POLSKI KONCERN NAFTOWY ORLEN S.A.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2006 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

SECURITIES AND EXCHANGE COMMISSION

Consolidated Quarterly Report QSr I quarter / 2006

quarter / (current year)

(in accordance with § 86 section 2 and § 87 section 1 of the Minister of Finance Decree of 19 October 2005, Official Journal No. 209, item 1744)
(for issuers of securities whose business activity embraces manufacture, construction, trade and services)

for the I quarter of the reporting year 2006, that is for the period from 1 January 2006 to 31 March 2006 which includes condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards with amounts stated In the Polish functional currency (PLN) and condensed financial statements prepared in accordance with International Financial Reporting Standards with amounts stated In the Polish functional currency (PLN)

on 15 May 2006
(submission date)

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

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

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

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

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POLSKI KONCERN NAFTOWY ORLEN S.A.
SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	thousand PLN		thousand EUR	
	I quarter 2006 (cummulative data) period from 1.01.2006 to 31.03.2006	I quarter 2005 (cummulative data) period from 1.01.2005 to 31.03.2005	I quarter 2006 (cummulative data) period from 1.01.2006 to 31.03.2006	I quarter 2005 (cummulative data) period from 1.01.2005 to 31.03.2005
Data in respect of MSSF consolidated financial statement				
I. Total sales revenues	11 330 649	6 805 908	2 946 393	1 769 791
II. Profit / (Loss) on operations	450 747	797 953	117 211	207 498
III. Profit before tax	476 236	820 771	123 839	213 431
IV. Net profit attributable to equity holders of the parent	364 977	667 527	94 908	173 582
V. Net cash provided by / (used in) operating activities	(557 195)	577 954	(144 892)	150 290
VI. Net cash provided by / (used in) investing activities	(403 529)	(14 818)	(104 933)	(3 853)
VII. Net cash provided by / (used in) financing activities	601 234	138 835	156 344	36 102
VIII. Net change in cash and cash equivalents	(359 490)	701 971	(93 481)	182 539
	as of 31 March 2006	as of 31 December 2005	as of 31 March 2006	as of 31 December 2005
IX. Non-current assets	20 911 259	20 885 532	5 313 225	5 306 688
X. Current assets	12 897 266	12 518 779	3 276 994	3 180 827
XI. Total Assets	33 808 525	33 404 311	8 590 219	8 487 515
XII. Long-term liabilities	5 506 690	5 553 853	1 399 164	1 411 147
XIII. Short-term liabilities	8 392 762	8 537 469	2 132 470	2 169 238
XIV. Equity	19 909 073	19 312 989	5 058 585	4 907 129
XV. Share capital*	1 057 635	1 057 635	268 729	268 729
XVI. Equity attributable to equity holders of the parent	17 188 086	16 696 511	4 367 225	4 242 323
XVII. Number of issued ordinary shares	427 709 061	427 709 061	427 709 061	427 709 061
XVIII. Book value per share (in PLN/EUR)	46,55	45,15	11,83	11,47

SELECTED FINANCIAL DATA	thousand PLN		thousand EUR	
	I quarter 2006 (cummulative data) period from 1.01.2006 to 31.03.2006	I quarter 2005 (cummulative data) period from 1.01.2005 to 31.03.2005	I quarter 2006 (cummulative data) period from 1.01.2006 to 31.03.2006	I quarter 2005 (cummulative data) period from 1.01.2005 to 31.03.2005
Data in respect of MSSF unconsolidated financial statement				
I. Total sales revenues	6 737 453	4 422 594	1 751 990	1 150 040
II. Profit / (Loss) on operations	309 432	726 017	80 464	188 792
III. Profit before tax	304 018	705 921	79 056	183 566
IV. Net profit	247 847	573 793	64 450	149 208
V. Net cash provided by / (used in) operating activities	(501 133)	218 935	(130 313)	56 931
VI. Net cash provided by / (used in) investing activities	(176 276)	357 280	(45 838)	92 906
VII. Net cash provided by / (used in) financing activities	451 674	58 739	117 451	15 275
VIII. Net change in cash and cash equivalents	(225 735)	634 954	(58 700)	165 112
IX. Basic and diluted earning per share (in PLN/EUR)	0,58	1,34	0,15	0,35
	as of 31 March 2006	as of 31 December 2005	as of 31 March 2006	as of 31 December 2005
X. Non-current assets	11 845 816	11 921 862	3 009 837	3 029 159
XI. Current assets	7 489 837	7 288 258	1 903 051	1 851 833
XII. Total assets	19 335 653	19 210 120	4 912 888	4 880 992
XIII. Long-term liabilities	2 237 712	2 302 788	568 568	585 103
XIV. Short-term liabilities	4 004 824	4 042 629	1 017 563	1 027 169
XV. Equity	13 093 117	12 864 703	3 326 757	3 268 720
XVI. Share capital*	1 057 635	1 057 635	268 729	268 729
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)	30,61	30,08	7,78	7,64

* Share capital after revaluation in accordance with IAS 29.

The above data for I quarter 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 March 2006 - 3.9357 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 March 2006) – 3.8456 PLN/EUR

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED BALANCE SHEET
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

	31 March 2006 (unaudited)	31 December 2005
	(in thousand PLN)	
ASSETS		
Non-current assets		
Property, plant and equipment	18 475 702	18 510 754
Goodwill	17 630	17 630
Intangible assets	610 229	610 984
Long-term financial investments	576 527	550 984
Investments in associates	1 029 982	1 025 077
Loans granted	8 322	7 145
Deferred tax assets	72 705	62 131
Investment property	29 267	11 557
Perpetual usufruct of land	75 312	76 172
Other non-current assets	15 583	13 098
Total non-current assets	**20 911 259**	**20 885 532**
Current assets		
Inventory	6 397 947	6 113 237
Trade and other receivables	5 252 110	4 777 638
Income tax receivable	34 189	49 567
Short-term investments	131 206	104 938
Short-term prepayments	176 745	145 853
Cash and cash equivalents	767 341	1 126 803
Other financial assets	74 763	111 899
Non-current assets clasiffied as held for sale	**62 965**	**88 844**
Total current assets	**12 897 266**	**12 518 779**
Total assets	**33 808 525**	**33 404 311**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Equity		
Share capital	534 636	534 636
Share capital revaluation adjustment*	522 999	522 999
Share capital	**1 057 635**	**1 057 635**
Nominal share premium	1 058 450	1 058 450
Share premium revaluation adjustment *	168 803	168 803
Share premium	**1 227 253**	**1 227 253**
Hedging reserve	38 548	60 075
Foreign exchange differences on subsidiaries from consolidation	(15 471)	(156 014)
Retained earnings	14 880 121	14 507 562
incl. net profit of the parent company	364 977	4 585 132
accumulated profit/loss from previous years - effects of changes in accounting policy	-	1 741 958
Total equity (attributed to shareholders of the parent company)	**17 188 086**	**16 696 511**
Minority interest	2 720 987	2 616 478
Total equity	**19 909 073**	**19 312 989**
Non-current liabilities		
Interest-bearing loans and borrowings	3 432 708	3 405 978
Provisions	957 474	956 991
Deferred tax liabilities	944 571	1 020 159
Other non-current liabilities	171 937	170 725
Total non-current liabilities	**5 506 690**	**5 553 853**
Current liabilities		
Trade and other liabilities and accrued expenses	5 789 309	6 684 050
Provisions	636 327	683 273
Income tax liability	42 308	35 711
Interest-bearing loans and borrowings	1 893 089	1 110 819
Deferred income	20 160	19 265
Other current financial liabilities	11 569	4 351
Total current liabilities	**8 392 762**	**8 537 469**
Total equity and liabilities	**33 808 525**	**33 404 311**

* Share capital after revaluation in accordance with IAS 29

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The accompanying notes are an integral part of these condensed consolidated financial statements

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED PROFIT AND LOSS STATEMENT
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sales of goods	10 807 098	6 880 177
Excise tax and other charges	(2 763 643)	(2 309 324)
Revenues from sale of finished goods	8 043 455	4 570 853
Sales of merchandise and raw materials	3 442 692	2 269 315
Excise tax and other charges	(155 498)	(34 260)
Revenues from sale of merchandise and raw materials	3 287 194	2 235 055
Total sales revenues	**11 330 649**	**6 805 908**
Cost of finished goods sold	(7 142 471)	(3 136 697)
Cost of merchandise and raw materials sold	(2 885 044)	(2 197 521)
Gross profit on sales	**1 303 134**	**1 471 690**
Distribution expenses	(645 803)	(489 416)
General and administrative expenses	(246 190)	(198 771)
Other operating revenues	132 740	78 671
Other operating expenses	(94 414)	(64 221)
Profit on the sale of all or part of shares of related parties	1 280	-
Profit from operations	**450 747**	**797 953**
Financial revenues	146 982	46 179
Financial expenses	(168 245)	(74 051)
Net financial revenues and expenses	**(21 263)**	**(27 872)**
Share in profit from investments accounted for under equity method*	46 752	50 690
Profit before tax	**476 236**	**820 771**
Income tax expense	(78 083)	(142 237)
Net profit	**398 153**	**678 534**
incl.		
Minority interest	33 176	11 007
attributable to equity holders of the parent	**364 977**	**667 527**

* including the share in the net result of Polkomtel S.A. in the amount of PLN 47,289 thousand in the I quarter 2006 and PLN 50,907 thousand in the I quarter 2005

The accompanying notes are an integral part of these condensed consolidated financial statements

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

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 December 2005 (unaudited)
	(in thousand PLN)	
Cash flows - operating activities		
Net profit	**398 153**	**678 534**
Adjustments for:		
Share in profit from investments accounted for under equity method	(46 752)	(50 690)
Depreciation and amortisation	532 949	288 137
Interest and dividend income, net	63 643	(183)
Income tax expense	78 083	142 237
(Profit) on investing activities	(43 812)	(15 079)
(Increase) in receivables	(649 274)	(363 987)
(Increase) in inventories	(235 175)	(855 093)
Increase/(Decrease) in liabilities and accruals	(500 365)	804 384
Increase / (Decrease) in provisions	(44 528)	12 981
Other	42 571	37 222
Income tax paid	(152 688)	(100 509)
Net cash provided by / (used in) operating activities	**(557 195)**	**577 954**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(521 502)	(386 729)
Proceeds from the sale of property, plant and equipment	77 213	4 230
Proceeds from the sale of other shares	76 772	364
Acquisition of shares	(24 036)	(1 611)
Acquisition of short-term securities	(44 711)	(39 629)
Proceeds from the sale of short-term securities	30 210	388 185
Interest and dividends received	3 026	19 815
Loans (granted) / repaid	2 822	842
Other	(3 323)	(285)
Net cash provided by / (used in) investing activities	**(403 529)**	**(14 818)**
Cash flow - financing activities		
Proceeds from the long- and short-term borrowings and loans*	3 719 714	263 091
Repayment of long and short-term borrowings and loans*	(3 064 625)	(92 655)
Interest paid	(47 135)	(23 269)
Other	(6 720)	(8 332)
Net cash provided by / (used in) financing activities	**601 234**	**138 835**
Net change in cash and cash equivalents	**(359 490)**	**701 971**
Effect of exchange rate changes	28	5 792
Cash and cash equivalents, beginning of the period	**1 126 803**	**729 503**
Cash and cash equivalents, end of period, incl.	**767 341**	**1 437 266**
Cash and cash equivalents not available for use	103 090	262 583

* including change in long-term financing facility of PLN 1,359,091 thousand related to obtaining more favorable credit terms

The accompanying notes are an integral part of these condensed consolidated financial statements

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

	Share capital	Share capital revaluation adjustment	Nominal share premium	Share premium revaluation adjustment	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Minority interest	Total equity
1 January 2006	**534 636**	**522 999**	**1 058 450**	**168 803**	**60 075**	**(156 014)**	**14 507 562**	**2 616 478**	**19 312 989**
Foreign exchange differences on consolidation	-	-	-	-	-	140 543	-	83 977	224 520
Net profit attributable to equity holders of the parent	-	-	-	-	-	-	364 977	-	364 977
Valuation of hedging instruments at fair value	-	-	-	-	(21 527)	-	-	-	(21 527)
Minority interest	-	-	-	-	-	-	-	33 176	33 176
Change in shareholders structure	-	-	-	-	-	-	-	(12 644)	(12 644)
Other	-	-	-	-	-	-	7 582	-	7 582
31 March 2006 (unaudited)	**534 636**	**522 999**	**1 058 450**	**168 803**	**38 548**	**(15 471)**	**14 880 121**	**2 720 987**	**19 909 073**

	Share capital	Share capital revaluation adjustment	Nominal share premium	Share premium revaluation adjustment	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Retained earnings	Minority interest	Total equity
1 January 2005	**534 635**	**522 999**	**1 058 450**	**168 803**	**87 648**	**(9 444)**	**10 828 516**	**439 706**	**13 631 313**
Foreign exchange differences on consolidation	-	-	-	-	-	(7 023)	-	-	(7 023)
Net profit attributable to equity holders of the parent	-	-	-	-	-	-	667 527	-	667 527
Valuation of hedging instruments at fair value	-	-	-	-	(6 621)	-	-	-	(6 621)
Minority interest	-	-	-	-	-	-	-	11 007	11 007
Change in shareholders structure	-	-	-	-	-	-	-	(115)	(115)
31 March 2005 (unaudited)	**534 635**	**522 999**	**1 058 450**	**168 803**	**81 027**	**(16 467)**	**11 496 043**	**450 598**	**14 296 088**

The accompanying notes are an integral part of these condensed consolidated financial statements

The statement of changes in consolidated equity regarding profits and losses of 3 months ended 31 March 2006 and 31 March 2005

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
Cash flow hedges	(21 527)	(6 621)
Foreign exchange differences on consolidation	140 756	(7 023)
Other	7 582	-
Net profits / (losses) recognized directly in equity	126 598	(13 644)
Net profit for the period	364 977	667 527
Total profits and losses recognized in the period	**491 575**	**653 883**

