

KEY FACTORS INFLUENCING THE RESULTS OF THE THIRD QUARTER 2006 – COMPANY'S COMMENTARY

Selected consolidated financial data

‘000 PLN

	2006	2005
Total sales revenues for the 3 rd quarter	14 879 076	13 074 428
Operating expenses and other operating revenues for the 3 rd quarter	13 700 133	11 983 651
Profit from operations for the 3 rd quarter	1 178 943	1 090 777
EBITDA for the 3 rd quarter	1 680 862	1 622 475
Net profit attributable to the equity holders of the Parent for the 3 rd quarter	1 025 643	985 238

1. MAIN MACROECONOMIC FACTORS

- fall in differential by 14.7% from 4.30 USD/bbl in the 3rd quarter 2005 to 3.67 USD/bbl in the 3rd quarter 2006 decreased EBIT of the Capital Group in the 3rd quarter 2006 by PLN 68 million,
- low level of crack margins on refining products unfavorably influenced EBIT of the Parent Company in the amount of PLN (-) 76 million,
- improvement of market conditions on petrochemical products market in the 3rd quarter 2006 resulting in significantly higher margins on petrochemicals increased EBIT in the Parent Company by PLN 69 million (after considering price rebates applied in the Parent Company),
- favorable sales dynamics of chemical products (above 15%) in connection with high margins increased the results of Anwil S.A. to the level of PLN 59 million.

2. INTERNAL FACTORS

- increase in sales volume of petrochemical products, especially olefins by 80% as well as polyethylene and polypropylene by 39%, favorably influenced the results of the companies from petrochemical segment (Unipetrol a.s. – PLN 89 million and Basell ORLEN Polyolefins Sp. z o.o. – PLN 41 million),
- increase in retail sales volume of engine fuels in the Parent Company (CODO petrol stations) of over 15% resulted in an increase in EBIT by PLN 34 million,
- high retail margins on gasoline and diesel oil contributed to an increase in profit from operations of the Parent Company by PLN 34 million,
- considerable cost cutting results of OPTIMA program directed at savings in operating expenses in the amount of PLN 117 million – the highest savings noted in retail segment – PLN 52 million,
- fixed costs of the Parent Company in the 3rd quarter 2006 on the level lower than in the prior year despite the increase in scale of operations (after elimination of strategic projects costs and depreciation).