedings in respect of imposing a fine in connection with violating of concession obligations regarding production of liquid fuels. The essence of the proceedings regards potential direct application of the provisions of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport and Directive 2003/17/EC of the European Parliament and of the Council of 3 March 2003 amending Directive 98/70/EC relating to the quality of petrol and diesel fuels while on one hand effective 1 May 2004 Poland has become a member of the European Union whereas on the other hand no decrees of the Minister of Economy in respect of quality requirements for biofuels were available.
On 8 September 2006 the Chairman of the Energy Regulatory Office issued a decision imposing a fine of PLN 1 million in connection with alleged violating of concession regarding production of liquid fuels by Rafineria Trzebinia S.A. On 26 September 2006 the Management Board of Rafineria Trzebinia S.A. appealed via the Chairman of the Energy Regulatory Office to the Court of Competition and Consumer Protection, District Court in Warsaw, against the decision of the Chairman of the Energy Regulatory Office. The appeal regarded complete waiver of the decision. Unless waived, the Management Board of Rafineria Trzebinia appealed that the decision was changed in respect of the merit by waiver of the proceedings in front of the Chairman of the Energy Regulatory Office due lack of legal substance as Rafineria Trzebinia S.A. violated neither laws nor the concession obligations. The motion submitted by Rafineria Trzebinia included also a prejudicial query to the Court of Justice of the European Communities in Luxembourg via the Competition and Consumers Protection Court, regarding the application of the acquis communautaire based on article 234 of the ECT. The query was as follows: "Was Rafineria Trzebinia – a business entity registered in the Republic of Poland – entitled in 2006 to production of biofuels with a 20% fraction of biocontent in line with the standard EN 14214 and trade in biofuels in the Republic of Poland and other countries of the European Union, in accordance with the law of European Communities, in particular in accordance with the Directive 2003/30/EC of the European Parliament and of the Council on the promotion of the use of biofuels or other renewable fuels for transport, whereas the Republic of Poland did not implement the provisions of the above stated Directive within the period specified in the Directive?". On 6 December 2006 the Chairman of the Energy Regulatory Office submitted a response to the appeal, claiming waiver of the appeal as it identified no basis to change the decision in respect of the fine. Among other matters, the Chairman of the Energy Regulatory Office stated that the violation of the acquis communautaire as described by Rafineria Trzebinia S.A. did not occur as the fine was imposed on the Company in relation to trade of fuels not meeting quality standards defined in the decree dated 19 October 2005 in the Republic of Poland, and in conjunction with this case the decision was effective solely in the Republic of Poland and consequently it could not violate acquis communautaire. In accordance with article 130 § 2 of Administrative Proceedings Code the payment of the fine is suspended until the appeal is resolved.
On 2 April 2007 the Competition and Consumers Protection Court in Warsaw pronounced a sentence giving consideration to Rafineria Trzebinia S.A.'s appeal and changing the decision of the Chairman of the Energy Regulatory Office in respect of the fine of PLN 1,000 thousand by waiver of proceedings. The decision is appealable in front of the Court of Appeals in Warsaw.

**f. Standing of Rafineria Trzebinia S.A. in connection with its management's decision to temporarily discontinue production and sales of the biofuel containing 20% of FAME esters**

The immediate reason for the decision to temporarily discontinue production and sales of the biofuel containing 20% of FAME esters was the Decree of the Minister of Finance reducing allowances to excise tax liabilities. As a consequence, the financial standing of Rafineria Trzebinia, an owner of modern biofuel production installations, deteriorated and the bank creditors of Rafineria Trzebinia demanded additional collateral on Rafineria Trzebinia's property.
The establishing of collateral must have been preceded by conclusion of agreements between Rafineria Trzebinia S.A. and PKN ORLEN and banks: Pekao S.A. and BPH S.A.
PKN ORLEN as a strategic investor has actively engaged in financial standing improvement process of Rafineria Trzebinia.

On 5 March 2007, an agreement was signed in Warsaw between Rafineria Trzebinia S.A., PKN ORLEN, Pekao S.A. bank and BPH S.A. bank. The agreement regarded restructuring of indebtedness of Rafineria Trzebinia S.A. to banks and PKN ORLEN.

The agreement defined conditions for repayment of bank loan liabilities of Rafineria Trzebinia S.A. due to Pekao S.A. and BPH S.A. banks as well as amounts due to PKN ORLEN. It has also provided that Rafineria Trzebinia S.A. has to present satisfactory legal and property collaterals that would secure repayment of financial liabilities to the banks and PKN ORLEN. According to the schedule contained in the agreement, on 29 March 2007 Rafineria Trzebinia S.A. has partially repaid its bank loan liabilities to PEKAO S.A. and BPH S.A. in the amounts of PLN 20,000 thousand and PLN 5,000 thousand, respectively.

The above described conditions of cooperation with the banks as well as the support granted by PKN ORLEN as a major shareholder would enable Rafineria Trzebinia to conduct usual business activities, implement stabilization strategies and rebuild positive customer relations. The afore actions will be performed until a stable tax laws that support alternative energy sources are implemented as well as a long-term biofuels promotion program, that is being prepared by the Ministry of Economy, is introduced.

The share of PKN ORLEN in total voting rights at the General Meeting of Shareholders of Rafineria Trzebinia amounted to 77.15%. The carrying amount of shares was equal to PLN 74,503 thousand and the carrying amount of receivables due from Rafineria Trzebinia S.A. as at 31 December 2006 amounted to PLN 54,980 thousand.

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

According to the paragraph 36 of the Decree of Minister 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 Zakład 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 Board 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 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 ZEP S.A., where PKN ORLEN S.A. is an outside intervener, is decided. The amount of claim is updated by amount of interests.

On 3 August 2005 a complaint was filed against the above decision of stay of proceedings. On 12 December 2005 the Court of Appeal in Warsaw, I Civil Department, dismissed the complaint regarding the decision of stay of proceedings. The above described proceedings have not yet been ended. According to the decision of the Polish Constitutional Tribunal issued on 25 October 2006, suspended proceedings may again be opened.

On 8 March a first seating of the case where PKN ORLEN acts as an outside intervener took place. The parties were entitled to declare its positions in front of court. The next seating has been postponed for an indefinite period. The letter in proceedings on behalf of PKN ORLEN was sent to the court on 22 March 2007.

**h. Anti-trust proceedings**

As at the date of the preparation of the unconsolidated financial statements, the Company is 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 PKN ORLEN S.A. in Płock concluded an agreement with the Grupa Lotos S.A. in Gdańsk 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 competitor. 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.
The proceedings to take evidence are pending. They have been prolonged due to motions filed by PKN ORLEN S.A. in order to limit access rights to evidence and due to relative decisions that were issued in this respect by the Chairman of OCCP and which were sued at the Consumer and Competition Court by Grupa Lotos S.A. On 22 February 2006 the proxy of PKN ORLEN S.A. filed complaint against the decision of Chairman of OCCP refusing

taking into account one of the PKN ORLEN's motions concerning limitation of access rights to evidence by Grupa Lotos S.A. On 14 April 2006 OCCP informed the Company of the prolongation of the anti-trust proceedings until 31 May 2006, and subsequently until 31 August 2006. As at the date of preparation of these financial statements the proceedings were not finalized. The decision on prolongation of the proceedings was also not delivered.
By virtue of the actual course of the proceedings, limited to court verification of decisions issued by the Chairman of OCCP, it is difficult to assess the risk that PKN ORLEN S.A. may be fined. However, in the light of lack of evidence that would indicate concluding of prohibited agreement, the Company assesses risk of fine as low.