POLSKI KONCERN NAFTOWY ORLEN S.A.
UNCONSOLIDATED CONDENSED BALANCE SHEET
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

	31 March 2006	31 March 2005
	(unaudited)	
	(in thousand PLN)	
ASSETS		
Non-current assets		
Property, plant and equipment	7 712 187	7 808 558
Intangible assets	29 281	29 100
Long-term financial investments	40 285	40 144
Investments in associates	3 936 584	3 915 547
Loans granted	1 575	1 744
Perpetual usufruct of land	61 533	61 057
Other non-current assets	64 371	65 712
Total non-current assets	**11 845 816**	**11 921 862**
Current assets		
Inventory	4 312 867	4 021 063
Trade and other receivables	2 958 253	2 726 092
Income tax receivable	20 367	22 128
Short-term prepayments	65 846	58 702
Cash and cash equivalents	57 750	283 509
Other financial assets	74 754	104 295
Non-current assets clasiffied as held for sale	**-**	**72 469**
Total current assets	**7 489 837**	**7 288 258**
Total assets	**19 335 653**	**19 210 120**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Equity		
Share capital	534 636	534 636
Share capital revaluation adjustment*	522 999	522 999
Share capital	**1 057 635**	**1 057 635**
Nominal share premium	1 058 450	1 058 450
Share premium revaluation adjustment *	168 803	168 803
Share premium	**1 227 253**	**1 227 253**
Hedging reserve	59 007	78 440
Retained earnings	10 749 222	10 501 375
incl. net profit	247 847	2 527 214
accumulated profit/loss from previous years - effects of changes in accounting policy	-	858 231
Total equity	**13 093 117**	**12 864 703**
Non-current liabilities		
Interest-bearing loans and borrowings	1 387 950	1 374 165
Provisions	605 100	605 100
Deferred tax liabilities	244 662	323 523
Total non-current liabilities	**2 237 712**	**2 302 788**
Current liabilities		
Trade and other liabilities and accrued expenses	2 955 477	3 436 942
Provisions	528 525	574 472
Interest-bearing loans and borrowings	509 137	30 007
Deferred income	1 144	1 168
Other current financial liabilities	10 541	40
Total current liabilities	**4 004 824**	**4 042 629**
Total equity and liabilities	**19 335 653**	**19 210 120**

* Share capital after revaluation in accordance with IAS 29

POLSKI KONCERN NAFTOWY ORLEN S.A.
UNCONSOLIDATED CONDENSED PROFIT AND LOSS STATEMENT
(all amounts in PLN thousand)
(Translation of a document originally issued in Polish)

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
	(in thousand PLN)	
Operating activities		
Net sale revenues		
Sales of goods	7 432 797	6 367 977
Excise tax and other charges	(2 124 295)	(2 299 734)
Revenues from sale of finished goods	5 308 502	4 068 243
Sales of merchandise and raw materials	1 551 415	364 210
Excise tax and other charges	(122 464)	(9 859)
Revenues from sale of merchandise and raw materials	1 428 951	354 351
Total sales revenues	**6 737 453**	**4 422 594**
Cost of finished goods sold	(4 627 732)	(2 962 115)
Cost of merchandise and raw materials sold	(1 313 887)	(262 307)
Gross profit on sales	**795 834**	**1 198 172**
Distribution expenses	(362 341)	(332 368)
General and administrative expenses	(120 004)	(124 438)
Other operating revenues	27 422	34 238
Other operating expenses	(31 479)	(49 587)
Profit from operations	**309 432**	**726 017**
Financial revenues	35 803	32 366
Financial expenses	(41 217)	(52 462)
Net financial revenues and expenses	**(5 414)**	**(20 096)**
Profit before tax	**304 018**	**705 921**
Income tax expense	(56 171)	(132 128)
Net profit	**247 847**	**573 793**
Basic and diluted earnings per share in Polish Zloty	**0,58**	**1,34**

In the period of 3 months ended 31 March 2006 and 31 March 2005 there was no additional shares issue.

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

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
	(in thousand PLN)	
Cash flows - operating activities		
Net profit	**247 847**	**573 793**
Adjustments for:		
Depreciation and amortisation	228 088	203 003
Interest and dividend income, net	22 520	(7 342)
Income tax expense	56 171	132 128
(Profit) on investing activities	(3 818)	(1 878)
(Increase) in receivables	(306 077)	(503 771)
(Increase) in inventories	(291 804)	(737 511)
Increase/(Decrease) in liabilities and accruals	(305 820)	579 486
Increase / (Decrease) in provisions	(41 388)	14 076
Other	26 420	52 038
Income tax paid	(133 272)	(85 087)
Net cash provided by / (used in) operating activities	**(501 133)**	**218 935**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(341 934)	(213 417)
Proceeds from the sale of property, plant and equipment	2 271	1 202
Proceeds from the sale of other shares	74 007	-
Acquisition of shares	(21 037)	-
Proceeds from liabilities of the Unipetrol Group	108 219	-
Proceeds from the sale of short-term securities	-	312 122
Interest and dividends received	2 245	17 674
Proceeds from repayment of loans granted to subsidiaries	169	240 248
Other	(216)	(549)
Net cash provided by / (used in) investing activities	**(176 276)**	**357 280**
Cash flow - financing activities		
Proceeds from the long- and short-term borrowings and loans*	1 837 644	99 953
Repayment of long and short-term borrowings and loans*	(1 366 567)	(30 000)
Interest paid	(19 403)	(11 214)
Net cash provided by / (used in) financing activities	**451 674**	**58 739**
Net change in cash and cash equivalents	**(225 735)**	**634 954**
Effect of exchange rate changes	(24)	5 964
Cash and cash equivalents, beginning of the period	**283 509**	**285 952**
Cash and cash equivalents, end of period, incl.	**57 750**	**926 870**
Cash and cash equivalents not available for use	-	178 249

* including change in long-term financing facility of PLN 1,359,091 thousand related to obtaining more favorable credit terms

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

	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	-	-	-	-	-	247 847	247 847
Valuation of hedging instruments at fair value	-	-	-	-	(19 433)	-	(19 433)
31 March 2006 (unaudited)	**534 636**	**522 999**	**1 058 450**	**168 803**	**59 007**	**10 749 222**	**13 093 117**

	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**	**9 577 187**	**11 966 471**
Net profit	-	-	-	-	-	573 793	573 793
Valuation of hedging instruments at fair value	-	-	-	-	(174)	-	(174)
Other	-	-	-	-	-	(198)	(198)
31 March 2005 (unaudited)	**534 636**	**522 999**	**1 058 450**	**168 803**	**104 222**	**10 150 782**	**12 539 892**

The accompanying notes are an integral part of these condensed consolidated financial statements

The statement of changes in unconsolidated equity regarding profits and losses of 3 months ended 31 March 2006 and 31 March 2005

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
Cash flow hedges	(19 433)	(174)
Other	-	(198)
Net (losses) recognized directly in equity	(19 433)	(372)
Net profit for the period	247 847	573 793
Total profits and losses recognized in the period	**228 414**	**573 421**

I. PRINCIPLE ACTIVITY OF THE GROUP

The Parent Company of the Polski Koncern Naftowy ORLEN Capital Group ("Group") is Polski Koncern Naftowy ORLEN S.A. ("Company", "PKN ORLEN", "Parent"), seated in Płock , 7 Chemikow Street.
The Company 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 Parent was registered as Mazowieckie Zaklady Rafineryjne i Petrochemiczne "Petrochemia Plock" S.A. in the District Court in Plock. Effective 20 May 1999, the Company changed its business name to Polski Koncern Naftowy Spolka Akcyjna.
On 7 September 1999, Centrala Produktów Naftowych "CPN" Spolka 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 Spolka Akcyjna.

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

Until the second public offering, completed in July 2000, the Group was primarily controlled, directly or indirectly, by the Polish State Treasury with minority shareholding of employees and others. The State Treasury supervised the Group through its control of the Group's majority shareholder, Nafta Polska S.A. As at 14 April 2006 Nafta Polska S.A. owned directly or indirectly 17.32% of the Company shares, the Polish State Treasury 10.20% shares, Bank of New York (as a depositary) held 10.52% shares and other shareholders owned 61.96% of the Company shares.

II. INFORMATION ON PRINCIPLES ADOPTED FOR PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR I QUARTER 2006

As of 1 January 2005, the amended Polish Accounting Act imposed a requirement on the Group to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union. The information disclosed in these condensed consolidated financial statements is compliant with IAS 24 "Interim Financial Reporting".
From 1 January 2005 the Group has prepared its consolidated financial statements for the first time in compliance with IFRS 1 as it complies with conditions defined in that standard.

The condensed consolidated 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.

1. Statement of compliance

The condensed consolidated financial statements and condensed unconsolidated financial statements presented in this consolidated report have been prepared in accordance with IAS 34 "Interim financial reporting" and in the scope required under the Ministry of Finance Decree of 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal No. 209, item 1744), and they cover the period from 1 January to 31 March 2006 and the comparative period from 1 January to 31 March 2005.

The presented condensed consolidated financial statements are compliant with all requirements of IAS 34 "Interim financial reporting" and present a true and fair view of the Group's financial position as at 31 March 2006 and 31 December 2005, results of its operations and cash flows for the 3 months periods ended 31 March 2006 and 31 March 2005.

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

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

The condensed consolidated and condensed unconsolidated quarterly financial statements included in this consolidated quarterly report were prepared in accordance with the IAS 34 "Interim financial reporting" and in the scope required under the Decree of the Ministry of Finance of 19 October 2005 on current and periodical

information presented by issuers of securities published in Official Journal no. 209, item 1744 ("The Decree"). The statements comprise the period from 1 January to 31 March 2006 and the comparative period from 1 January to 31 March 2005.

According to the paragraph § 87.1 of the Decree the issuer, who is a parent company is not obliged to prepare a separate quarterly report, providing that the condensed unconsolidated quarterly financial statements, comprising balance sheet, profit and loss, statements of changes in equity and cash flow statements, are included in the consolidated quarterly report.

3. Accounting principles

In the current period the Group did not introduce substantial changes into accounting principles compared to the ones applied in 2005. Accounting principles applied by the Parent and the PKN ORLEN capital Group in 2005 were presented in published unconsolidated and consolidated annual report for 2005.

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

a) Functional currency and presentation currency

Functional currency of the Parent Company and presentation currency of the foregoing condensed consolidated financial statements is polish zloty.
Financial statements of foreign entities, for consolidation purposes are translated into polish zloty using the following procedures:

- assets and liabilities of each presented balance sheet are translated at the closing rate at the given balance sheet date;
- respective items in the profit and loss are translated at exchange rates at the dates of the transactions. All resulting exchange differences are recognized as a separate component of equity.

b) Methods applied to translation of data denominated in foreign currencies

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

- particular assets and liabilities – at the closing rate for 31 March 2006 – PLN 3.9357 / EUR, for 31 December 2005 – PLN 3.8598 / EUR,
- particular income and expense items and positions of the statement of cash flows – at the arithmetic average of exchange rates of the period from 1 January 2006 to 31 March 2006 – PLN 3.8456 / EUR; for the period from 1 January 2005 to 31 March 2005 the rate was PLN 4.0153 / EUR.

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

- particular assets and liabilities – at the closing rate for 31 March 2006 – PLN 0.1377 / CZK, for 31 December 2005 – PLN 0.1329 / CZK,
- particular income and expense items and positions of the statement of cash flows – at the arithmetic average of exchange rates of the period from 1 January 2006 to 31 March 2006 – PLN 0.1353 / EUR.

5. Companies included in the consolidated financial statements

These condensed consolidated financial statements comprise PKN ORLEN S.A. as a Parent Company and following entities belonging to the Group located mainly in Poland, Czech Republic and Germany as at 31 March 2006:

THE GROUP DIVISION BY BUSINESS SEGMENTS*

REFINING SEGMENT

- Capital Group of ORLEN Gaz Sp. z o.o 100 % [1]
  - Capital Group of ORLEN PetroProfit Sp. z o.o. 100 % [2]
  - Capital Group of ORLEN PetroTank Sp. z o.o. 90 % [3]
  - ORLEN PetroCentrum Sp. z o.o 100 %
  - Petrolot Sp. z o.o. 51 %
  - ORLEN PetroZachód Sp. z o.o. 100 %
  - Capital Group of ORLEN Deutschland AG 100 % [4]
- Capital Group of Rafineria Trzebinia S.A. 77 % [5]
  - Capital Group of SHIP - SERVICE S.A. 61 % [6]
  - Capital Group of Rafineria Nafty Jedlicze S.A. 75 % [7]
  - ORLEN Asfalt Sp. z o.o. 100 %
  - Capital Group of ORLEN Oil Sp. z o.o. 100 % [8]
  - ORLEN Morena Sp. z o.o. 100 %
  - ORLEN Petrogaz Wrocław Sp. z o.o. 52 %
- Capital Group of UNIPETROL a.s. 63 % [9]

CHEMICAL SEGMENT

- Capital Group of Zakłady Azotowe "Anwil" S.A. 84 % [10]
  - Capital Group of BASELL ORLEN POLYOLEFINS Sp. z o.o. 50% [11]

UNALLOCATED SEGMENT

- Motell Sp. z o.o. 35 %
- ORLEN Transport Kraków Sp. z o.o. 98 %
- ORLEN Transport Nowa Sól Sp. z o.o. 97 %
- IKS SOLINO S.A. 71 %
- Petrotel Sp. z o.o. 75 %
- WISŁA Płock Sportowa SA 100 %
- Petromor Sp. z o.o. 51 %
- Capital Group of ORLEN Medica Sp. z o.o. 100 % [12]
- RafTrans Sp. z o.o. 99%
- POILEN Sp. z o.o. 25%
- ORLEN Projekt S.A. 51 %
- ORLEN Ochrona Sp. z o.o. 100 %
- Capital Group of Zakład Budowy Aparatury S.A. 97 % [13]
- Capital Group of ORLEN Laboratorium Sp. z o.o. 95 %
- ORLEN Automatyka Sp. z o.o. 52 %
- ORLEN KolTrans Sp. z o.o. 100 %
- ORLEN Transport Płock Sp. z o.o. 98 %
- ORLEN Administracja Sp. z .o. o. 100 %
- ORLEN Powiernik Sp. z o.o. 100%
- ORLEN Wir Sp. z o.o. 51 %
- ORLEN Budonaft Sp. z o.o. 100 %
- Raf Lab Sp. z o.o. 100 %
- ORLEN Centrum Serwisowe Sp. z o.o. 97 %
- ORLEN Transport Słupsk Sp. z o.o. 97 %
- B.H.T. Dromech S.A. declared insolvency 81 %
- Niezależny Operator Międzystrefowy Sp. z o.o. 35 %
- Polkomtel S.A. 19,61%
- ORLEN Transport Olsztyn Sp. z o.o. 95%
- Chemiepetrol GmbH 20%
- ORLEN EKO Sp. z o.o. 100 %
- ORLEN Transport Szczecin Sp. z o.o. 100 %
- ORLEN Transport Kędzierzyn - Koźle Sp. z o.o. 94 %
- Capital Group of Płocki Park Przemysłowo Technologiczny S.A. 50% [14]

Entities consolidated by the full method as at 31 March 2006

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

THE LIST OF COMPANIES BELONGING TO THE CAPITAL GROUPS ON LOWER LEVELS PRESENTED ON THE CAPITAL GROUP SCHEME

Name of capital group	Share in total voting rights
1. Capital Group of ORLEN Gaz Sp. z o.o.	100%
including:	
Przedsiębiorstwo Gazyfikacji Bezprzewodowej S.A.	100%
2. Capital Group of ORLEN PetroProfit Sp. z o.o.	100%
including:	
Petromont Sp. z o.o.	85%
Petro-Ukraina LTD	80%
Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o.	76%
Petrooktan Sp. z o.o.	51%
Petro-Ukraina in liquidation	31%
3. Capital Group of ORLEN PetroTank Sp. z o.o.	90%
including:	
Petro-Mawi Sp. z o.o. in liquidation	60%
Petro-Ukraina in liqiudation	31%
4. Capital Group of ORLEN Deutschland AG	100%
including:	
Wecotect Trading & Consulting GmbH	100%
Hermann Eggert Mineraloelvertriebs GmbH	100%
5. Capital Group of Rafineria Trzebinia S.A.	77%
including:	
Energomedia Sp. z o.o.	100%
Euronaft Sp. z o.o.	100%
Naftowax Sp. z o.o.	100%
Zakładowa Straż Pożarna Sp. z o.o.	100%
AQUA PLANET Sp. z o.o.	100%
Ekonaft Sp. z o.o.	99%
6. Capital Group of Ship Service S.A.	61%
including:	
Ship-Service Agro Sp. z o.o.	100%
UAB Ship-Service Klaipeda	50%
7. Capital Group of Rafineria Nafty Jedlicze S.A.	75%
including:	
Raf-Energia Sp. z o.o.	100%
Raf-Koltrans Sp. z o.o.	100%
Raf-Służba Ratownicza Sp. z o.o.	100%
Raf-Bit Sp. z o.o.	100%
Raf-Remat Sp. z o.o.	96%
Raf-Ekologia Sp. z o.o.	93%
Konsorcjum Olejów Przepracowanych – Organizacja Odzysku S.A.	81%
Ran Petromex Sp. z o.o.	51%
Ran-Watt Sp. z o.o. in liquidation	51%

Name of capital group	Share in total voting rights
8. Capital Group of ORLEN Oil Sp. z o.o.	100%
including:	
ORLEN Oil Cesko s.r.o.	100%
Platinum Oil Mazowsze Sp. z o.o.	100%
Petro-Oil CZ s.r.o.	49%
Petro-Oil Łódzkie Centrum Sprzedaży Sp. z o.o.	25%
Petro-Oil Seewax Sp. z o.o.	25%
Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Dolnośląskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Małopolskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Podlaskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Śląskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Zachodniopomorskie Centrum Sprzedaży Sp. z o.o.	24%
Petro-Oil Wielkopolskie Centrum Sprzedaży Sp. z o.o.	22%
9. Capital Group of Unipetrol a.s.	63%
including:	
Capital Group of CHEMOPETROL a.s.	100%
UNIPETROL DOPRAVA, a.s.	100%
B.U.T. s.r.o.	100%
CHEMICKÁ SERVISNÍ a.s.	100%
POLYMER INSTITUTE BRNO spol. s.r.o.	100%
HC CHEMOPETROL a.s.	71%
Celio a.s.	41%
Capital Group of UNIPETROL TRADE a.s.	100%
UNIPETROL CHEMICALS IBERICA S.A.	100%
CHEMAPOL (SCHWEIZ) AG	100%
UNIPETROL AUSTRIA HmbH	100%
UNIPETROL (UK) LIMITED	100%
ALIACHEM BENELUX B.V. in liquidation	100%
ALIACHEM USA Inc.	100%
UNIPETROL POLSKA Sp. z o.o.	100%
MOGUL d.o.o.	100%
DP MOGUL UKRAJINA	100%
ALIACHEM VERWALTUNGS GmbH	100%
ALIAPHARM GmbH FRANKFURT	100%
UNIPETROL DEUTSCHLAND GmbH	100%
UNIPETROL FRANCE S.A.	97%
ALIACHEM ITALIA S.r.l.	90%
Výzkumný ústav anorganické chemie a.s.	100%
Capital Group of BENZINA a.s.	100%
Paramo Trysk a.s.	100%
PETROTRANS a.s.	100%
ČS Žilina s.r.o.	100%
ČS Smižany ws.r.o.	100%
ČS Milhost' s.r.o.	100%
BENZINA Trade a.s. in liquidation	100%
Capital Group of UNIPETROL RAFINERIE a.s.	100%
UNIRAF SLOVENSKO s.r.o.	100%
Capital Group of KAUČUK a.s.	100%
K-PROTOS a.s.	100%

Name of capital group	Share in total voting rights
Capital Group of SPOLANA a.s.	82%
NeraPharm spol. s.r.o.	100%
Capital Group of PARAMO a.s.	74%
MOGUL SLOVAKIA s.r.o.	100%
ČESKÁ RAFINÉRSKÁ a.s.	51%
Capital Group of AGROBOHEMIE a.s.	50%
Lovochemie a.s.	100%
AGROSLUŽBY ŽATEC a.s.	43%
ALIACHEM a.s.	55%
Capital Group of ALIACHEM a.s.	39%
OSTACOLOR s.r.o.	100%
Ostacolor Polska Sp. z o.o.	100%
Fatra, a.s.	100%
FATRA-HIF, s.r.o.	100%
Energetika Chropyně, a.s.	100%
Výzkumný ústav organických syntéz a.s.	100%
SynBiol, a.s.	100%
10. Capital Group of Zakłady Azotowe "Anwil" S.A.	84%
including:	
Przedsiębiorstwo Inwestycyjno-Remontowe Remwil Sp. z o.o.	100%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Pro-Lab Sp. z o.o.	99%
Przedsiębiorstwo Usług Specjalistycznych i Projektowych Chemeko Sp. z o.o.	56%
Zakład Usługowo Produkcyjny EKO-Dróg Sp. z o.o.	49%
Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	49%
Apex-Elzar Sp. z o.o.	47%
Specjalistyczna Przychodnia Przemysłowa Prof-Med Sp. z o.o.	46%
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Arbud Sp.z o.o.	45%
11. Capital Group of Basell ORLEN Polyolefins Sp. z o.o.	50%
including:	
Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	100%
12. Capital Group of ORLEN Medica Sp. z o.o.	100%
including:	
Sanatorium Uzdrowiskowe "KRYSTYNKA" Sp. z o.o.	99%
13. Capital Group of Zakład Budowy Aparatury S.A.	97%
including:	
PetroKor Sp. z o.o.	20%
14. Capital Group of Płocki Park Przemysłowo-Technologiczny S.A.	50%
including:	
Centrum Edukacji Sp. z o.o.	69%
Centrum Komercjalizacji Technologii Sp. z o.o.	100%

III. SELECTED EXPLANATORY NOTES

3.1. Impairment of assets

3.1.1 Impairment of property, plant and equipment

Data for 1st quarter	2006	2005
	(unaudited)	(unaudited)
Opening balance as at 1 January	806 644	200 978
Additions during the period 1 January - 31 March	16 954	3 320
Disposals during the period 1 January - 31 March	(20 561)	(22 193)
Closing balance as at 31 March	**803 037**	**182 105**

3.1.2 Impairment of construction in progress

Data for 1st quarter	2006	2005
	(unaudited)	(unaudited)
Opening balance as at 1 January	51 064	55 249
Additions during the period 1 January - 31 March	75	-
Disposals during the period 1 January - 31 March	(833)	(3 814)
Closing balance as at 31 March	**50 306**	**51 435**

3.1.3 Impairment of intangible assets

Data for 1st quarter	2006	2005
	(unaudited)	(unaudited)
Opening balance as at 1 January	61 055	8 200
Additions during the period 1 January - 31 March	2	-
Disposals during the peropd 1 January - 31 March	(195)	(258)
Closing balance as at 31 March	**60 862**	**7 942**

3.1.4 Impairment of long term financial investments (shares)

Data for 1st quarter	2006	2005
	(unaudited)	(unaudited)
Opening balance as at 1 January	144 701	78 370
Additions during the period 1 January - 31 March	203	80
Disposals during the period 1 January - 31 March	(2 379)	(46)
Closing balance as at 31 March	**142 525**	**78 404**

3.1.5 Receivables allowances

Data for 1st quarter	2006	2005
	(unaudited)	(unaudited)
Opening balance as at 1 January	600 134	474 235
Additions during the period 1 January - 31 March	27 925	20 357
Disposals during the period 1 January - 31 March	(23 984)	(19 514)
Closing balance as at 31 March	**604 075**	**475 078**

3.1.6 Inventory allowances

Data for 1st quarter	2006 (unaudited)	2005 (unaudited)
Opening balance as at 1 January	66 006	6 864
Additions during the period 1 January - 31 March	15 620	-
Disposals during the period 1 January - 31 March	(20 192)	(412)
Closing balance as at 31 March	**61 434**	**6 452**

3.2. Provisions

3.2.1 Deferred tax liabilities

Data for 1st quarter	2006 (unaudited)	2005 (unaudited)
Opening balance as at 1 January	1 020 159	458 512
Additions during the period 1 January - 31 March	49 674	31 401
Disposals during the period 1 January - 31 March	(125 262)	(39 881)
Closing balance as at 31 March	**944 571**	**450 032**

3.2.2 Retirement benefits and jubilee bonuses provision

Data for 1st quarter	2006 (unaudited)	2005 (unaudited)
Opening balance as at 1 January	216 405	197 446
Additions during the period 1 January - 31 March	4 543	1 227
Disposals during the period 1 January - 31 March	(3 811)	(749)
Closing balance as at 31 March	**217 137**	**197 924**

3.2.3 Other provisions

Data for 1st quarter 2006 (unaudited)	Land reclamation provsion	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.01.2006	558 307	199 218	526 106	140 228	1 423 859
Increase during the period 01.01.2006 – 31.03.2006	2 878	-	9 856	3 264	15 998
Decrease during the period 01.01.2006 – 31.03.2006	(2 928)	(44 839)	(11 521)	(3 905)	(63 193)
Balance as at 31.03.2006	558 257	154 379	524 441	139 587	1 376 664

Data for 1st quarter 2005 (unaudited)	Land reclamation provsion	Shield programmes provisions	Business risk provision	Other provisions	Total other provisions
Balance as at 01.01.2005	501 702	70 000	87 982	68 604	728 288
Increase during the period 01.01.2005 – 31.03.2005	-	-	2 744	12 981	15 725
Decrease during the period 01.01.2005 – 31.03.2005	(4 364)	-	(877)	(380)	(5 621)
Balance as at 31.03.2005	497 338	70 000	89 849	81 205	738 392

3.3. Goodwill

	31 March 2006 (unaudited)	**31 December 2005**
ORLEN PetroTank Sp. z o.o.	11 298	11 298
Ship Service S.A.	3 145	3 145
PetroProfit Sp. z o.o.	1 175	1 175
Other	2 012	2 012
Total	**17 630**	**17 630**

3.4. Interest-bearing loans and borrowings

	31 March 2006 (unaudited)	**31 December 2005**
Bank loans	4 703 505	3 956 721
Borrownings	13 019	13 065
Debt securities	609 273	547 011
Total	**5 325 797**	**4 516 797**
including:		
short-term	1 893 089	1 110 819
long-term	3 432 708	3 405 978

The value of interest-bearing loans and borrowings drawn by the Group increased during 3 months ended 31 March 2006 by PLN 809,000 thousand net.
The change in indebtedness level resulted primarily from:
- drawing of foreign currency loans translated to PLN:
  - USD 218,269 thousand (PLN 695,993 thousand) in consortium of banks BTM
  - EUR 171,596 thousand (PLN 663,098 thousand) in consortium of banks BTM
  - EUR 29,544 thousand (PLN 116,276 thousand) in consortium of banks (Societe Generale acting as Agent)
  - CZK 452,164 thousand (PLN 62,263 thousand) increase of indebtedness due to acquisition of debenture bonds)
  - CZK 12,645,062 thousand (PLN 1,741,225 thousand) drawing of loans by Unipetrol Group
- drawing of loans in PLN:
  - PLN 202,859 thousand in PKO BP S.A.
  - PLN 114,016 thousand in BH w Warszawie S.A.
  - PLN 109,104 thousand in Pekao S.A.
  - PLN 90,848 thousand in BPH PBK S.A.
  - PLN 14,331 thousand in Bank Ochrony Środowiska S.A.
  - PLN 29,435 thousand resulting from foreign exchange differences at PKN ORLEN S.A.
  - PLN 13,277 thousand resulting from foreign exchange differences at BOP S.A.
  - PLN 50,670 thousand resulting from foreign exchange differences at Unipetrol a.s. Group
  - PLN 6,303 thousand resulting from foreign exchange differences at ORLEN DEUTSCHLAND A.G.
- repayment of foreign currency loans translated to PLN:
  - USD 218,269 thousand (PLN 711,839 thousand) of a consortium double currency loan (ING acting as Agent)

EUR 171,596 thousand (PLN 662,326 thousand) of a consortium double currency loan (ING acting as Agent)
EUR 61,500 thousand (PLN 242,047 thousand) repayment of loans by ORLEN DEUTSCHLAND A.G.
CZK 10,434 thousand (PLN 1,436,884 thousand) repayment of loans by Unipetrol a.s. Group

- repayment of loans in PLN

PLN 28,213 thousand in BPH PBK S.A
PLN 9,473 thousand in Pekao S.A.
PLN 4,472 thousand in BH w Warszawie S.A.
PLN 2,393 thousand in BRE BANK S.A.
PLN 1,386 thousand in PKO BP S.A.
PLN 600 thousand in BOŚ S.A.
PLN 375 thousand in BGŻ S.A.
PLN 361 thousand in ING Bank Śląski S.A.
PLN 170 thousand in Narodowy Fundusz Ochrony Środowiska
PLN 159 thousand in Kredyt Bank S.A.