On 21 March 2005, the Company received a letter in which the Chairman of OCCP requested information on monoethylene glycol market and radiator liquid market in the years 2000-2004. The letter concerns the proceedings in the area of setting prices for antifreeze "Petrygo" liquid to radiators and prices for monoethylene glycols. In these proceedings the Chairman of OCCP issued a decision of 19 July 2000 imposing a fine in the amount of PLN 40 million. The Company appealed to Anti-Trust Court against the negative decision of the Chairman of OCCP. On 13 August 2001 the Anti-Trust Court annulled fully the decision of the Chairman of OCCP, which accused PKN ORLEN S.A. of applying monopolistic practice, at the same time annulling the fine. Consequently, in 2001 due to this fact the provision was fully reversed in PKN ORLEN. On 4 October 2001 the Chairman of OCCP submitted an annulment to the verdict. On 10 July 2003 the Supreme Court annulled the verdict of the Anti-trust Court dated 13 August 2001.
The case was conducted again by the District Court in Warsaw, the Consumer and Competition Court (former Anti-Trust Court), which at the seating on 21 July 2004 pronounced the judgment again revoking the appealed decision of the Chairman of OCCP.

Due to the letter from OCCP that had been received on 21 March 2005, PKN ORLEN S.A. answered the questions of OCCP on 11 April 2005. 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, 7 December 2005 and 14 July 2006. On 5 October 2006 the Company submitted additional information concerning the method of calculation of base price of monoethylene glycol and explained the conditions concerning validity of price list for antifreeze liquid to radiators for packaging companies. On 19 October 2006 a notice from OCCP concerning conclusion of proceedings to take evidence was received. PKN ORLEN S.A. was given a fourteen-day period to get acquainted with the evidence gathered. On 3 November 2006, after getting acquainted with all gathered evidence, the Company submitted a motion to discontinue the proceedings or to issue a decision stating that no activities limiting competition described in art. 8 par. 1 and 2, point 5 and 6 of the Anti-trust Act occurred. The decision dated 29 December 2006 no. RWA-48/2006 was received on 16 January 2007. The Chairman of the Office for Competition and Consumers' Protection decided that PKN ORLEN violated laws by limiting competition and abusing dominant position on the domestic monoethylene glycols market. The violation regarded acting against the creation of the indispensable conditions for setting or development of the competition through unfair setting of the price formula of anti-freeze engine coolant Petrygo. The setting was acknowledged as inadequate to increase in price of monoethylene glycol (basis raw material for this coolant). The Chairman of OCCP ordered to abandon the practice and imposed a penalty in the amount of PLN 14,000 thousand.
On 29 January 2007 PKN ORLEN filed a cancellation to this decision to the District Court in Warsaw, Consumer and Competition Court. As at the present date, the date of the seating in respect of the cancellation has not yet been set.

The financial statements do not include provisions related to the above proceedings as in the view of the Management Board of PKN ORLEN S.A., upon receipt of independent legal opinions, a risk that the Company is charged with a fine is remote. However due to the actual status of proceedings related to PETRYGO the financial statement include contingent liability in the amount of PLN 14,000 thousand.

## i. Compensation program for employees

On 27 March 2006 the Agreement on rules of cooperation of social partners in restructuring processes of Polski Koncern Naftowy ORLEN S.A. and on employees' rights connected with those processes, was signed. The agreement concerns employees of PKN ORLEN S.A. subject to restructuring and reorganization processes.
According to the Agreement, employee subject to the restructuring process is entitled to dissolve the employment contract by mutual consent due to reasons independent from employees and to receive a single money consideration of PLN 50 thousand increased by PLN 4 thousand for every started year of service with PKN ORLEN S.A. or its legal predecessors. In case of definite dismissal in accordance with "Particular principles of dissolution of employment contracts due to reasons independent from employees act" of 13 March 2003 (Official Journal no. 90, item 844 with later amendments), an employee is entitled to receive a consideration equal to 40% of the consideration in accordance with Voluntary Leave Program (VLP). In case of non-acceptance of new job or salary conditions, an employee is entitled to receive a consideration equal to 3-months' salary.

In addition, an employee taking part in Voluntary Leave Program has a possibility to participate in a selected training financed by the employer up to the limit of PLN 2 thousand.

Employees subject to the restructuring program, who agreed to change the workplace within the organizational structure of PKN ORLEN S.A., for such which is within the distance of more than 40 kilometers, are entitled to receive a relocation package comprising of: relocation bonus (PLN 8 thousand), refund of relocation costs, refund of real estate agency costs and refund of rent for the period of 12 months (maximum PLN 2 thousand monthly).

## j. Shield programs

The Voluntary Leave Program (VLP) was launched in PKN ORLEN S.A. to support the restructuring process conducted in the Company. VLP provides additional money considerations for employees with whom the employment agreement was or would be dissolved by mutual consent due to reasons independent from employees by virtue of the restructuring process.
Due to the above, the Company base on the decision of the Management Board no. 2537/05 dated on 22 December 2005 created a provision in the amount of PLN 236,000 thousand.
As at 31 December 2006 the shield programs provision amounted to PLN 123,921 thousand.

### k. Claims and court proceedings – Tankpol Sp. z o.o.

In accordance with an agreement dated 20 December 2002, Tankpol Sp. z o.o.; presently Tankpol – R.Mosio i wspólnicy spółka jawna in Szczucin ("Tankpol") transferred to PKN ORLEN ownership of 40% shares in ORLEN PetroTank Sp. z o.o. ("Petrotank") in connection to receivables due from Tankpol. In a law suit dated 11 August 2003 Tankpol demanded obligation of PKN ORLEN to transfer ownership of 324 shares in Petrotank and compensation of PLN 198 thousand. The demand was modified several times. Finally, in a note dated 22 January 2004, Tankpol modified its suit demanding compensation of PLN 36,384 thousand with interest from the date of law suit until the payment date. In case of PKN ORLEN's refusal to compensate, Tankpol demanded that the court obliged PKN ORLEN to transfer ownership of 253 shares in Petrotank to Tankpol.

On 22 March 2005 the District Court in Warsaw dismissed Tankpol's suit and adjudged PKN ORLEN with a compensation of relevant costs. On 4 May 2005 Tankpol appealed against the verdict, on 27 June 2005 PKN ORLEN submitted its response to the appeal. On 31 March 2006 the Court of Appeals changed the verdict of the District Court in Warsaw (which dismissed Tankpol's suit as a whole). The Court of Appeals pronounced that PKN ORLEN is obliged to transfer ownership of 26 shares in PetroTank to Tankpol. The Court of Appeals was convinced that PKN has appropriately executed the transfer of ownership agreement of 20 December 2002. The verdict of the Court of Appeals was legally binding and feasible; however both parties were entitled to submit an annulment to the Supreme Court. On 22 June 2006 Tankpol has submitted annulment from the verdict of the Court of Appeals. On 28 August 2006 PKN ORLEN responded to the annulment submitted by Tankpol. In its response PKN ORLEN disagreed with Tankpol's statement and claimed that it has appropriately executed the transfer of ownership agreement.

On 14 December 2006 the Supreme Court pronounced that it submitted the case for further examination to the Court of Appeals in Warsaw. According to justification of the verdict by Supreme Court, valuation of shares presented by Tankpol should be taken into consideration (whereas the Court of Appeals omitted the valuation in its verdict). On 6 March 2007 the seating in front of the Court of Appeals in Warsaw took place. The verdict was pronounced on 15 March 2007. The Court of Appeals dismissed Tankpol's claim in respect of money compensation. The case was revoked to repronouncement in front of District Court in Warsaw.

## l. Polish tax regulations

Taxes in Poland are paid to the central government as well as, to a little extent, to local authorities. The notion of a "tax" has been defined in the Tax Order Act, as a civic-public, free of charge, compulsory, non-returnable money consideration for the benefit of the State Treasury, voivodship, or district, resulting from an act on taxation.
The current taxation system in Poland is based on the following taxes: personal income tax, corporate income tax, tax on goods and services (value added tax, VAT), excise tax and civil law activity tax (relating to e.g. establishing or changes in articles of association of a company, sale of shares or – in certain cases – sale of real estate). Business activities are also to a smaller extent influenced by inheritance and donation tax, tax on gambling as well as agricultural and forestry tax. Among local taxes the most important are: real estate tax, and tax on means of transportation.
Beside corporate income tax stated at 19% rate in 2006, majority of companies conducting business activity are taxpayers of the value added tax (VAT). The basic VAT rate amounts to 22%, reduced rates are 7%, 3% and 0%, whereas some goods and services are exempt from VAT.
Business activity involves also excise tax. Excise goods are precisely defined in the act. The goods comprise e.g. engine fuels, heating oil, natural gas, alcoholic beverages, tobacco products and electricity. By virtue of PKN ORLEN's business activity, excise tax is a significant economic cost for the Parent and group companies. Activities under excise tax include: production of harmonized excise tax goods, release of harmonized excise tax goods from a tax consignment warehouse, sale of excise tax goods on Polish territory, export and import of excise tax goods, intra Community supply and intra Community acquisition of excise goods, acquisition and possession of excise tax goods with an excise tax unsettled in the proper amount (which does not indicate excise tax to be a multiphase tax). Excise tax rates are described as one of the following: percentage of tax base, amount per unit of excise tax goods, percentage of maximum retail price or amount per unit of excise tax goods and percentage of maximum retail price.

In practice, tax rates described in decrees issued by the Minister of Finance are applied, whereas maximum tax rates were defined in the excise tax act.
In the common view of entrepreneurs, Poland qualifies as a country with an exceptionally high level of tax risk. The tax law is often amended, which results in lack of clarity as well as inconsistencies and lack of certainty. In addition, frequent discrepancies in tax law interpretations provided within tax authorities and administrative judiciary are observed.
Tax system in Poland is judged as unstable, with highly formalized tax regulations combined with rigorous laws in respect of sanctions. Tax settlements and other regulated areas of activity (e.g. customs or currency exchange control) might be subject to a control from the relevant authorities, entitled to impose severe penalties and sanctions with interests. Tax settlements may be subject to a tax control over five years since the end of the calendar year when the tax liability reaches its maturity. Considering the above described rationales, activities of PKN ORLEN and other entities of the group, that conduct business activity in Poland, may be subject to a tax risk.

**m. 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 111,500 thousand 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 shareholders of NOM.
On 20 October 2003, PSE filed a suit to the Court of Arbitration of the Polish Chamber of Commerce ("PCC") 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 PKN ORLEN. As a consequence the estimations of the Management Board in relation to the assessment of the risk of non-collection of the above receivable were changed. The Company provided an allowance for the receivable in the amount of PLN 111,500 thousand presented in the financial statements for the year 2004.
On 20 May 2005 the Company issued a complaint to the District Court in Warsaw regarding waiving of the above verdict of the Court of Arbitration together with a motion to suspend execution of the verdict. On 26 June 2005 the District Court issued a decision to dismiss the motion to suspend execution.
On 6 April 2006 the District Court in Warsaw, XX Commercial Department, issued a verdict in respect of PKN ORLEN's complaint against the verdict of Court of Arbitration of the Polish Chamber of Commerce in Warsaw, dated 14 April 2005, in the case against PSE S.A. regarding sale of shares in NOM. The District Court dismissed PKN ORLEN's complaint and adjudged the return of proceeding's expenses of PLN 7 thousand for the benefit of PSE.
On 27 April 2006 PKN's attorney received the justification of a verdict from the District Court. Upon analysis of the justification, PKN decided not to appeal against the verdict. The verdict is legally binding.

On 29 July 2005, PKN ORLEN demanded that PSE would repay within a week the contractual penalty of PLN 111,500 thousand.
On 8 August 2005 PKN ORLEN received a letter from PSE where PSE stated it was not bound to settle the penalty.
On 15 September 2005 PKN ORLEN filed at the Court of Arbitration of PCC in Warsaw a suit for adjudication of the contractual penalty of PLN 33,453 thousand. On 7 August 2006 PKN ORLEN changed the suit by the letter submitted to the Court of Arbitration of PCC, demanding contractual penalty of PLN 111,511 thousand with interest.
According to the declaration of the Court of Arbitration of 7 December 2005, PKN ORLEN submitted a letter with motions of evidence and the statement regarding eventual suspension of the proceedings. PKN ORLEN's attorney received analogous letter from PSE. On the seatings dated 31 August 2006 and 1 September 2006 the Court of Arbitration acquainted with testimonies of both parties' witnesses.
On the following seatings dated 29 November 2006 and 14 December 2006 The Court acquainted with testimonies of both parties' witnesses.
At the seating dated 14 December 2006 the Court obliged both sides to prepare and submit letters with recapitulation of stands. The letter was submitted by PKN ORLEN.

As of 31 December 2006, shares in NOM were presented in the foregoing unconsolidated financial statements as investments in associates in the net amount of PLN 18 million, after recognition of an impairment of shares allowance based on independent expert's valuation.

## n. Collateral with regard to shares in Basell ORLEN Polyolefins Sp. z o.o. („BOP")

Under the share pledge agreement of 19 December 2003 PKN ORLEN pledged all own shares of BOP, i.e. 907,398 shares of nominal value of PLN 500 per each, representing 50% of share capital of BOP and having 50% of voting rights at the Shareholders' Meeting. The pledge was for the benefit of Kredyt Bank S.A., seated in Warsaw, operating as a Pledge Agent. The condition for the pledge to be effective included its registration in a collateral register held by the registry court, which was completed on 23 January 2004.
Collateral set by the pledge agreement of 19 December 2003 secured repayment of current and future claims by BOP, to which Pledge Agent is entitled due to the financial collateral agreement concluded between entities financing BOP up to the highest securing amount of EUR 750 million.