3.5. Cost by kind

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
Materials and energy	6 291 193	3 268 764
Cost of merchandise and materiale sold	2 885 044	2 197 521
External services	653 758	369 773
Payroll, social security and other employee benefis	345 559	257 498
Depreciation	532 949	288 137
Taxes and charge	98 402	91 748
Other	144 479	104 947
	10 951 384	6 578 388
Change in inventory and interperiod settlements	79 799	(471 735)
Cost of products and services for own use	(17 261)	(20 027)
Operating cost	11 013 922	6 086 626
Distribution expenses	(645 803)	(489 416)
General and administrative expenses	(246 190)	(198 771)
Other operating expenses	(94 414)	(64 221)
Cost of merchandise and raw materials sold*	10 027 515	5 334 218

* including abnormal consumption, excluded from cost of purchase and cost of conversion in line with IAS 2 „Inventories”

3.6. Net financial income and expenses

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
Interest paid	(57 836)	(23 166)
Negative foreign exchange surplus	(63 609)	(35 468)
Interest received	16 734	33 647
Positive foreign exchange surplus	99 077	7 404
Gains on trade in shares and other securities	17 614	265
Dividends received	149	4 493
Financial instruments valuation	(25 476)	4 829
Other	(7 916)	(19 876)
Total	**(21 263)**	**(27 872)**

3.7. Income tax

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
Current tax	(172 204)	(164 842)
Deferred tax	94 121	22 605
Total	**(78 083)**	**(142 237)**

The PKN ORLEN Group does not form a tax group under Polish regulations. The Group contains Basell ORLEN Polyolefins Sp. z o.o capital group which is a tax capital group comprising Basell ORLEN Polyolefins Sp. z o.o. and Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.

IV. GROUP'S ACHIEVEMENTS IN THE FIRST QUARTER 2006 ACCOMPANIED BY CIRCUMSTANCES AND EVENTS WHICH HAVE SIGNIFICANT IMPACT ON THE FINANCIAL RESULT

KEY FACTORS INFLUENCING THE RESULT OF FIRST QUARTER 2006 – COMPANY'S COMMENTARY

Selected consolidated financial data

'000 PLN

	2006	2005
Total sales revenues for first quarter	11 330 649	6 805 908
Operating expenses and other operating expenses for first quarter	10 879 902	6 007 955
Profit from operations for first quarter	450 747	797 953
EBITDA for first quarter	983 696	1 086 090
Net profit attributable to the equity holders of the Parent for first quarter	364 977	667 527

1. MAIN MACROECONOMICAL FACTORS – with adverse impact on the results

- Decrease in differential by 29.1% from 5.06 USD/bbl in 1st quarter 2005 to 3.59 USD/bbl in 1st quarter 2006 decreased EBIT of 1st quarter 2006 by PLN 138 million,
- Deterioration of market conditions for the petrochemical products from 3rd quarter 2005 resulted in 1st quarter 2006 compared to 1st quarter 2005 in a decrease in margins for ethylene from 610.20 to 490.53 USD/tonne (by 19.6%) and propylene from 540.33 to 484.09 USD/tonne (by 10.4%). Total effect of the margins decrease on petrochemical products decreased EBIT in the Parent Company by PLN 130 million,
- Relatively lower increase in crack margin on refinery products compared to quotation of crude oil resulted in an increase in costs of own usage in the Parent Company and decrease of EBIT by PLN 133 million,
- Unfavorable weather conditions and tense situation on raw materials market (natural gas) resulted in shortages in gas supplies and influenced negatively EBIT of the Parent Company by PLN 110 million,
- Difference in the value of raw materials subject to production process between 1st quarter 2005 and 1st quarter 2006 caused a decrease of EBIT by PLN 96 million,

2. INTERNAL FACTORS – with positive impact on the results

- Considerable increase in volume sales of Olefins and polyethylene and polypropylene resulting from launching of new installations in Basell Orlen Polyolefins caused an increase of EBIT of the Parent Company by PLN 56 million in the 1st quarter 2006,
- Increase in retail sale volume of engine fuels in the Parent Company resulted in an increase of EBIT by PLN 13 million,
- First positive results of successive cost cutting programme OPTIMA resulted in EBIT increase by PLN 54 million – main area of savings is still refinery – PLN 20 million.

Starting on 1 January 2006 the new Organizational Rules and Regulations of the Company which was adopted by Management Board on 22 December 2005 was entered into force. In accordance with the said Regulations, the duties of Members of the Management Board have been assigned in the following manner:
- President of the Management Board, General Director;
- Vice-President of the Management Board, Chief Investment Officer;
- Vice-President of the Management Board, Cost Management;
- Vice-President of the Management Board, Crude Oil Mining and Trading;
- Vice-President of the Management Board, Chief Sales Officer;
- Member of the Management Board, Chief Financial Officer;
- Member of the Management Board, Organizational Structure and Capital Group.

Duties of the Deputy Executive Officer for Operational Activities include the areas of production, maintenance of technical operations, production development, technology and property investment.

On 1 January 2006 11 Reporting Directors were appointed, who take over the responsibility for results and coordination of particular segments or support functions within the Concern, including the realization of the synergy. Additionally Reporting Directors of particular organizational divisions were assigned with companies belonging to the Capital Group, accordingly to content related supervision of Company's operations. Reporting Directors operate in their organizational divisions. Responsibility for realizations of goals requiring coordination of a few organization divisions within the Concern is assigned to one leading Reporting Director who complete goals together with other Reporting Directors. Reporting Directors are responsible for completing agreed goals by consensus relating to strategies, plans, and current operations and for implementing uniform standards and procedures in the Concern. They recommend also PKN ORLEN's representatives to Supervisory Boards of the Group companies, accordingly to their responsibilities. They also influence appointing key executive personnel in the Group companies.
On 1 January 2006 functions of Administration Department, Business Equipment Department in Płock and 12 Regional Administration Departments.

The most important activities connected with reorganization of the PKN ORLEN Capital Group in the first quarter 2006 include:

- On 27 February 2006, PKN ORLEN has executed the Pledge Sale Agreement for the sale of 165,924 shares in Dutch commercial company AWSA Holland II B.V. to the benefit of Kulczyk Holding. The shares sold by PKN ORLEN represent 9.218% of the share capital of AWSA Holland B.V. As a payment for th e AWSA Holland II B.V. shares, Kulczyk Holding has transferred PLN 73,007 thousand to the bank account of PKN ORLEN. Transfer of the ownership of AWSA Holland II B.V. shares sold by PKN ORLEN to Kulczyk Holding will be completed after the Shares Disposal Agreement is signed, which will occur after the conditions mentioned in the Pledge Sale Agreement are fulfilled, in particular the approval of the Shareholders Meeting of AWSA Holland II B.V.

- ORLEN Administracja sp. z o. o., a limited liability company seated in Płock, was registered on 16th March 2006 by a District Court in Warsaw. PKN ORLEN established 3,000 shares in ORLEN Administracja, representing 100% of the initial capital. The purchased shares in ORLEN Administracja were covered by PKN ORLEN in the form of a cash contribution of PLN 1,500 thousand.

- Purchase on the 20th March 2006 from BGW Sp. z o.o., seated in Poznan, 8,549 shares in ORLEN PetroZachod Sp. z o.o. Purchase price amounted to PLN 21,012 thousand with the reservation of price adjustment increasing the price by not greater than PLN 3,000 thousand. The price adjustment depends on the fulfilling the conditions mentioned in the Agreement. The purchased shares represent 48.17% of the initial capital of ORLEN PetroZachod Sp. z o.o. As a result of the above mentioned transaction PKN ORLEN becomes the sole shareholder of ORLEN PetroZachod Sp. z o.o.

-On the 21st March 2006, the Company sold 13,449 shares of its subsidiary - SAMRELAKS Machocice Sp. z o.o. („SAMRELAKS") seated in Machocice Kapitulne for the total amount of PLN 4,000 thousand, representing 100% of its initial capital. The book value of the sold shares in the PKN ORLEN books amounted to PLN 2,505 thousand as of 31 December 2005.

At the end of the 1st quarter of 2006, PKN ORLEN S.A. held shares directly and indirectly in the following entities, which it controls, jointly controls or the operation of which it considerably influences:
− 121 subsidiaries;
− 5 jointly controlled companies;
− 24 associated companies.

In comparison to the end of 1st quarter 2005 the number of subsidiaries, jointly controlled companies and associated companies belonging to the Capital Group increased from 105 to 150. The total increase in the number of companies and consolidated companies resulted mainly from the recognition of Unipetrol Capital Group which consists of 48 entities.

The most significant factors influencing the Group's operating results for the first quarter 2006, as compared to results for the first quarter of 2005 consist of the following:
- increase in margins (cracks) for gasoline from 86.04 to 109.01 USD/t (by 26.7%), Ekoterm from 81.54 to 89.81 USD/t (by 10.1%) and Jet A-1 aviation fuel from 126.76 to 148.10 USD/t (by 16.8%) and decrease in margins (cracks) for diesel oil from 115.99 to 110.17 USD/t (by 5.0%);
- increase in the average commodity price for Brent crude oil from 47.65 to 61.79 USD/bbl (by 29.7%);
- increase in the volume of gasoline and diesel oil sold by 13.9% and 62.6%, respectively;
- increase in the volume of LPG sold by 30.2%;
- increase in the crude oil processing by 29.9%;
- increase in average exchange rate of USD against PLN from PLN 3.07/USD to PLN 3.19/USD (by 3.9%);
- decrease in margins (cracks) for ethylene from 610.20 to 490.53 USD/t (by 19.6%) and for propylene from 540.33 to 484.09 USD/t (by 10.4%);
- decrease in Ural/Brent differential from /-5.06/ USD/bbl to /-3.59/ USD/bbl (by 29.1%);
- decrease in average exchange rate of EUR against PLN from PLN 4.03/EUR to PLN 3.83/EUR (by 5.0%).

In the first quarter 2006, the volume of wholesale and retail sale of engine fuel (gasoline, diesel oil, LPG, Jet A1) and light fuel oil (Ekoterm) in the Group amounted to 3,088,272 tonnes and was higher than sales in the first quarter 2005 by 707,194 tonnes (by 29.7%). During the first quarter 2006 total sales of finished goods (refining, chemical and other) amounted to 4,858,195 tonnes and was higher than in the first quarter of the prior year by 1,550,242 tonnes (by 46.9%). During the first quarter 2006, retail sales of engine fuel (gasoline, diesel fuel, LPG) and light fuel oil amounted to 915,398 tonnes and was higher than sales in the comparable period of the prior year by 169,804 tonnes (by 22.8%).

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

Sales of light products in the PKN ORLEN S.A. Group (by volume)	1st quarter 2006*		1st quarter 2005		Change (%) 1st quarter 2006 / 1st quarter 2005
Wholesale of key light products, including:		2 172 874		1 635 484	132.9
- gasoline (tonnes)		513 303		443 267	115.8
- diesel oil (tonnes)		1 022 365		584 543	174.9
- Jet A-1 (tonnes)		94 838		84 796	111.8
- Ekoterm (tonnes)		495 858		484 886	102.3
- LPG (tonnes)		46 510		37 992	122.4
Retail sales of key light products including:	1 177 734	915 398	962 027	745 594	122.8
- gasoline ('000 litres) / tonnes	636 628	480 654	568 668	429 344	112.0
- diesel oil ('000 litres) /tonnes	461 631	390 078	336 241	284 124	137.3
- Ekoterm ('000 litres) / (tonnes)	2	2	90	76	2.6
- LPG ('000 litres) / (tonnes)	79 473	44 664	57 028	32 050	139.4
Total sales of fuels (tonnes)		3 088 272		2 381 078	129.7
- including engine fuels (tonnes)		2 497 574		1 811 320	137.9

*total sales of fuels including merchandise (gasoline, diesel oil, light fuel oil, LPG, Jet A-1) realized by Unipetrol a.s. in the first quarter 2006 amounted to 536,391 tonnes; retail sales of engine fuels including merchandise (gasoline, diesel oil, LPG) accounted for 86,078 tonnes.

Decrease in operating results of the Parent Company and the Group in the first quarter 2006 as compared to the parallel period in the prior year was due to a number of factors, including high level of crude oil prices, decrease in margins (cracks) for diesel oil, recession in petrochemical products market from 3rd quarter 2005, decrease in Brent/Ural differential.