On 18 December 2006 Basell ORLEN Polyolefins has concluded a new bank loan agreement. No collateral in the form of shares in BOP owned by PKN ORLEN is required with regard to the new agreement. Pursuant to that fact a procedure has been started in January 2007 to remove the pledge from the collateral register. On 7 March 2007 the decision of removal of the pledge from the collateral register was made.

**o. Risk connected with the disposal of a portion of assets and liabilities related to purchase of Unipetrol shares**

In 2003-2004, the Management Board of PKN ORLEN appointed at that date 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.
In 2005, the Management Board appointed at that date, having analyzed all eventual consequences resulting from the above agreements and having consulted recognized independent experts, adopted and presented to the Supervisory Board a proceeding strategy related to execution of the agreements, taking into account the best interest of the Company and its shareholders.
Agrofert Holding a.s. agreed that PKN ORLEN S.A. disclosed only portion of the agreements. This portion was presented by Agrofert Holding a.s. itself at the press conference on 13 September 2005.

On 25 January 2006 PKN ORLEN received a copy of a law suit issued by Agrofert Holding a.s. regarding the payment of contractual penalty of EUR 77,266,500 with interests. The court proceeding in front of the Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague is currently in progress.

On 20 February 2006 the Management Board of PKN ORLEN has decided to withdraw (in the understanding of Czech commercial code) from the agreements concluded with Agrofert Holding a.s. The reason for such withdrawal was breaching by Agrofert Holding a.s. the terms of the agreements by allowing DEZA a.s. to execute the share purchase option on AGROBOHEMIE a.s. and Synthesia a.s. (formerly: ALIACHEM a.s.) shares.

On 9 May 2006 the Company's attorney received from the Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of a second law suit issued by Agrofert Holding a.s., seated in Prague, regarding the payment of contractual penalty. The value of the dispute, similarly to the first one commenced by Agrofert Holding a.s., amounts to EUR 77,266,500 with interests. The arbitration proceedings initiated by this law suit are currently in progress.

On 5 July 2006 the Company received from the Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of a third law suit issued by Agrofert Holding a.s., seated in Prague, regarding the payment of contractual penalty. The value of the dispute amounts to CZK 409,102,494 (approximately EUR 14 million) plus interests.
The arbitration proceedings initiated by this law suit are currently in progress.

On 13 December 2006 the Company received from the Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of a fourth law suit issued by Agrofert Holding a.s., seated in Prague, regarding the payment of compensation of loss related to unfair competition, illegal violation of reputation of Agrofert Holding a.s.
The value of the dispute amounts to CZK 17,352,550,000 (approximately EUR 700 million) with interests. The amount claimed by Agrofert Holding a.s. is currently analyzed by the Company's legal advisors, and the arbitration proceedings are at the initial stage i.e. organizational matters are being conducted.

As at the date of preparation of these financial statements, the parties are conducting mediations aimed at amicable settlement of the dispute in respect of the agreement with ConocoPhillips Central and Eastern Europe Holdings B.V. The Management Board of the Company hopes that, as a consequence of series of mediation meetings, the Company and ConocoPhillips will soon finalize the mediation process with favorable outcome to both parties.

The foregoing unconsolidated financial statements include the provision to cover the potential negative financial effects related to execution of the agreements.

(all amounts in PLN thousand)

## 31. Employment structure

Average employment by groups was as follows:

| | for the year ended 31 December 2006 | for the year ended 31 December 2005 |
|---|---|---|
| Blue collar workers | 2 031 | 2 176 |
| White collar workers | 2 973 | 3 343 |
| | ---------- | ---------- |
| | **5 004** | **5 519** |
| | ====== | ====== |

Employment level as of 31 December 2006 4,780 persons and 31 December 2005 amounted to 5,369 persons.

## 32. Supplementary information

### a. 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.
- Paramo a.s., where Unipetrol a.s. is the majority shareholder.

The objective of the project is to secure the value of 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 capital consolidation of the companies. The project is also intended to protect assets of those companies against changes in the tax law, which may lead to discontinuation of crude oil processing in the southern Poland.

The company realizes restructuring project approved in July 2005 by PKN ORLEN's Management Board.
The project for the southern assets designed by Investekspert aims at:
- consolidation of activity related to oil and lubricant production in Orlen Oil Sp. z o.o.,
- targeted discontinuation of crude oil processing in the southern Poland and grouping assets relating to this activity within a separate business,

The business advisor for the restructuring and consolidation project submitted recommendations in respect of suggested action plan. In June 2006 the Management Board of PKN ORLEN S.A. has accepted the major assumptions of restructuring process:
- modernization of existing DRW installation (crude oil distillation unit) in Rafineria Nafty Jedlicze S.A. for the purposes of processing of local output crude;
- construction of organic solvent installation in Rafineria Nafty Jedlicze S.A. in case a rebate on supplies of local (Sanok region) crude oil is negotiated;
- restructuring of distribution system in ORLEN Oil Sp. z o.o.

On 3 January 2007 the Management Board of Rafineria Trzebinia S.A. decided to temporarily discontinue production and sales of the biofuel ON BIO containing 20% FAME esters ('ON BIO').

The decision was made in conjunction with the fact that on 1 January 2007 the Decree of the Minister of Finance dated 22 December 2006 on changes to exemptions to excise tax liabilities (Official Journal 2006 No. 243, item 1766) came into force. The Decree unexpectedly deteriorated circumstances of production and sales of biofuels.

Pursuant to a detailed economic analysis, Rafineria Trzebinia S.A. estimated that the net loss in January 2007 would amount to approximately PLN 2.5-3 million as a result of changes introduced by the Decree. The production of ON BIO has been discontinued until new regulations justifying resumption of the production are introduced.

In consequence of the present status Rafineria Trzebinia S.A. will focus on trading and marketing activities and sale of FAME esters on foreign markets.

The announced changes in the tax regulations caused the necessity for the renegotiation of contracts for the supply of raw materials used in ON BIO production.

Rafineria Trzebinia S.A. has also decided to suspend investment projects concerning significant increase in the present biofuel production capacity.

**b. Share purchase of Mazeikiu Group**

**1. Share purchase agreements of Mazeikiu**

On 26 May 2006, PKN ORLEN, as the buyer, and Yukos International UK B.V., a private limited liability company seated in the Netherlands ('Yukos International'), as the seller, concluded a share sale and purchase agreement (the 'Yukos Agreement') related to the purchase by PKN ORLEN of a 53.7022% stake in AB Mazeikiu Nafta, a public company with its seat in Lithuania ("Mazeikiu"). On 18 May 2006, PKN ORLEN unilaterally signed the Yukos Agreement and delivered it to the other party. Yukos International counter-signed the Yukos Agreement on 26 May 2006 after the New York Bankruptcy Court had revoked the temporary restraining order previously imposed on Yukos International with respect to selling any Mazeikiu shares.

In addition, on 19 May 2006 PKN ORLEN S.A. unilaterally signed and delivered the following documents to the Government of the Republic of Lithuania (the 'GOL'): (a) a share sale and purchase agreement (the 'GOL Agreement') related to purchase of an additional 30.6615% shares of Mazeikiu by PKN ORLEN from the GOL; and (b) a put option agreement related to the 10.0006% shares of Mazeikiu (the 'Put Option Agreement') that would remain property of GOL subsequent to the sale of the 30.6615% stake to PKN ORLEN S.A. The GOL Agreement and the Put Option Agreement has been counter-signed by the GOL on 9 June 2006, upon approval of the Lithuanian Parliament.

**1.1. Main provisions of share purchase agreements of Mazeikiu**

**Share purchase agreement with Yukos International UK B.V.**

Pursuant to the Yukos Agreement, PKN ORLEN S.A. purchased 379,918,411 ordinary shares of Mazeikiu, with a nominal value of LTL1 each, representing approximately 53.7022% of Mazeikiu's share capital, for the aggregate price of USD 1,492,000 thousand. The execution of the Yukos Agreement was subject to certain suspending clauses, i.e. (a) the receipt of all relevant consents, including in particular the European Commission's concentration clearance, and (b) the GOL's withdrawal from exercise of its right of first refusal with respect to the shares being purchased by PKN ORLEN from Yukos International. The agreement provided, that should any of the conditions precedent would not be fulfilled by 30 September 2006, each of the parties would be entitled to terminate the Yukos Agreement. However, each of the parties would have been entitled to claim for extension of the termination date to 31 March 2007 if the only condition not met by 30 September 2006 was the consent of the European Commission.

Upon the acquisition of shares of Mazeikiu from Yukos International, PKN ORLEN S.A. has become a party to certain agreements related to the two previous privatizations of Mazeikiu conducted in 1999 and 2002, in particular, the 1999 and 2002 privatization agreements and the shareholders' agreement between the GOL and Yukos International. All agreements related to the previous privatizations of Mazeikiu, including both privatization agreements and the existing shareholders' agreement that were assigned to PKN ORLEN S.A. were terminated immediately upon the closing of the transaction with Yukos International, and the parties thereto were fully discharged from any and all liabilities under these agreements.

In the period between signing of the Yukos Agreement and the transaction closing date, Yukos International represented that Mazeikiu and its subsidiaries will conduct operations within the ordinary course of business and do not take any action which would materially adversely affect the parties' ability to accomplish the transaction.

**Share purchase agreement with the Government of the Republic of Lithuania**

Pursuant to the Agreement with the Government of the Republic of Lithuania, PKN ORLEN S.A. purchased an additional 216,915,941 ordinary Mazeikiu shares with the nominal value of LTL1 each, representing approximately 30.6615% of Mazeikiu's share capital, for the aggregate price of USD 851,829 thousand. The execution of the GOL Agreement was subject to certain suspending clauses, i.e. (a) the acquisition by PKN ORLEN S.A. of 53.7022% of Mazeikiu's shares from Yukos International; and (b) the receipt of the European Commission's concentration clearance. The agreement provided, that should any of the conditions precedent would not be fulfilled by 30 September 2006, neither of the parties would be obliged to execute the GOL Agreement. However, both parties would have remained bound by the GOL Agreement until 31 March 2007 if the only condition not met by 30 September 2006 would have been the consent of the European Commission. On 29 September PKN ORLEN issued a letter to the Government of the Republic of Lithuania and informed about automatic prolongation of the agreement until 31 March 2007.

Furthermore, the previously existing shareholders' agreement was replaced by the new shareholders' agreement between PKN ORLEN S.A. and the GOL as of the closing date of the transaction with Yukos International. Pursuant to the new shareholders' agreement, PKN ORLEN S.A. maintains full operational control over Mazeikiu. The GOL is entitled to appoint one of the nine members of Mazeikiu's Supervisory Board and one of the seven members of Mazeikiu's Management Board. In addition, the GOL is entitled to request annulment of the resolutions of Mazeikiu's corporate authorities if such resolutions present a threat to the national security or the energy security policy of the Republic of Lithuania. The GOL is entitled to request that PKN ORLEN S.A. sold all its shares of Mazeikiu in any of the following circumstances: (a) Mazeikiu incurs a loss in each of any five consecutive financial years; (b) Mazeikiu's assets with a value exceeding USD 200,000 thousand are seized in connection with an enforcement proceedings following a final and non-appealable court decision; (c) over 50% of voting rights in PKN ORLEN S.A. are acquired by an entity that, in the GOL's reasonable opinion, presents a threat to the national security of the Republic of Lithuania. Every disposal of shares of Mazeikiu by PKN ORLEN S.A. and/or the GOL will be subject to the other party's right of first refusal. The new shareholders' agreement will expire upon the disposal by the GOL of any of its 70,750,000 shares of Mazeikiu.

Pursuant to the Put Option Agreement, the GOL is entitled to sell to PKN ORLEN S.A. 70,750,000 ordinary Mazeikiu shares, with the nominal value of LTL 1 each, representing approximately 10.0006% of Mazeikiu's share capital. The put option will remain in force in the period of five years upon the sale of the 30.6615% stake related to the GOL Agreement. The aggregate price for all shares under Put Option Agreement amounts to USD 277,835 thousand. However, should the GOL exercise the put option within the period of three years from the sale of the 30.6615% stake to PKN ORLEN S.A., the aggregate price for all shares under put option would amount to USD 284,450 thousand.

All transaction documents are governed by the English law.

### 1.2. Mandatory tender offering for the remaining shares

Upon the acquisition of Mazeikiu shares from Yukos International, PKN ORLEN S.A. was obliged under the Lithuanian law to announce a mandatory tender offering for the remaining shares of Mazeikiu within 30 days from the date of acquisition of the Mazeikiu shares from Yukos International. The price per share offered in the mandatory tender offering must not be lower than the highest price paid by ORLEN S.A. for the Mazeikiu shares during the 12-month period preceding the announcement of the tender offer.

### 1.3. The receipt of the European Commission's and other anti-trust bodies consents for the transaction

On 29 September 2006 PKN ORLEN filed official motion to the European Commission in order to obtain consent for concentration of PKN ORLEN Capital Group's and Mazeikiu Nafta's assets as a result of share purchase agreement. The decision of the European Commission was expected in first half of November. As a result, on 30 September the agreement on prolongation of term of withdrawal from the agreement with Yukos until 31 December 2006 was signed. On 7 November 2006 PKN ORLEN S.A. obtained the European Commission's clearance for the acquisition of a controlling stake in AB Mazeikiu Nafta ("Mazeikiu").
Based on the analyses of AB Mazeikiu Nafta export activities it was determined that precedent to execution of the Yukos Agreement, aside from European Commission's clearance, obtaining of relevant consent from the Ukrainian Anti-Trust Committee as well as consent of anti-trust bodies of United States of America was required. The same provisions of the Yukos Agreement apply to the above consents as to the European Commission's consent. The motion to the Ukrainian Anti-Trust Committee was filed on 16 August 2006. On 21 August 2006 the Ukrainian Anti-Trust Committee agreed on share purchase transaction for Mazeikiu Nafta. In case of USA, motions were filed by PKN ORLEN and Yukos on 15 September 2006. Before statutory deadline, on 25 September 2006, the U.S. Federal Trade Commission has concluded its review of the planned acquisition by PKN ORLEN of a control over Mazeikiu. Early termination of the required waiting period for the possible objections of the U.S. anti-trust authorities means the receipt of the clearance under the Hart Scott-Rodino Antitrust Improvements Act of 1976 for the purchase by PKN ORLEN S.A. of the controlling stake in Mazeikiu.