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

In PLN thousand

Item	1st quarter 2006		Share of PKN in the Group	1st quarter 2005		Share of PKN in the Group
	Group	PKN	(%)	Grupa	PKN	(%)
Crude oil processed ('000 tonnes)	4 109	3 201	77.9	3 162	3 095	97.9
Net sale revenues	11 330 649	6 737 453	59.5	6 805 908	4 422 594	65.0
Gross profit on sales	1 303 134	795 834	61.1	1 471 690	1 198 172	81.4
Profit from operations	450 747	309 432	68.6	797 953	726 017	91.0
Profit before tax	476 236	304 018	63.8	820 771	705 921	86.0
Net profit	398 153	247 847	62.2	678 534	573 793	84.6

In the first quarter 2006, PKN ORLEN S.A. Group's refinery throughput amounted to 4,109 thousand tonnes of crude oil. The achieved level of throughput in the first quarter 2006 is by 29.9% higher than in the analogous period of the prior year. The higher throughput was caused by recognition in 2006 of Unipetrol a.s. throughput, which in the first quarter 2006 amounted to 875 thousand tonnes.
In the first quarter 2006 the Group's profit from operations amounted to PLN 451 million, compared to PLN 798 million in the parallel period of 2005. The lower profit from operations in the first quarter 2006 results primarily from adverse margins for diesel oil and for petrochemicals products and also from low Brent/Ural differential compared to the prior year. Profit from operations in the first quarter 2006 was also influenced by unfavorable weather conditions in January and February which caused decrease in demand for gasoline. Additionally during the first quarter there were frequent standstill of production system of Polyethylene and Polypropylene. This resulted in lower than expected increase in production of Polyethylene and Polypropylene, necessity of changing in load management in consequence high level of production of heavy fuel oil which is noneprofitable.
On profit from operations influenced also by lower than in the first quarter 2005 operating results of Group companies. Decrease in prices for chemical products (CANWIL, PWC, sodium hydroxide) and more rapid increase in raw material prices than finished products resulted in a decrease in profit from operations of Anwil S.A. by PLN 16 million compared to 1st quarter 2005. Changes in productions structure in Rafineria Nafty Jedlicze S.A. in accordance with lease of Oil and Lubricants production unit to Orlen Oil and significantly longer than expected seasonal demand decrease for refining products resulted in a decrease in profit from operations by PLN 6 million.
Net profit of the Group in the first quarter 2006 amounted PLN 398 million and was by 41.3% lower than profit generated in 1st quarter 2005.

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

In PLN thousands

Item	1st quarter 2006					
	Refining Segment	Petrochemical Segment	Chemical Segment	Other operations	Adjust.	Total
Segment result	145 862	310 158	56 975	48 899	-4 878	557 016
Unallocated revenues of the Group and other						5 804
Unallocated costs of the Group and other						-112 073
Profit from operations						450 747

Item	1st quarter 2005					
	Refining Segment	Petrochemical Segment	Chemical Segment	Other operations	Adjust.	Total
Segment result	552 973	270 285	65 319	43 996	-325	932 248
Unallocated revenues of the Group and other						1 816
Unallocated costs of the Group and other						-136 111
Profit from operations						797 953

In the first quarter 2006, as compared to the analogous period of the prior year, total profit from operations decreased by 43.5%. These tendencies were primarily caused by the results of the refining segment (decrease by 73.6% compared to the first quarter 2005). The decrease in margins on diesel oil and lower differential caused worsening of results of PKN ORLEN S.A. in this segment and negative result of Unipetrol a.s. in the amount of PLN 64 millions.

In the first quarter 2006 petrochemical's segment profit from operations increased by 14.8% in spite of recession on petrochemical products market (ethylene, propylene, benzene, glycols, phenol, butadiene, acetone, paraxylene and ortoxylene). Increase of result of this segment is due to consolidation of results from Czech Unipetrol (PLN 135 millions). Effects of decreasing margins affected polish companies from this segment i.e. PKN ORLEN and BOP which results decreased by- 23% and 42% respectively. In the first quarter 2006 profit from operations fallen down in Anwil S.A. (by 25%) which considerably affected on decrease of result of whole petrochemical segment by 12.8%. Unipetrol a.s. profit in this segment amounted to PLN 6 millions.

Year 2005 was the last year of The Comprehensive Operating Cost Cutting Program directed to reduction significant part of operating costs in all areas of operating activities. At the end of 2005 the goal to The Comprehensive Operating Cost Cutting Program (800 millions reduction of repeatable savings) was exceeded over 80 millions. Simultaneously from 1 January 2006 the Company started to implement OPTIMA program, directed to use of new identified potential savings of operating costs and Capital expenditures till 2009. In the first quarter 2006 OPTIMA program show effects in the amount of PLN 54 million.
In the first quarter of 2006, the Parent Company did not issue any securities under the Bond Issuance Program.

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

During the three-month period ended 31 March 2006 the following significant events influencing the information presented in these condensed consolidated financial statements occurred:

1. CO_2 Emission rights

In the financial statements, the Group recognized the CO_2 emission rights that were granted free of charge based on 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 Group 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
Emission rights acquired by the Group in 2005 for the 3-year accounting period	35 333 094	2 967 716
Estimated / actual use of emission rights in 2005	10 359 441	865 152
Emissions planned in 2006, including:	11 239 154	938 949
Emissions planned in I quarter 2006	3 074 729	257 006
Emissions planned in 2007	11 351 304	949 588
Sale of emission rights in I quarter 2006	330 000	27 574

The net value of granted emission rights as at 31 March 2006 in the consolidated balance sheet of the Group, being the difference between granted emission rights and deferred income related to receipt of rights free of charge, amounted to nil.

As at the date of preparation of these condensed consolidated financial statements in PKN ORLEN S.A., Anwil S.A., Rafineria Trzebinia S.A., Rafineria Nafty Jedlicze S.A. and Orlen Asfalt S.A., the decisions relating settlement of CO_2 emission rights usage in 2005 were still pending.

VI. SEGMENT DATA

	Refining Segment		Petrochemical Segment		Chemical Segment		Other operations		Adjustments		Total	
	3 months		3 months		3 months		3 months		3 months		3 months	
	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005
Revenues												
Sales to external customers	8 248 174	5 568 802	1 956 231	668 718	846 157	378 762	250 519	163 411			11 301 081	6 779 693
Transactions with other segments	2 935 944	1 149 107	1 014 400	421 246	2 297	-	259 830	208 665	(4 212 471)	(1 779 018)	-	-
Settlement of hedging transactions			29 568	26 215							29 568	26 215
Total revenues	11 184 118	6 717 909	3 000 199	1 116 179	848 454	378 762	510 349	372 076	(4 212 471)	(1 779 018)	11 330 649	6 805 908
Total operating cost	(11 060 382)	(6 181 649)	(2 671 308)	(845 667)	(786 710)	(313 870)	(423 329)	(327 523)	4 207 593	1 778 693	(10 734 136)	(5 890 016)
Other operating income	78 318	64 908	33 257	1 015	7 845	1 837	8 796	9 095			128 216	76 855
Other operating expenses	(42 153)	(48 195)	(22 141)	(1 242)	(12 614)	(1 410)	(12 042)	(9 652)			(88 950)	(60 499)
Segment result	**159 901**	**552 973**	**340 007**	**270 285**	**56 975**	**65 319**	**83 774**	**43 996**	**(4 878)**	**(325)**	**635 779**	**932 248**
Unallocated revenues of the Group											4 524	1 816
Unallocated costs of the Group											(190 836)	(136 111)
Profit (loss) on the sale of all or part of shares of related parties											1 280	-
Profit from operations											**450 747**	**797 953**
Financial income											146 982	46 179
Financial expenses											(168 245)	(74 051)
Share in profit from investments accounted for under equity method	(549)	(129)	-	-	3	(89)	47 298	50 908			46 752	50 690
Profit before tax											476 236	820 771
Income tax expense											(78 083)	(142 237)
Net profit											398 153	678 534

	Refining Segment		Petrochemical Segment		Chemical Segment		Other operations		Total	
	3 months		3 months		3 months		3 months		3 months	
	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005
Capital expenditures to acquire segment property, plant and equipment and intangible assets	134 858	157 184	54 166	131 535	43 722	22 241	31 585	21 256	264 331	332 216
Unallocated cost incurred to acquire property, plant and equipment and intangible assets									8 392	2 258
Total capital expenditures to acquire property, plant and equipment and intangible assets									272 723	334 474
Segment depreciation	225 929	198 040	201 082	21 514	48 370	24 501	50 335	36 436	525 716	280 491
Depreciation of unallocated assets									7 233	7 646
Total depreciation									532 949	288 137
Non-cash expenses other than depreciation	21 980	36 576	19 241	610	3 096	46	9 994	10 532	54 311	47 764

	Refining Segment		Petrochemical Segment		Chemical Segment		Other operations		Total	
	3 months		3 months		3 months		3 months		3 months	
	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005	ended 31 March 2006	ended 31 March 2005
Impairment allowances	16 195	25 195	9 194	420	3 012	46	7 785	362	36 186	26 023
Unallocated allowances									8	(24)
Total impairment allowances									36 194	25 999
Reversal of impairment allowances	23 686	43 809	16 781	386	4 334	1 310	6 528	3 635	51 329	49 140
Unallocated reversal of unnalocated allowances									4 422	3 080
Reversal of impairment allowances									55 751	52 220

Impairment allowances of assets 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.

Geographical segments

The below table presents the Group's sales revenues by geographical segments for the three-month periods ended 31 March 2006 and 31 March 2005.

	Revenues from sale by geographical area	
	3 months	
	ended 31 March 2006	ended 31 March 2005
Poland	3 487 314	3 782 879
Germany	2 510 228	2 003 860
Czech Republic	3 679 685	71 748
Other countries	1 653 422	947 421
Total revenues from sale by geographical area	**11 330 649**	**6 805 908**

VII. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities of PKN ORLEN Group as at 31 March 2006 and 31 December 2005

	31 March 2006	31 December 2005	Expiration of liability
Guarantees and sureties granted to:			
other entities, including:	**53 487**	**56 822**	
performance bond	34 247	34 238	do 01.12.2008
customs guarantee	14 755	14 755	do 03.03.2008
guarantee for customers' liabilities related to the Paylink Card Agreement	1 725	1 010	do 31.03.2007
bid guarantee	1 450	1 750	do 10.03.2006
guarantee of the loan for construction of a sewage-treatment plant for the city of Inowrocław	700	700	do 20.12.2006
guarantee related to the change in chlorine production technology investment	-	3 926	do 09.08.2006
Other	610	443	do 25.07.2006
non consolidated related entities, including:	**1 679**	**1 551**	
performance bond	1 679	1 551	do 20.11.2007
	---	---	
Total guarantees and sureties:	**55 166**	**58 373**	
	========	========	
Other contingent liabilities:			
excise tax guarantees, including collaterals submitted on behalf of the Company and third parties in respect of movements of harmonized excise goods under the excise tax suspension procedure and excise tax liability on goods kept in warehouses under the excise tax suspension procedure	1 037 949	939 879	
statement of voluntary submission for execution	128 046	126 127	
receivables endorsement	124 976	125 294	
Blank bills as a credit collateral	71 089	72 177	
Legal cases	24 276	37 546	
letters of credit	14 062	14 491	
collateral for factoring with recourse	13 363	13 597	
Other	6 087	6 488	
	---	---	
Total other contingent liabilities:	**1 419 848**	**1 335 599**	
	========	========	
Guaranties and sureties granted	**55 166**	**58 373**	
Other contingent liabilities	**1 419 848**	**1 335 599**	
	---	---	
Total contingent liabilities	**1 475 014**	**1 393 972**	
	========	======	

Total value of contingent liabilities of the Group companies increased by PLN 81,042 thousand. The increase was a result of an increase of excise tax guarantees by PLN 98,070 thousand and a decrease resulting from conclusion of legal actions of natural persons (PLN 7,000 thousand) and suits related to non-proper performance of commercial contracts (PLN 4,000 thousand). Other changes in contingent liabilities relate to conclusion of new guarantees and sureties contracts and extinction of liabilities.

VIII. SIGNIFICANT EVENTS DURING THE PERIOD FROM 1 JANUARY 2006 TO THE DATE OF THIS REPORT, PRESENTED IN THE REGULATORY ANNOUNCEMENTS

1. Wholesale contract with BP Polska Sp. z o.o.

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 2/2006, that on 4 January 2006 PKN ORLEN S.A. concluded annual contract for 2006 with BP Polska Sp. z o.o. for the sale of gasoline and diesel oil with and estimated value of PLN 3,951,000 thousand.

2. Wholesale contract with Shell Polska Sp. z o.o.

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 3/2006, that on 4 January 2006 PKN ORLEN S.A. concluded annual contract for 2006 with Shell Polska Sp. z o.o. for the sale of gasoline and diesel oil with and estimated value of PLN 2,831,000 thousand.

3. Wholesale contract with Orlen PetroCentrum Sp. z o.o.

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 1/2006, that on 4 January 2006 PKN ORLEN S.A. concluded two annual contracts for 2006 with Orlen PetroCentrum for the sale of gasoline and diesel oil with an estimated values of:
- first agreement – PLN 1,934,000 thousand,
- second agreement – PLN 376,000 thousand.

Total estimated value of two transactions amounts PLN 2,310,000 thousand.

4. Update to PKN ORLEN's strategy 2006-2009

The Management Board of Polski Koncern Naftowy ORLEN S.A. (PKN ORLEN, Company, Group) informed in regulatory announcement no 4/2006 on update to PKN ORLEN's strategy for 2006-2009.

The updated strategy of PKN ORLEN assumes the continuation of the Company pro-efficiency activities, strengthening of PKN ORLEN presence in key business areas in domestic markets and monitoring of expansion opportunities in new areas and markets, with mergers and acquisitions activities being of central significance in the forthcoming years.

The main points of the updated strategy of PKN ORLEN are:

1. The plan to commence upstream activities with a view to ensuring own raw material base. Implementation of these plans will result in the ability to achieve significant growth in the Company's value and to enhance its competitive position. The programme for the establishment of the upstream segment is divided into two phases: the first one - until 2009 and the second one - until 2015.

Assumed upstream output envisage a gradual increase in the volume of raw material from 0.4 million tonnes in 2007 to 4.3 million tonnes in 2015. The capital outlays required for program implementation are estimated at USD 130 million per annum in the years 2007-2009, and in the following 5 years at USD 438 million per annum.

2. The financial targets planned for 2009 are as follows, under the assumption that the macroeconomic conditions of 2004 are maintained*:
   - EBITDA: PLN 10 billion
   - Annual average CAPEX: PLN 3.4 billion.
   - ROACE forecast at the level of minimum 18.5%.
   - Financial leverage at the level of ca. 30-40%.