### 1.4. Significant events after signing the share purchase agreements of Mazeikiu

On 12 July 2006, the Government of the Republic of Lithuania irrevocably elected not to exercise its right of first refusal with respect to the 53.7022% shares of Mazeikiu, governed by the Yukos Agreement. The GOL also expressed its irrevocable consent for the transaction between Yukos and PKN ORLEN S.A.

At the end of July 2006 the crude oil deliveries to Mazeikiu were stopped by Russian operator of crude oil pipeline system "Druzhba". The interruption in deliveries was caused by the technical breakdown in section Unecha-Polotsk. Till now the crude oil deliveries to Mazeikiu were not resumed through oil pipeline system "Druzhba". At the same time the crude oil is continuously delivered by sea transport.

On 12 October 2006, a fire accident occurred in the oil refinery belonging to AB Mazeikiu Nafta, leading to damage to a vacuum distillation unit.

## 2. Purchase of shares from Yukos International and the Government of Republic of Lithuania

On 15 December 2006, though brokerage of the Vilniaus Stock Exchange, the share sale and purchase transaction was settled. PKN ORLEN S.A. purchased 379,918,411 shares of Mazeikiu from Yukos International. This determined that PKN ORLEN S.A. formally acquired ownership of 379,918,411 shares of Mazeikiu at that date. Thereby the last of the conditions precedent determined in the agreement dated 9 June 2006 between PKN ORLEN S.A. and the Government of the Republic of Lithuania related to sale of shares of Mazeikiu, was fulfilled. In conjunction, on 15

December 2006, without brokerage of the Vilniaus Stock Exchange, the share sale and purchase transaction was settled – PKN ORLEN S.A. purchased 216,915,941 shares of Mazeikiu from the Government of the Republic of Lithuania.
Pursuant to settlement of transactions with Yukos International and the Government of the Republic of Lithuania, on 15 December 2006 PKN ORLEN S.A. has become a holder of a total number of 596,834,352 shares of Mazeikiu. The nominal value of one share of Mazeikiu is LTL 1 (which is equal to PLN 1.10 in accordance with average exchange rate of the National Bank of Poland announced on 15 December 2006). The shares held in Mazeikiu by PKN ORLEN S.A. constitute 84.36% of the share capital of Mazeikiu and entitle to 596,834,352 voting rights at the General Meeting of Shareholders (GM), which is equal to 84.36% of total voting rights at GM in Mazeikiu. The purchase price of shares acquired from Yukos International amounted to USD 1,492,000 thousand (i.e. PLN 4,315,610 thousand in accordance with average exchange rate of the National Bank of Poland announced on 15 December 2006) whereas the purchase price of shares acquired from the Government of the Republic of Lithuania amounted to USD 851,829 thousand (i.e. 2,463,915 thousand in accordance with average exchange rate of the National Bank of Poland announced on 15 December 2006). The book value of shares of Mazeikiu acquired by PKN ORLEN was recognized in the accounting books of PKN ORLEN at cost including acquisition costs.
The share purchase of Mazeikiu was financed by means of revolving bank loan, bridge bank loan and cash owned of PKN ORLEN S.A. The purchase is of a long-term capital investment nature.
Yukos International is a holding company controlled by Stichting Administratiekantoor Yukos International fund.

In conjunction with the settlement of the purchase of Mazeikiu shares from Yukos International by PKN ORLEN, the Shareholders Agreement dated 9 June 2006 between PKN ORLEN S.A. and the Government of the Republic of Lithuania came into force on 15 December 2006.
The Extraordinary Meeting of Shareholders of Mazeikiu held on 14 December 2006 changed the composition of Supervisory Board of Mazeikiu. Six persons nominated by PKN ORLEN S.A. – Mr. Marek Moroz, Mr. Czesław Bugaj, Mr. Marcin Wasilewski, Mr. Piotr Kearney, Mr. Wojciech Wróblewski and Mr. Rafał Zwierz – have been appointed members of the Supervisory Board of Mazeikiu. The Board elected Mr. Marek Moroz for the position of its Chairman. Presently the Board is composed of nine members. The remaining three persons were nominated by the Government of the Republic of Lithuania.
During the meeting held on 14 December 2006 the Supervisory Board of Mazeikiu has made changes to the composition of the Management Board of Mazeikiu. Four representatives of Yukos International UK B.V. have been replaced by four persons nominated by PKN ORLEN S.A. The Supervisory Board appointed Mr. Jan Maciejewicz and Mr. Paweł Szymański to the Management Board of Mazeikiu, and again appointed Mr. Krystian Pater and Mr. Paul Nelson English (holding the position of General Director of Mazeikiu at that time). In addition, on 15 December 2006 the Supervisory Board of Mazeikiu appointed two other persons nominated by PKN ORLEN S.A.: Mr. Igor Chalupec and Mr. Piotr Kownacki to the Management Board. The Management Board is composed of seven members, which includes also a representative of the Government of the Republic of Lithuania. At the meeting held on 15 December 2006 the Management Board has elected Mr. Igor Chalupec for the position of President of the Management Board.

**3. Purchase of additional shares in Mazeikiu by PKN ORLEN S.A.**

**3.1. Mandatory tender offering for shares in Mazeikiu**

In accordance with Lithuanian law, exceeding of the 40% voting rights at the General Meeting of Shareholders of Mazeikiu obliged PKN ORLEN S.A. to announce mandatory tender offering ('MTO') for all remaining shares in Mazeikiu attributable to investors other than PKN ORLEN S.A. Until receipt of relevant clearance with regard to the documentation related to MTO from the Stock Exchange Commission in Lithuania, PKN ORLEN was not able to execute its voting rights at the General Meeting of Shareholders, which were attributable to all shares held in Mazeikiu. Until that moment, however not longer than for the period of 100 days, the Government of the Republic of Lithuania assumed an obligation to execute voting rights attributable to shares held in Mazeikiu in conformity with instructions issued by PKN ORLEN. Documentation related to MTO received clearance of the Stock Exchange Commission in Lithuania on 22 December 2006.
Prior to commencement of the subscription process under MTO, a merger of Mazeikiu with AB Mazeikiu Elektrine was registered on 28 December 2006. In consequence of the merger, 1,366,992 new shares of Mazeikiu were issued for the minority shareholders of AB Mazeikiu Elektrine. As a result of the new issue of shares, total number of shares of Mazeikiu is equal to 708,821,122.
Mandatory Tender Offering has been conducted in the period from 2 to 15 January 2007. Pursuant to the settlement of MTO, PKN ORLEN S.A. purchased 35,879,247 shares of Mazeikiu. The Company holds 632,713,599 shares which is equal to 89.2628% stake in share capital of Mazeikiu.

**3.2. Constant call offer at the Vilniaus Stock Exchange**

Due to the fact that MTO did not comprise the above mentioned new issue of shares, as well as in order to improve the preparatory process to squeeze out procedure related to shares of Mazeikiu attributable to minority shareholders other than the Government of the Republic of Lithuania, PKN ORLEN S.A. made a constant call offer at the Vilniaus Stock Exchange for shares of Mazeikiu at each day in the period from 26 January to 19 February 2007. The purchase price for shares was equal to the purchase price used for the purposes of MTO i.e. LTL 10.25 per share. In the described period PKN ORLEN purchased 1,895,952 shares of Mazeikiu and as at 19 February 2007 held

634,609,551 shares, constituting an 89.5303% stake in Mazeikiu. Except for 70,750,000 shares owned by the Government of the Republic of Lithuania, 3,461,571 shares representing 0.4884% stake in share capital are quoted at the market.