3. The level of dividend payments dependent on the Company's involvement in mergers and acquisitions, and on the maintenance of an optimal capital structure. This solution is scheduled to be implemented in 2007, so as to refer that to the dividend payment for 2006. The Group will aim at paying a dividend at a level of at least 50% of FCFE (Free Cash Flow to Equity). If acquisitions are significant, however, the Company's priority will be a return to safe indebtedness levels, which may entail limited payments of the dividend in line with the FCFE-based approach. On the other hand, if Polkomtel is sold and there are no other investment liabilities, the Company plans the establishment of a dedicated Dividend Fund, which will enable higher dividend payments in following years.

*The assuptions regarding macroeconomic conditions of 2004:

- Brent price USD 38.3 /bbl,
- Brent-Ural differential USD 4.1 /bbl,
- Rotterdam refinery margin USD 5.6 /bbl,
- Exchange rates of PLN/EUR 4.52,
- Exchange rates of PLN/USD 3.65,
- CAPEX (annual average 2006-2009) PLN 3.4 billion, depreciation and amortization (annual average 2006-09) PLN 2.1 billion; potential CAPEX in mergers and acquisitions activities not included.
- The financial data refer to the Capital Group of PKN ORLEN, IFRS numbers if not otherwise pointed.

5. Contract signed by ORLEN Deutschland with Deutsche BP

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 6/2006, that on 12 January 2006 ORLEN Deutschland A.G, concluded an agreement with Deutsche BP Aktiengesellschaft for the sale of fuels in the period from 1 January 2006 and 31 December 2006. The estimated value of the transaction amounts EUR 800,000 thousand, i.e. PLN 3,034,640 thousand, based on EUR/PLN average exchange rate as of January 12th, 2006, stated by National Bank of Poland.

6. Obtaining of citation from the Arbitration Court regarding the agreement penalty

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 8/2006, that on 25th January 2006 received received from the Arbitration Court at the Economic Chamber of the Czech Republic and Agrarian Chamber of the Czech Republic in Prague a copy of the citation regarding the payment of the agreement penalty, submitted by Agrofert Holding a.s. seated in Prague. The value of the object of the dispute amounts to EUR 77,267 thousand with the interests.

(see also: regulatory announcement no 85/2003 dated 20 November 2003 and regulatory announcement no 41/2004 dated 4 June 2004).

7. Changes in the Supervisory Board of PKN ORLEN S.A.

The Management Board of PKN ORLEN S.A. announced in its regulatory announcement no 10/2006 that the Extraordinary General Meeting of 31 January 2006 dismissed Mr. Jacek Bartkiewicz from the position of the Chairman of the Supervisory Board and from the Supervisory Board.
Extraordinary General Meeting of PKN ORLEN has also dismissed the following members of the Supervisory Board: Mr. Maciej Gierej, Prof. Krzysztof Obłój, Mrs. Małgorzata Okońska-Zareba, Mr. Adam Sęk, Mr. Ireneusz Wesołowski.

At the same time the Extraordinary General Meeting appointed to the Supervisory Board of PKN ORLEN S.A.: Mr. Dariusz Dąbski as the Chairman of the Supervisory Board, Mr. Maciej Mataczyński as an independent Member, and Mr. Zbigniew Macioszek and Mr. Wojciech Pawlak as Members of the Supervisory Board.

As at 31 December 2005 the Supervisory Board of PKN Orlen included two independent members: Mr. Ireneusz Wesołowski and Mr. Andrzej Olechowski and two members meeting all independence criteria: Mr Raimondo Eggink and Mr Maciej Gierej (according to the § 8 point 5 of the Company's Articles of Association), who submitted suitable declarations on the date of General Shareholders Meeting - 5 August 2004.
As at 11 May 2006 The Supervisory Board of PKN ORLEN included three independent members: Mr. Raimondo Eggink, Mr. Andrzej Olechowski and Mr. Maciej Mataczyński (appointed on 31 January 2006 by General Shareholders Meeting).

8. Withdrawal from contracts with Agrofert Holding a.s. by PKN ORLEN S.A.

The Management Board of PKN ORLEN S.A. announced in its regulatory announcement no 12/2006 that on 20 February 2006 it has decided to withdraw (in accordance with Czech Republic commercial code) from the Cooperation Agreement concluded on 19 November 2003 and General Agreement on terms of future share purchase concluded on 7 April 2004 with Agrofert Holding a.s. ("Agreements"). 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 ALIACHEM a.s. shares.
The fact of execution of the option has been confirmed by public announcement of Unipetrol a.s. dated 15 December 2005.

(see also: regulatory announcement no 85/2003 dated 20 November 2003 and regulatory announcement no 41/2004 dated 4 June 2004). Detailed information in note XI.8.

9. Contract signed by ORLEN Deutschland with Shell Deutschland Oil

The Management Board of Polski Koncern Naftowy ORLEN S.A. informed in regulatory announcement no 13/2006, that on 23 February 2006 ORLEN Deutschland A.G, concluded an agreement with Shell Deutschland Oil GmbH, Hamburg for the sale of fuels to ORLEN Deutschland AG fuel stations in Germany in the period from 1 January 2006 and 31 December 2006. The estimated value of the transaction amounts EUR 600,000 thousand, i.e. PLN 2,271,240 thousand, based on EUR/PLN average exchange rate as of February 23rd, 2006, stated by National Bank of Poland.

10. Signing of the Pledged Sale Agreement for shares in AWSA Holland II B.V.

PKN ORLEN S.A. announced in its regulatory announcement no 15/2006 that on 27 February 2006 it signed a pledged sale agreement with Kulczyk Holding S.A. („Kulczyk Holding") for the sale of 165,924 shares in Dutch commercial company AWSA Holland II B.V. The conclusion of the Pledged Sale Agreement resulted from exercising by PKN ORLEN of an option to sell the shares that was determined in the Supplementary Agreement signed on 14 November 2002. The shares sold by PKN ORLEN represent 9.218% of the initial capital of AWSA Holland II B.V. As a payment for the AWSA Holland II B.V. shares, Kulczyk Holding has transferred PLN 73,007 thousand to the bank account of PKN ORLEN. Transfer of the ownership of AWSA Holland II B.V. shares sold by PKN ORLEN to Kulczyk Holding will be completed after the Shares Disposal Agreement is signed, which will occur after the conditions mentioned in the Pledged Sale Agreement are fulfilled, in particular the approval of the Shareholders' Meeting of AWSA Holland II B.V., on 28 July 2006 at latest.
In accordance with the Supplementary Agreement of 14 November 2002 signed by PKN ORLEN and Kulczyk Holding, in the event of the sale of the AWSA Holland II B.V. shares by PKN ORLEN, Kulczyk Holding is obliged to obtain all approvals and permits and to take over all liabilities of PKN ORLEN, that PKN ORLEN made or assumed as a shareholder of AWSA Holland II B.V.
AWSA Holland II B.V. is the sole shareholder of AWSA Holland I B.V., a Dutch commercial company holding a 98.85% stake in Autostrada Wielkopolska S.A., a Polish commercial company.
(See also regulatory announcements: no 81/2002 dated 20 September 2002, no 94/2002 dated 25 October 2002, no 101/2002 dated 15 November 2002, no 108/2002 dated 11 December 2002).

11. Increase in share capital of Płocki Park Przemysłowo-Technologiczny

PKN ORLEN S.A. announced in its regulatory announcement no 16/2006, that based on the decision of a District Court in Warsaw, XIV Commercial Department of National Commercial Register, according to the date of entry being 23 February 2006, based on complete copy from Commercial Register dated 27 February 2006, the share capital of PKN ORLEN S.A. subsidiary – Płocki Park Przemysłowo-Technologiczny Spółka Akcyjna (PPPT) was increased from PLN 8,230 thousand to PLN 15,461 thousand, i.e. by PLN 7,230 thousand. This was covered by a private placement of 723.043 registered series "C" shares having preference to 2 votes per one share, owned by the shareholder-founder PKN ORLEN.

PKN ORLEN S.A. announced in its regulatory announcement no 18/2006, that based on the decision of a District Court in Warsaw, XIV Commercial Department of National Commercial Register, according to the date of entry being 16 March 2006, based on complete copy from Commercial Register dated 17 March 2006, the share capital of PKN ORLEN S.A. subsidiary – Płocki Park Przemysłowo-Technologiczny Spółka Akcyjna (PPPT) was increased from PLN 15,461 thousand to PLN 25,461 thousand, i.e. by PLN 10,000 thousand. This was covered by a private placement of 1,000,000 registered series "D" shares having preference to 2 votes per one share, owned by the shareholders-founders PKN ORLEN and "Miasto Plock" (municipal borough Plock) in the equal parts, 500,000 shares for each shareholder.
All newly issued shares were covered by cash contribution.
After an initial capital increase, the capital structure of PPPT comprises of:
Shareholder - founder Miasto Plock – PLN 12,730,430 PLN – 50%
Shareholder - founder PKN ORLEN – PLN 12,730,430 PLN – 50%

12. Acceptance of the Offer and Conditional Transfer of Shares in Polkomtel S.A

PKN ORLEN informed in its regulatory announcement no 17/2006 that on 10 March 2006 an agreement was concluded between KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. i 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 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.". Detailed information in note XVII 2

13. Purchase of shares in ORLEN PetroZachód Sp. z o.o.

PKN ORLEN informed in its regulatory announcement no 19/2006, that on the 20th March 2006, on the base of Sales Agreement signed with BGW Sp. z o.o., seated in Poznan, ("Agreement") it purchased 8,549 shares in PKN ORLEN subsidiary - ORLEN PetroZachod Sp. z o.o. seated in Poznan. The purchased shares represent 48.17% of the initial capital of ORLEN PetroZachod Sp. z o.o. and also 48.17% of votes at shareholders' meeting of ORLEN PetroZachod Sp. z o.o. Nominal value of one purchased share amounts to PLN 1 thousand. The whole payment for shares was made in cash. Purchase price amounted to PLN 21,012 thousand with the reservation of price adjustment increasing the price by not greater than PLN 3,000 thousand. The price adjustment depends on the fulfilling the conditions mentioned in the Agreement. The book value of the purchased shares in the PKN ORLEN books is equal to the price of purchase.

As a result of the above mentioned transaction PKN ORLEN becomes the sole shareholder of ORLEN PetroZachod Sp. z o.o.

14. Resignation of Adam Maciej Pawłowicz from Supervisory Board of PKN ORLEN S.A.

The Management Board of PKN ORLEN announced in its regulatory announcement no 20/2006 that on 28 March 2006 it received a note informing that the Minister of the State Treasury dismissed Mr. Adam Maciej Pawłowicz, performing a role of the State Treasury's representative in the PKN ORLEN Supervisory Board, from the position of the PKN ORLEN Supervisory Board Member effective from 28 March 2006. The reason for the dismissal was the resignation of Mr. Pawłowicz from the position of the PKN ORLEN Supervisory Board Member.

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

Shareholder	% of votes at the GSM presented in the prior quarter report*	Number of shares presented in the prior quarter report*	Change of % in the period 10.02.2006 - 14.04.2006r.	% of votes at the GSM at the report filing date **	Number of shares at the report filing date **
Nafta Polska S.A.	17.32%	74 076 299	-	17.32%	74 076 299
Skarb Państwa	10.20%	43 633 897	-	10.20%	43 633 897
The Bank of New York (holders of GDR's)	11.33%	48 452 646	(0.81)	10.52%	44 996 586
Other	61.15%	261 546 219	0.81	61.96%	265 002 279
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Total	100%	427 709 061	-	100%	427 709 061
	=========	=========	=========	=========	=========

*Data as at 10 February 2006

**Data as at 14 April 2006

The percentage interest of the above shareholders in the Company's share capital is compatible with the percentage of votes at the General Shareholders's Meeting as at the report filing date.

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

The number of shares held by the Management Board and Supervisory Board in the first quarter 2006

	Number of shares, options as at the date of the prior quarter report filing *	Acquisition	Disposal	Increase due to changes in composition	Decrease due to changes in composition	Number of shares, options as at the date of the report filing **
Management Board	-	-	-	-	-	-
Supervisory Board	**2 950**	**-**	**-**	**4 460**	**(365)**	**7 045**
Raimondo Eggink	2 950	-	-	-	-	2 950
Adam Pawłowicz	-	-	-	365	(365)	-
Dariusz Dąbski	-	-	-	4 095	-	4 095

* Data as at 10 February 2006
** Data as at 14 April 2006

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

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

On 15 October 2004, the Head of the Customs Office in Kraków instituted tax proceedings in order to determine the excise tax liability at Rafineria Trzebinia S.A. for May, June, July and August 2004. As a result of the proceedings, on 5 April 2005 Rafineria Trzebinia S.A. received decisions from the Head of the Customs Office in Kraków, where the total excise tax liability was set for the period of May-August 2004 at about PLN 60 million. According to the Management Board of Rafineria Trzebinia S.A., the company possesses all necessary expert opinions confirming correctness of the applied classification of goods taxed with 0% rate. On 12 April 2005, the Management Board of Rafineria Trzebinia S.A. filed an appeal against the discussed decisions and a motion to suspend execution of the decision until the date of settling the matter in the court of second instance.
On 5 May 2005, in reply to its motion to suspend execution of a decision until the date of 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 the Company's appeal of 12 April 2005 against the decision of the Head of the Customs Office in Kraków of 31 March 2005, quashed the decision of the first instance authority and submitted it for further examination.
On 28 July 2005 the Head of the Customs Office, 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 legal opinions confirming correctness of the applied classification of goods taxable with 0% rate, which according to the Management Board guarantees a positive outcome of the proceedings.
On 9 August 2005 the Management Board of Rafineria Trzebinia S.A. appealed against the above decisions and filed a motion to suspend execution of the decisions until the case would be decided by the second instance authority. On 11 August 2005, the Head of the Customs Office in Kraków, having examined the appeal of Rafineria Trzebinia S.A. of 8 August 2005, suspended the decision in respect of setting the excise tax liability for the period of May-August 2004 at about PLN 100 million. On 14 November 2005 the Head of the Customs Office in Krakow had refused 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 the company for the period May-September 2004, resulting from the change in excise tax rate for technological oils from 60 PLN/Mg to 0%. 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 Krakow issued a decision keeping the first instance authority's decision in force. Rafineria Trzebinia S.A. prepared a complaint to the Woivodship Administrative Court against the decision of the Head of the Customs Office in Krakow together with a motion to suspend execution of the decision. The complaint and a motion to suspend execution of the decision was 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 would be decided by Woivodship Administrative Court.
Until today the case regarding company's excise tax liability is in progress in front of Woivodship Administrative Court and the outcome is unknown.
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 high probability of positive outcome, based on the evidence and arguments raised by the Company. As a result the Company did not create a provision related to the case in the financial statement for the period ended 31 March 2006.

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. The deadline for completion of control proceedings is 30 June 2006. As at the date of preparation of these financial statements, the final outcome of the above control proceedings or potential impact of control extended to other periods were not yet known.

On 25 November 2004, the Supervisory Board of Rafineria Trzebinia S.A. adopted a resolution on performing a tax audit for the period from 2000 to 2004, including a review of correctness of procedures and correctness of tax settlements to be summarized in "Report on agreed upon procedures concerning review of control procedures at Rafineria Trzebinia S.A.". The 2000-2004 tax audit was completed and its results were presented to the Supervisory Board. On 22 April 2005, having received the report from the first phase of the audit of procedures, the Supervisory Board of Rafineria Trzebinia S.A. has recommended carrying out the second, more detailed phase of the "Report on agreed upon procedures", encompassing the analyzes of transactions in selected areas of the company's activity. The Supervisory Board has got acquainted with the results of the second phase of the audit and issued appropriate recommendations regarding the assessment of internal control to the Management Board. As at the date of preparation of these financial statements Management Board of Rafineria Trzebinia S.A. has taken legal actions against individuals responsible for the irregularities stated in the report.

2. Claims and court proceedings – Tankpol Sp. z o.o.

In accordance with an agreement of 20 December 2002, Tankpol Sp. z o.o. ("Tankpol") transferred to PKN ORLEN ownership of 40% shares in ORLEN PetroTank Sp. z o.o. ("Petrotank") in exchange for receivables due from Tankpol. 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. The Court of Appeals in Warsaw declared that the Tankpol's appeal will be recognized on 21 March 2006. The Court of Appeals postponed pronouncing the judgment till 31 March 2006. 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 declared that PKN ORLEN is obliged to transfer ownership of 26 shares in PetroTank. According to verbal justification of the verdict, the Court of Appeals is convinced that PKN has appropriately executed the transfer of ownership agreement of 20 December 2002. The verdict of the Court of Appeals is legally binding and feasible, however both parties are entitled to submit an annulment to the Supreme Court.

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

On 20 May 2003, the Management Board of the Company submitted a put option execution declaration for all Niezależny Operator Miedzystrefowy Sp. z o.o. ("NOM") shares owned by PKN ORLEN S.A. to Polskie Sieci Energetyczne S.A. ("PSE"). The "put" price amounted to PLN 111,500 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 NOM shareholders.

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.
The District Court set a trial date on 23 March 2006. On 6 April 2006 the District Court in Warsaw, XX Commercial Department, issued a verdict in respect of PKN ORLEN S.A. 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.
The verdict is not legally binding and may be appealed against. The attorney of PKN ORLEN in the described case has issued a motion in respect of preparation and submission of justification of the verdict. On 27 April 2006 PKN's attorney received from the District Court the justification of a verdict.
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.
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. The Court of Arbitration set the date of next seating at 29 May 2006.

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

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

According to the paragraph 36 of the Decree of Ministry of Economy dated 14 December 2000 relating to detailed methods of determination and computation of tariffs and electricity settlement regulations (Official Journal No. 1 dated 15 January 2001), the method of settlement of system fee, constituting an element of a power transfer fee was changed. According to the paragraph 37 of the Decree a different method of system fee calculation has been allowed. Following the decision of the Chairman of the Energy Regulatory Office, the electricity sale agreement between 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. 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.
Above described proceedings has not yet been finished.

5. Anti-trust proceedings

As at the date of the preparation of the report, 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 Polski Koncern Naftowy ORLEN S.A. in Płock concluded an agreement with the Grupa Lotos S.A. in Gdansk which limited competition on the

domestic sale market of universal petrol U95 through an unanimous decision to give up production and distribution of U95 and thus eliminating competition on the domestic U95 sale market as well as excluding the risk of the market take-over by the 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 the Lotos Group 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 Lotos Group S.A. On 14 April 2006 OCCP informed the Company of the prolongation of the anti-trust proceedings until 31 May 2006.

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 penalty as low.

On 21 March 2005, the Company received a letter in which the Chairman of OCCP requested information on monoethylene glycol 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 OCCP issued a decision of 19 July 2000 imposing penalty in the amount of PLN 40 million. The Company appealed to Anti-Trust Court against the negative decision of OCCP. On 13 August 2001 the Anti-Trust Court annulled fully the decision of OCCP, which accused PKN ORLEN S.A. of applying monopolistic practice, at the same time annulling the cash penalty. Consequently, in 2001 due to this fact the provision was fully reversed in PKN ORLEN. OCCP applied on 4 October 2001 to annul the verdict. On 10 July 2003 the Supreme Court annulled the verdict of the District Court dated 13 August 2001.
The case was conducted again by the District Court in Warsaw and the Consumer and Competition Court (former Anti-Trust Court), which at the hearing on 21 July 2004 pronounced the judgment again revoking the appealed decision of OCCP.
Due to the received letter, PKN ORLEN S.A. answered the questions of OCCP on 11 April 2005. Simultaneously OCCP approved prolongation of the period for responding to queries up to 6 May 2005 concerning determining the proper geographical market of monoethylene glycol. A response defining the adequate geographical market of monoethylene glycol was sent to OCCP on 6 May 2005. Upon the OCCP's request, additional information was provided on 18 May 2005 and 7 December 2005. On 14 March 2006 OCCP informed the Company of the prolongation of the anti-trust proceedings until 30 April 2006 due to necessary completion of evidence from proceedings.

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

By virtue of the actual course of the proceedings it is difficult to assess the risk that PKN ORLEN S.A. may again be fined. However, in the light of time passed and significant changes in PKN ORLEN's market environment, the risk of penalty was assessed by the Company as low.

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

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

6. 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)

During the period 2001 -2003 Group companies reduced the taxable income by investment relief and investment premium in the following amounts:

Year of deduction	Investment relief	Investment Premium
2001	98 927	43 750
2002	14 234	49 222
2003	-	6 923
	---------	--------
Total	**113 161**	**99 895**

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

The Group companies do not also identify a risk of losing the right to relieves and premiums due to breach of conditions which in effect oblige to return the amounts deducted.

7. Court proceedings against Benzina a.s. ("Benzina")

As a part of court proceeding in progress since August 2001, the Anti-Trust Bureau declared a disposition in respect of violation of the Economic Competition Protection Act. Due to the disposition, Benzina was imposed with a penalty of CZK 98 million.

The penalty was returned to Benzina as at 29 July 2004.
The disposition of the first instance of the Anti-Trust Bureau was annulled due to the serious legal faults mentioned in the appeal submitted by Benzina. The Management Board of Benzina believes that Regional Court will pronounce the judgment in favour of Benzina.

However, taking into account the repeated dispositions of the Anti-Trust Bureau in respect of the penalty and the fact that the court has not yet announced its verdict, Benzina's financial statements include a provision for penalty in the amount of CZK 98 million as at the date of preparation of these condensed consolidated financial statements.

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

In 2003-2004, the former Management Board of PKN ORLEN concluded agreements with Agrofert Holding a.s. and ConocoPhillips Central and Eastern Europe Holdings B.V. concerning sale of part of assets and liabilities of the Unipetrol Group companies.
In 2005, the present Management Board, 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.
In relation to the agreements concluded with Agrofert Holding a.s., in the second quarter 2005 the Management Board of PKN ORLEN created provisions to cover the potential negative financial effects related to execution of the agreements.

Agrofert Holding a.s. agreed to disclose only portions of the agreements which it also presented 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. The court proceeding in front of Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague is currently in progress. The risk related to the above described proceeding has been recognized in these consolidated financial statements.

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 ALIACHEM, a.s. shares.

On 9 May 2006 Company's attorney received from Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of second law suit by Agrofert Holding a.s. regarding the payment of contractual penalty. Value of the dispute, is similarly to the first one commenced by Agrofert Holiding a.s., EUR 77,266,500 with interest.
In respect of the agreement with ConocoPhillips Central and Eastern Europe Holdings B.V., as at the date of preparation of the financial statements the parties are conducting mediations aimed at amicable settlement of the dispute

9. Agreements with DEZA a.s.

In August and September 2005 UNIPETROL, a.s. received letters from DEZA a.s., requesting execution of the agreements regarding sale of shares in AGROBOHEMIE a.s. and ALIACHEM a.s. UNIPETROL a.s. and DEZA a.s. each own 50% shares in AGROBOHEMIE a.s. The shareholder structure in ALIACHEM a.s. is as follows: AGROBOHEMIE a.s. owns 55.01% shares, UNIPETROL a.s. – 38.79% and DEZA a.s. – 4.67%. The remainder of 1.53% is owned by minority shareholders of ALIACHEM a.s.
Letters received from DEZA regarded the agreements for future payable assignment of shares, concluded between UNIPETROL a.s. and DEZA a.s. in relation to shares in AGROBOHEMIE a.s. and ALIACHEM a.s. on 12 October 2000 and 15 August 2001, respectively. The Management Board of UNIPETROL a.s., having thoroughly analyzed concluded agreements and received letters, has determined that these documents contain vital legal faults as well as are incompliant with best market practice. In conjunction with this fact the Management Board of UNIPETROL a.s. has proposed that DEZA a.s. modified the transaction documents in order to ensure its compliance with binding Czech law as well as market standards and practices. In spite of endeavors of UNIPETROL a.s., DEZA a.s. has rejected proposals of the Management Board of UNIPETROL a.s. In such a situation the Management Board of UNIPETROL a.s. decided to submit the case to court. On 14 December 2005 UNIPETROL a.s. filed a law suit to the court in Ostrawa regarding invalidity of agreements concerning shares of AGROBOHEMIE a.s. and ALIACHEM a.s. As a response Deza a.s. claimed for penalty in amount of CZK 71,000 thousand for period 2 September 2005 – 11 November 2005 and CZK 18,000 thousand for period 6 October 2005 – 11 November 2005 calculated as at 11 November 2005. The amounts were calculated in line with above described agreements, which UNIPETROL a.s. considers as not valid.
On 24 March 2006 the Court in Ostrava rejected the motion of Unipetrol a.s. in respect of the declaration of invalidity. The rejection was substantiated by the fact that Deza a.s. filed a separate claim against Unipetrol a.s. in respect of settlement of contractual penalties. According to the view of the Court in Ostrava, proceedings related to declaration of invalidity are not necessary; hence it will be decided in front of the Court in Prague, prior to verdict in respect of the claim submitted by Deza a.s.
On 5 April 2006 Unipetrol received a warrant for payment of the contractual penalty from the Court in Prague. Unipetrol intends to submit an annulment to the warrant for payment to the Court as well as it plans to claim invalidity of the agreements again.
Legal and financial effects of claims submitted by DEZA a.s. and interpretation of provisions of the concluded agreements regarding assignment of shares of AGROBOHEMIE a.s. and ALIACHEM a.s. may include necessity of assignment of shares (for a price that is not yet determined) and payment of penalties and compensations. By virtue of faults in agreements and substantial doubts regarding its validity, the financial impact on UNIPETROL a.s. is difficult to be quantified. The Management of UNIPETROL a.s. has initiated the process of evaluation the risk.
Due to loss of significant influence of Unipetrol Group on associated companies: Aliachem, Agrobohemie and Lovochemie as of 30 September 2005, these assets were accounted for using the equity method and included in the consolidated balance sheet of UNIPETROL a.s. as at 31 March 2006 as long-term financial investments. By virtue of uncertainties in relation to future outcome of court proceedings as well as due to difficulties in determination of the fair value of shares in AGROBOHEMIE a.s. and ALIACHEM a.s., neither impairment provision in respect of the value of shares was recognized nor was provision for contractual penalties created in the financial statements.

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

As at 31 March 2006, the Parent Company was not a party in proceedings concerning liabilities or receivables of the Parent Company or subsidiaries, of the value exceeding 10% of the Company's equity.

XIII. RELATED PARTIES

1. Information about unusual related party transactions

During the period from 1 January to 31 March 2006, there were no unusual related party transactions concluded between related parties within the Group, where the transaction value would exceed EUR 500 thousand.
Transactions concluded within the Group related to the deliveries and supplies connected with the normal activity of the Group companies.

2. Information about significant related party transactions

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

During three-months period ended 31 March 2006 and 31 March 2005 the Group companies did not grant any advances, loans, guarantees and commitments, or other agreements obliging the Management Board, the Supervisory Board and their relatives, to render services to the Company and related parties.
As at 31 March 2006 and 31 March 2005 the Group companies did not grant any loans to managing and supervising persons and their relatives.
During three-months period ended 31 March 2006 and 31 March 2005 there were no significant transactions concluded with members of the Management Board, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

b) Transactions with related parties concluded through the supervising persons

In the first quarter of 2006 the supervising persons did not conclude significant transactions with related parties in regard of IAS 24 "Related Party Disclosures".

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

In the first quarter of 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) Parent Company's transactions with related parties in the period from 1 January 2006 to 31 March 2006 and the settlement balances as at 31 March 2006

PKN ORLEN Capital Group

	Consolidated subsidiaries [1]	Consolidated associates [2]	Non-consolidated subsidieries [1]	Non-consolidated associates [2]	Consolidated jointly controlled entities [3]	Total related partie
Sales	1 868 216	2 113	3 463	1 227	457 936	2 332 955
Purchases	272 279	9 005	29 552	4 418	4 913	320 167
Financial revenues from interest	982	-	-	4	27	1 013
Gross short term receivables	896 311	904	1 641	759	268 069	1 167 684
Short term liabilities	92 961	5 084	19 656	4 351	4 434	126 486
Gross long term receivables	64 185	-	-	-	-	64 185

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

3. Compensation, together with profit-sharing paid and due to the Management Board, Supervisory Board and the key executive personnel in accordance with IAS 24.