### 3.3. Squeeze out procedure related to shares in Mazeikiu held by minority shareholders

Acting under agreement with the Government of the Republic of Lithuania, on 20 February 2007 PKN ORLEN commenced a squeeze out procedure related to shares of Mazeikiu held by minority shareholders. The squeeze out will be conducted in accordance with the Lithuanian law. The provisions of the cooperation between PKN ORLEN and the Government of the Republic of Lithuania are included in the agreement dated 25 January 2007. At the first phase of the process, which will be effected until 21 May 2007, the shareholders of Mazeikiu are entitled to sell shares through broker house SEB Vilniaus Bankas. The price was set at LTL 10.25.
Unless the first phase leads to buyout of all shares held by minority shareholders, PKN ORLEN will put forward a motion to the court in Lithuania to issue a decision in accordance with the Lithuanian law related to squeeze out procedure. In effect of the decision all shares held by minority shareholders other than the Government of the Republic of Lithuania will become property of PKN ORLEN for a price equal to LTL 10.25 per share. The procedure will result in acquisition of all shares in Mazeikiu, except for shares held by the Government of the Republic of Lithuania.

## 4. Changes in the Management Board of Mazeikiu

In conjunction with the resignation of Mr. Igor Chalupec from the position of the President of the Management Board of PKN ORLEN on 31 January 2007, the Supervisory Board of Mazeikiu dismissed Mr. Igor Chalupec and at the same time appointed Mr. Dariusz Formela to the Management Board. On 7 February 2007 the Management Board of Mazeikiu has elected Mr. Piotr Kownacki for the position of President of the Management Board. On 16 March 2007 Mr. Jan Maciejewicz resigned from the position of Member of the Management Board. In accordance with the Lithuanian law, the resignation came info force after a lapse of 14 days. Until 17 April 2007, one vacancy in the composition of the Management Board of Mazeikiu existed.

## 5. Settlement of acquisition of Mazeikiu

On 15 December 2006 the Company purchased 596,834,352 ordinary shares of AB Mažeikių Nafta („Mažeikių"), which constituted 84.36% of all issued shares of Mažeikių. The purchase was realized on the basis of two agreements concluded by PKN ORLEN: the share sale and purchase agreement with Yukos International UK B.V dated 26 May 2006 on purchase of 379,918,411 shares, that stood for 53.7022% of all issued shares and share sale and purchase agreement with the Government of Republic of Lithuania dated 19 May 2006 on purchase of 216,915,941 shares, that stood for 30.6615% of all issued shares. On 28 December 2006 Mažeikių merged with Mažeikių Elektrine. The share of PKN ORLEN declined by 0.16 percentage points.
In relation to conclusion of the put option agreement in respect of 70,750,000 shares in Mazeikiu owned by the Government of the Republic of Lithuania by PKN ORLEN S.A. as well as due to mandatory tender offer regarding shares held by minority shareholders, the settlement of the business combination for the purposes of the consolidated financial statements has been performed in accordance with IAS 32 'Financial instruments: Disclosure and Presentation' paragraphs 22-23 – financial liabilities were disclosed and minority interest were not disclosed. The share of PKN ORLEN in Mazeikiu Group was assumed at 100% for the purposes of these financial statements.

Mažeikių Group is composed of group of companies operating in the refining sector in the Republic of Lithuania, mainly involved in crude oil processing, distribution of fuels and crude oil derived products. In all those activities Mažeikių is a representative of the industry sector in the Republic of Lithuania and Central Europe. Mažeikių Group consists mainly of the following companies:

- AB Mažeikių Nafta – Crude oil refining, transportation services of crude oil and crude oil derivate products, service and loading of tanker ships, sale of refined products.
- AB Ventus-Nafta – Retail sale of crude oil products.
- UAB Mažeikių naftos prekybos namai – Sale and marketing of products of AB Mažeikių Nafta in Lithuania.
- SIA Mažeikių Nafta Tirdzniecibas nams – Wholesale trade of crude oil products in Latvia.
- OU Mazeikiu Nafta Trading House – Wholesale trade of crude oil products in Estonia
- Mažeikių Nafta Trading House Sp. z o.o. – Wholesale trade of crude oil products in Poland
- UAB Juodeikių nafta – Loading of truck vehicles with crude oil; entity under liquidation proceedings.
- UAB Uotas – Lease of gas stations, entity under liquidation proceedings.
- UAB Naftelf – Sale of aviation fuels (joint venture with 'Corelf')

The acquisition of Mažeikių was accounted under the purchase method in accordance with IFRS 3 'Business combinations'. The settlement of the transaction has been presented in the note 37a of the 2006 consolidated financial statements.

## c. Polkomtel S.A.

On 10 March 2006 an agreement was concluded between KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. as buyers and TDC Mobile International A/S as a seller in respect of "Agreement on the approval of the offer and conditional sale of shares in Polkomtel S.A." ("The Agreement"). The conclusion of the above agreement was preceded by conclusion by KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. as shareholders of Polkomtel S.A. the "Shareholders Agreement regarding the purchase of shares in Polkomtel S.A. from TDC Mobile International A/S and taking joint measures to sell all shares owned in Polkomtel S.A.". The conclusion of the Agreement was performed in conjunction with the execution by KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. of the entitlement to acquire shares under the offer of TDC Mobile International A/S.

Pursuant to the Agreement, PKN ORLEN may acquire 980,486 shares in Polkomtel S.A., representing 4.78% of the share capital of Polkomtel S.A., for a purchase price not exceeding EUR 214.04 per share. In case KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. purchased the shares as a result of the Agreement, these parties, together with currently owned shares, would hold over 75% shares in Polkomtel S.A. After the transaction is settled, PKN ORLEN would hold 24.4% stake in the share capital of Polkomtel S.A.

The Agreement was concluded under a suspending clause regarding termination or abatement of the pledge in respect of shares under the Agreement, established by verdict of the District Court in Warsaw on 24 February 2006, or any other pledge (or similar measure) established by other judgmental body that would disallow sale of shares under the Agreement in Polkomtel S.A. by TDC Mobile International A/S.

As a result of complaint filed by TDC Mobile International the Court of Appeals in Warsaw changed the decision of the District Court in Warsaw. The Court of Appeals declared that the execution of pledge depended on submission by Vodafone Americas Inc. a bail of Euro 43 million. Vodafone Americas Inc transferred the bail to the Court's bank account, which determines the decision on the pledge effective.