The Management Board, the Supervisory Board and the key executive personnel remuneration includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, payable and potentially payable during the period.

	3 months ended 31 March 2006 (unaudited)	3 months ended 31 March 2005 (unaudited)
The Management Board of the Parent Company *	2 149	7 653
The Supervisory Board of the Parent Company	199	217
Key Executive Personnel of the Parent Company	1 178	4 095
Key Executive Personnel of subsidiaries **	14 404	8 582
Total	**17 930**	**20 547**

* including during the three months period ended 31 March 2005 compensation of former Board Members of PLN 5,304 thousand
** Management Board, Supervisory Board and Key Executive Personnel of Group Companies

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

In the period from 1 January to 31 March 2006 the Company and its subsidiaries did not grant loan security, or guarantees to another entity or its subsidiary, where the value of security or guarantee constituted at least 10% of the Company's equity.
In the period from 1 January to 31 March 2006 a collateral for BOP shares held by PKN Orlen of PLN 454 million (input into the collateral register held by appropriate registry court on 23 January 2004), provided by PKN ORLEN under the share pledge agreement of 19 December 2003, which secures Basell ORLEN Polyolefins Sp. z o.o. repayment of current and future claims to which the pledgee is entitled due to the financial collateral agreement concluded between entities financing BOP up to the highest securing amount of EUR 750 million, was still in force.

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

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

XVI. EVENTS AFTER THE BALANCE SHEET DATE

1. Changes in the Management Board of PKN ORLEN S.A.

The Management Board of PKN ORLEN announced in its regulatory announcement no 21/2006 that the Supervisory Board, at its seating of 31 March 2006 has dismissed Mr. Dariusz Witkowski from the position of the Management Board Member of PKN ORLEN S.A., effective 31 March 2006.
Simultaneously, the Supervisory Board has appointed Mr. Krzysztof Szwedowski to the position of the Management Board Member with the effect from 31 March 2006.
Mr. Krzysztof Szwedowski, born in 1965, graduated from the Nicolaus Copernicus University in Toruń, Master in Law, advocate, completed public prosecutor application in 1992 and controller application in 2004.

2. Agreement for terephthalic acid deliveries to Mitsubishi Chemical Corporation

The Management Board of PKN ORLEN S.A. informed in its regulatory announcement no 25/2006 that on 27 April 2006 it signed an agreement with Mitsubishi Chemical Corporation, seated in Tokyo, Japan ("Agreement"). The Agreement was signed for deliveries of 150 thousand tonnes per year of terephthalic acid ("PTA") to Mitsubishi Chemical Corporation during the period from 1st July 2010 to 31st December 2014, with the possibility of the delivery quantity change at +/- 10%.
The estimated total value of the Agreement in the whole contractual period amounts to approximately PLN 2, 800 million.
The Agreement is valid from the date of signing. Deliveries/acceptance will start on 1st July 2010 and PKN ORLEN is granted with a right to change the date once and no more than for 9 months. After 5 years from the first delivery date, terms of the Agreement can extend the contractual period. Payment for each delivery is due within 14 days from the date of receiving invoice – delivery will be invoiced once a month.

In case of culpable unrealisation of deliveries/acceptance of PTA, the Agreement conditions require payment of penalty at the level of unit margin multiplied by non-delivered/non-accepted quantity of PTA in the certain year.

3. Purchase of shares in ORLEN Upstream Sp. z o.o. by PKN ORLEN S.A.

The Management Board of PKN ORLEN S.A. informed in its regulatory announcement no 26/2006, that on 9 May 2006 it was informed that the company ORLEN Upstream Sp. z o. o. ("ORLEN Upstream"), a limited liability company seated in Warsaw, was registered under the number KRS 0000256011 on the 26th April 2006 by a District Court in Warsaw, XIII Commercial Department of Commercial Register.
PKN ORLEN purchased 100 shares in ORLEN Upstream Sp. z o.o., representing 100% of the share capital of ORLEN Upstream Sp. z o.o., with a par value PLN 500 of each share, representing 100% of votes at the General Shareholders Meeting of ORLEN Upstream Sp. z o.o.. The equity in ORLEN Upstream was covered by PKN ORLEN in form of cash contribution of PLN 50 thousand.
Main activities of ORLEN Upstream Sp. z o.o. are, among others: crude oil mining, natural gas mining, geological and exploration operations.
The Management Board of ORLEN Upstream Sp. z o.o. consists of two persons. Both managing persons of ORLEN Upstream Sp. z o. o. are employees of PKN ORLEN S.A.: President of the Management Board from 20 February 2006, Vice President of the Management Board from 30 December 2005.

4. Receipt of the copy of the second citation of Agrofert Holding a.s. from the Arbitration Court regarding the agreement penalty

The Management Board of PKN ORLEN S.A. informed in its regulatory announcement no 27/2006 that on 9 May 2006 Company's attorney received from Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of second law suit by Agrofert Holding a.s. regarding the payment of contractual penalty. Value of the dispute amounts EUR 77,266,500 with interest.

(see also: regulatory announcement no 8/2006 dated 25 January 2006, regulatory announcement no 85/2003 dated 20 November 2003 and regulatory announcement no 41/2004 dated 4 June 2004).

5. Resolution of General Meeting of Polkomtel regarding dividend payment

The Management Board of PKN ORLEN S.A. informed in its regulatory announcement no 28/2006 that on 10th May 2006 the Ordinary General Meeting of Polkomtel S.A. was held, during which the shareholders passed resolution regarding dividend payment to Polkomtel S.A. shareholders, in accordance with applicable law, of retained net profit for the years preceding 2005 and net profit for 2005. Total amount of dividend amounts to PLN 2,352,375 thousand (representing PLN 114.75 per share) and will be paid to shareholders proportionally to their ownership of the share capital of Polkomtel S.A. Due to the fact that PKN ORLEN owns 19.61% of the share capital of Polkomtel S.A., the amount of the dividend attributable to PKN ORLEN S.A. amounts to PLN 461,269,755. The Ordinary General Meeting of Polkomtel S.A. has set the dividend payment date for 17 July 2006.

Polkomtel S.A. is accounted in PKN ORLEN S.A. books using the equity method.

(see also: regulatory announcement no 17/2006 dated 10 March 2006)

XVII. SUPPLEMENTARY INFORMATION

1. 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 intended also 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.

In July 2005 PKN ORLEN's Management Board approved a restructuring project for the southern assets designed by Investekspert which aims at:
- consolidation of activity related to oil and lubricant production in Orlen Oil Sp. z o.o.,
- targeted discontinuation of crude oil processing in the southern Poland and grouping assets relating to this activity within a separate business,
- buy-out of minority shareholders (provided that the transaction is economically efficient),

On 2 December 2005, pursuant to sale of shares agreement, PKN ORLEN purchased 3,360 shares in Orlen Oil Sp. z o.o., seated in Kraków, from Rafineria Czechowice S.A. In effect of the transaction PKN ORLEN has increased its stake in Orlen Oil from 47.21% to 51.69%.
Effective 1 January 2006, Rafineria Nafty Jedlicze S.A. has leased Oil and Lubricants production line to Orlen Oil Sp. z o.o.

The business advisor for the restructuring and consolidation project submitted recommendations in respect of suggested action plan. The recommendations shall be consulted with the companies involved in the project until the end of May 2006.

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

2. Polkomtel S.A.

In accordance with §12.14 of the Articles of Association of Polkomtel S.A., pursuant to occurrence of the so-called Change in the Ownership Title in respect of TDC Mobile International A/S, other shareholders of Polkomtel S.A. (including Vodafone Americas Inc.) are entitled to acquire 4,019,780 shares of Polkomtel S.A. owned by TDC Mobile International A/S, in a proportion equal to the percentage of shares owned by each of Polkomtel S.A. shareholders, except for the shares owned by TDC Mobile International A/S. The offer to purchase shares from TDC Mobile International A/S has been issued to other Polkomtel S.A. shareholders on 8 February 2006. PKN ORLEN informed in its regulatory announcement no 17/2006 that on 10 March 2006 an agreement was concluded between KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. i 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 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. The offer relates also to a dispute between Vodafone Americas Int. and TDC Mobile International A/S. As a result of the dispute, the below described pledge was established on 24 February 2006.

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 (an equivalent of PLN 833, in accordance with the exchange rates table no 50/A/NBP/2006 of 10 March 2006), that is for the total purchase price not exceeding 209,863 thousand (an equivalent of PLN 816,473 thousand). In case KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. purchased the shares in 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 parties agreed to vote jointly at General Shareholders Meetings of Polkomtel S.A. in favor of dividends distributed to the shareholders as allowed under the applicable laws from the retained net profits for years preceding 2005, 100% of net profit of Polkomtel S.A. for years 2005 and 2006 and at least 50% of the net profit for any subsequent financial year. The amount of dividend paid out to TDC Mobile International A/S, reduced by an interest on the maximum purchase price, would result in the decrease of the final shares' purchase price.

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.

Pursuant to the Agreement, KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. as buyers are entitled to withdraw from execution of the Agreement for the purchase of shares in Polkomtel S.A. if by 10 March 2009 (or any other date agreed between parties) the above described suspending clause would not have been completed or if any circumstances exist related to the disputes between Vodafone Americas Inc. and TDC Mobile International A/S that may constitute an obstacle for the purchase of shares. As a consequence, the Agreement would dissolve at that date.

With the conclusion of 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 agreement signed by KGHM Polska Miedź S.A., PKN ORLEN S.A., Polskie Sieci Elektroenergetyczne S.A. and Węglokoks S.A. ("Shareholders' Cooperation Agreement in Restructuring of Polkomtel S.A. Share Capital" of July 2005 with later amendments) is no longer in force.

On 10 march 2006 Vodafone Americas Inc. filed a suit to International Court of Arbitration by Federal Chamber of Commerce in Vienna, and suit six legal entities defining TDC Mobile International A/S as a Principle Respondend, Polkomtel S.A as a First Auxiliary Respondent ang KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węglokoks S.A. as Second to Fifth Auxiliary Respondends. In above mentioned suit Vodafone Americas Inc. questioned above all the method of setting the price by TDC International A/S in the offer to other shareholders.

On 10th May 2006 the Ordinary General Meeting of Polkomtel S.A. was held, during which the shareholders passed resolution regarding dividend payment to Polkomtel S.A. shareholders, in accordance with applicable law, of retained net profit for the years preceding 2005 and net profit for 2005. Total amount of dividend amounts to PLN 2,352,375 thousand (representing PLN 114.75 per share) and will be paid to shareholders proportionally to their ownership of the share capital of Polkomtel S.A. Due to the fact that PKN ORLEN owns 19.61% of the share capital of Polkomtel S.A., the amount of the dividend attributable to PKN ORLEN S.A. amounts to PLN 461,269,755. The Ordinary General Meeting of Polkomtel S.A. has set the dividend payment date for 17 July 2006.

In this condensed consolidated financial statements of PKN ORLEN Group, 19.61% of shares in Polkomtel S.A. were valued using the equity method in he first quarter of 2006 and in the first quarter of 2005, as a comparative data. Based on opinions of independent experts, Polkomtel S.A. has been determined an entity, over which the Group exercises significant influence.

Share of Polkomtel in the consolidated financial result of the Group in the first quarter of 2006 amounted to PLN 47,298 thousand.
Share of Polkomtel in the consolidated financial result of the Group in the first quarter of 2005 amounted to PLN 50,907 thousand.

3. Bid for purchase of shares in Mažeikiu Nafta

As a consequence of participation in the public tender, on 27 January 2006 PKN ORLEN made a bid for purchase of 53.7022% shares in Mažeikiu Nafta (MN) offered by Yukos International UK B.V. The bid included also a declaration to purchase, on the same terms, MN's shares owned by the Lithuanian government. The bid was conditional and dependent upon fulfillment of several legal conditions, including formal and technical status of logistics assets of Mažeikiu Nafta.

Due to the change in the legal status of Yukos Oil Corporation and in effect of conducted negotiations, on 13 April 2006 PKN ORLEN S.A. has submitted a complex offer to purchase 40.6621% share in AB Mažeikiu Nafta from the Lithuanian government. In addition, should the Lithuanian government buy 53.7022% share currently owned by Yukos International UK B.V., PKN ORLEN has offered to purchase these shares from the Lithuanian government for a price per share equal to the price offered for the 40.6621% stake. Pursuant to the expectations of the Lithuanian government, the offer comprises all components deemed significant by the Lithuanian government in respect of selection of a strategic shareholder of Mažeikiu Nafta, including the price, information on preservation of crude oil supplies to Mažeikiu Nafta, investment program and a description of the proposed management method.

According to PKN ORLEN's assessment, the acquisition of MN would allow PKN to strengthen its position in the region and perform further optimization of current operations. Inclusion of MN into PKN ORLEN capital group would enable to utilize synergies from combining of activities performed in neighboring countries. In addition, the purchase of Lithuanian assets would allow development of production infrastructure and a significant increase in processing power of the Capital Group. Moreover, acquisition of MN would allow optimization of crude oil supply policies. The enlarged capital group would considerably increase energetic security of the region.

The planned investment would not confine Group's investment plans, including investment in the upstream activities which was described in the update of PKN ORLEN strategy for 2006-2009.

XVIII. Other

These condensed consolidated financial statements were authorized by the Management Board of the Parent Company in its seat on 11 May 2006.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

.....
President
Igor Chalupec

.....	.....	.....
Vice-President	**Vice-President**	**Vice-President**
Cezary Filipowicz	Wojciech Heydel	Jan Maciejewicz
.....	.....	.....
Vice-President	**Member of the Board**	**Member of the Board**
Cezary Smorszczewski	Krzysztof Szwedowski	Paweł Szymański

Płock, 11 May 2006