On 10 march 2006 Vodafone Americas Inc. filed a law suit to International Court of Arbitration by Federal Chamber of Commerce in Vienna, against six legal entities defining TDC Mobile International A/S as a Principle Respondent, Polkomtel S.A as a First Auxiliary Respondent and KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. as Second to Fifth Auxiliary Respondents. In the above mentioned law suit Vodafone Americas Inc., among other things, questioned the method of calculation of the price offered by TDC International A/S to other shareholders. On 29 May 2006 TDC Mobile International A/S, KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. filed a joint response to the law suit. Polkomtel S.A. filed its response to the law suit on 26 April 2006. Appointed arbitrators issued several procedure-oriented rulings concerning further proceedings. Proceedings came into phase, when letters concerning this case were exchanged. On 7 March 2007 the seating in front of the Court of Arbitration in Vienna took place. During the seating plenipotentiaries of all sides represented their standings in this case. This resulted for example in modification of claim from Vodafone America. The verdict should be announced in a few nearest weeks

On 10 May 2006 the Ordinary General Meeting of Shareholders of Polkomtel S.A. was held. The shareholders decided to pay dividend from the retained net profits for the years preceding 2005 and the net profit of 2005. Total amount of dividend amounted to PLN 2,352,375 thousand (representing PLN 114.75 per share) and was paid to shareholders proportionally to their ownership of the share capital of Polkomtel S.A. The amount of the dividend attributable to PKN ORLEN S.A. amounted to PLN 461,269 thousand. The Ordinary General Meeting of Shareholders of Polkomtel S.A. has set the dividend date at 10 May 2006 whereas the dividend payment date was set at 17 July 2006. According to resolution of the Ordinary General Meeting, PKN ORLEN received a dividend of PLN 373,629 thousand.

## d. $CO_2$ emission rights

In the unconsolidated financial statements, the Company recognized the $CO_2$ emission rights that were granted free of charge based on the binding legal regulations resulting from the Kyoto Protocol dated 11 December 1997 to the United Nations Framework Convention On Climate Change, adopted by the European Union. Emission rights granted free of charge are recognized in the balance sheet as intangible assets. The Company has recognized emission rights granted for the period of 3 years, as a difference between deferred income related to receipt of free of charge emission rights and its fair value at the date rights were granted.

Sale of emission rights is recognized as profit or loss in other operating revenues / expenses in the reporting period when the rights were sold. Profit / loss on sales of emission rights is determined as a difference between the net sales revenues and its carrying amount.

| Information on granted emission rights and its balance sheet presentation | Quantity (Mg) | Value (in PLN thousand) |
|---|---|---|
| Emission rights acquired by the Company in 2005 for the 3-year accounting period | 17 151 600 | 1 402 816 |
| Actual use of emission rights in 2005 | 5 450 878 | 445 823 |
| Actual use of emission rights in 2006 | 5 520 509 | 451 518 |
| Emissions planned in 2007 | 6 787 200 | 555 120 |

As at 31 December 2006 the net value of granted emission rights in the balance sheet of the Company, being the difference between granted emission rights and deferred income related to receipt of rights free of charge, amounted to nil.

In the period covered by these unconsolidated financial statements unused emission rights have not been sold.

## e. Assignment of competencies in connection with changes in the composition of the Management Board of PKN ORLEN S.A.

In relation to changes in composition of the Management Board of PKN Orlen S.A. the Management Board of PKN ORLEN S.A. participative duties between Member of the Board in resolution dated on 20 March 2007
Based on the decision of the Management Board the assignment of competencies as at the date of publication of the: as at the day of publication of the financial statements is the following:
Mr. Piotr Kownacki – President of the Board, Chief Executive Officer, supervises the areas of Human Resources, Strategy, Management Board Service, Public Relation, Audit and Unipetrol Group.
Mr. Cezary Filipowicz – Upstream & Crude Procurement supervises the performance of the following areas: Upstream, Crude Oil Trading and Merger & Acquisition.
Mr. Wojciech Heydel – Sales, supervises the performance of the following areas: Wholesale Operations, Retail Sales, Marketing, Planning & Sales Analysis, Logistic and Alternative Energy Sources.
Mr. Paweł Szymański – Chief Financial Officer supervises the performance of the following Offices: Planning and Controlling, Finance Management, Taxes, Cost Management, Margin Management and Investment Relation
Mr. Krzysztof Szwedowski – Organization and Support Function, supervises the performance of the following areas: Organization, IT, Procurement, Legal Department, Information Control & Security, ORLEN Group (excl. Unipetrol) as well as Regulations Monitoring & Management.
Mr. Krystian Pater – Head of Production, supervises the performance of the following areas: Refining & Petrochemical Production, Energy, Research and Development and Assets Development

## f. Restructuring process of IKS Solino Sp. z o.o.

In November 2006 an agreement was concluded between IKS SOLINO S.A. and its labor unions with the participation of PKN ORLEN S.A. and the State Treasury. The agreement provided that operations of the Salt Processing Unit (SPU) will be sustained only in the event of its economic profitability.
According to PKN ORLEN, sale of SPU to a branch investor might guarantee long-term development of the disposed unit and therefore sustaining of existing job positions and creation of new ones.
PKN ORLEN emphasized that the intention of the eventual sale transaction of the SPU is based upon concern about the future of its employees and sustaining of job positions. In the event of sale of the SPU the vast majority of employees will keep their job positions. The small number of people covered by the restructuring process will be enabled to benefit from a shield program that is currently negotiated with the labor unions of IKS SOLINO S.A.

## 33. Significant events after balance sheet date

### a. Changes in Management Board of PKN ORLEN S.A.

The Supervisory Board of PKN ORLEN S.A. at meeting on 18 January 2007 with majority of its votes had dismissed Mr. Igor Chalupec from the position of the President of the PKN ORLEN Management Board which held from 1 October 2004.
At the same time, the Supervisory Board of PKN ORLEN has appointed Mr. Piotr Kownacki, the Vice President of the Company responsible for Audit and Regulations at that date, for the position of the President of the PKN ORLEN Management Board.
Mr. Piotr Kownacki held position of Vice President of Management Board from 23 October 2006.

(all amounts in PLN thousand)

### b. Squeeze out procedure related to shares in Mazeikiu held by minority shareholders

Acting under agreement with the Government of the Republic of Lithuania, on 20 February 2007 PKN ORLEN commenced a squeeze out procedure related to shares in Mazeikiu held by minority shareholders. The squeeze out procedure related to shares in Mazeikiu was described in note 32 b.

## 34. Differences between data disclosed in the financial statements and previously prepared and issued financial statements

Differences as to data published in the condensed financial statements as at 1 March 2007, with the effect on net result and equity

| | Net profit for 2006 | Total Equity As at 31 December 2006 |
|---|---|---|
| Data for 2006 disclosed in the condensed financial statement for IV quarters 2006 | 2 232 590 | 15 042 300 |
| Increases of allowance for receivables | (27 759) | (27 759) |
| Other | (4 955) | (4 955) |
| | ------------- | -------------- |
| Data disclosed in consolidated annual financial statements for 2006 | 2 199 876 | 15 009 586 |
| | ======== | ========= |

## 35. Other

The financial statements were authorized by the Management Board in its seat on 18 April 2007.

## SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

……………………
President
Piotr Kownacki

…………………………
Vice-President
Cezary Filipowicz

………………………..
Vice-President
Wojciech Heydel

…………………………
Member of the Board
Krystian Pater

………………………
Member of the Board
Krzysztof Szwedowski

………………………
Member of the Board
Paweł Szymański

Płock, 18 April 2007