Polski Koncern Naftowy ORLEN
Spółka Akcyjna

Unconsolidated financial statements for the year ended 31 December 2007

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

Polish Financial Supervision Authority

Yearly report R 2007
(year)

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

for the reporting year 2007, that is for the period from 01.01.2007 to 31.12.2007 which includes financial statements prepared in accordance with International Financial Reporting Standards with amounts stated in the Polish functional currency (PLN).

on 23 April 2008
(submission date)

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

PKN ORLEN	**CHEMICZNY (che)**
(abbreviated name of the issuer)	(industrial sector in line with classification of Warsaw Stock Exchange)
09-411	**PŁOCK**
(zip code)	(location)
CHEMIKÓW	**7**
(street)	(number)

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KPMG AUDYT Sp. z o.o.
(entity authorized to conduct audit)

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POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA
SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	thousand PLN		thousand EUR	
	2007	2006	2007	2006
data in respect of unconsolidated financial statement				
I. Total sales revenues	42 703 668	33 501 034	11 306 839	8 870 217
II. Profit from operations	2 093 194	2 001 006	554 224	529 815
III. Profit before tax	3 257 469	2 602 229	862 494	689 004
IV. Net profit	2 759 859	2 199 876	730 740	582 471
V. Net cash provided by operating activities	847 144	1 859 752	224 302	492 415
VI. Net cash (used in) investing activities	(1 423 667)	(6 945 423)	(376 951)	(1 838 970)
VII. Net cash provided by / (used in) financing activities	435 476	5 109 647	115 303	1 352 903
VIII. Net change in cash and cash equivalents	(141 047)	23 976	(37 346)	6 348
IX. Net profit and diluted profit per ordinary share (in PLN/EUR)	6,45	5,14	1,71	1,36
	as of 31 December 2007	as of 31 December 2006	as of 31 December 2007	as of 31 December 2006
X. Non-current assets	19 958 199	18 996 554	5 571 803	5 303 337
XI. Current assets	12 011 508	8 474 447	3 353 296	2 365 842
XII. Total Assets	31 969 707	27 471 001	8 925 100	7 669 180
XIII. Long-term liabilities	7 289 067	4 249 852	2 034 915	1 186 447
XIV. Short-term liabilities	6 847 058	8 211 563	1 911 518	2 292 452
XV. Equity	17 833 582	15 009 586	4 978 666	4 190 281
XVI. Share capital*	1 057 635	1 057 635	295 264	295 264
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)	41,70	35,09	11,64	9,80

* Share capital after revaluation in accordance with IAS 29.

The above data for 2007 and 2006 were translated into EUR by the following exchange rates:

- specific positions of assets, equity and liabilities - by the average exchange rate published by the National Bank of Poland as of 31 December 2007 – 3.5820 PLN / EUR;
- specific items in profit and loss and cash flows - by the arithmetic average of average exchange rates published by the National Bank of Poland as of every last day of month during the period (1 January - 31 December 2007) – 3.7768 PLN / EUR.

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

	Note	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	5	8 472 139	8 001 116
Intangible assets	6	58 592	42 806
Long-term financial assets	7	32 796	32 652
Shares in related entities	7	11 252 587	10 791 463
Loans granted	7	47 000	5 589
Perpetual usufruct of land		78 659	75 948
Other non-current assets	8	16 426	46 980
Total non-current assets		**19 958 199**	**18 996 554**
Total current assets			
Inventory	9	6 753 486	4 515 736
Trade and other receivables	10	4 746 410	3 475 623
Income tax receivable		76 575	55 394
Short-term financial assets	11	199 798	55 446
Loans granted		5 461	3 387
Short-term prepayments	12	57 486	55 396
Cash and cash equivalents	13	166 142	307 315
Non-current assets clasiffied as held for sale		6 150	6 150
Total current assets		**12 011 508**	**8 474 447**
Total assets		**31 969 707**	**27 471 001**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Equity			
Share capital	19	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		**87 584**	**23 447**
Retained earnings:	19	**15 461 110**	**12 701 251**
incl. net profit		2 759 859	2 199 876
Total equity		**17 833 582**	**15 009 586**
Long-term liabilities			
Interest-bearing loans and borrowings	14	6 500 200	3 495 630
Provisions	15	453 971	475 737
Deferred tax liabilities		295 350	228 199
Other long-term liabilities	16	39 546	50 286
Total long-term liabilities		**7 289 067**	**4 249 852**
Current liabilities			
Trade and other liabilities and accrued expenses	17	5 788 892	4 457 301
Provisions	15	596 254	604 812
Interest-bearing loans and borrowings	14	440 262	3 139 842
Deferred income		985	1 081
Other financial liabilities	18	20 665	8 527
Total current liabilities		**6 847 058**	**8 211 563**
Total equity and liabilities		**31 969 707**	**27 471 001**

UNCONSOLIDATED INCOME STATEMENT

(all amounts in PLN thousand)

(Translation of a document originally issued in Polish)

	Note	for the year ended 31 December 2007	for the year ended 31 December 2006
Operating activities			
Net sale revenues			
Sales of finished goods		35 782 667	33 841 496
Excise tax and other charges		(11 133 630)	(9 450 413)
Revenues from sale of finished goods, net		24 649 037	24 391 083
Sales of merchandise and raw materials		19 675 131	9 888 116
Excise tax and other charges		(1 620 500)	(778 165)
Revenues from sale of merchandise and raw materials, net		18 054 631	9 109 951
Total sales revenues		**42 703 668**	**33 501 034**
Cost of finished goods sold		(20 812 723)	(20 883 850)
Cost of merchandise and raw materials sold		(17 327 593)	(8 558 853)
Cost of finished goods, merchandise and raw materials sold	24	(38 140 316)	(29 442 703)
Gross profit on sales		**4 563 352**	**4 058 331**
Distribution expenses		(1 686 709)	(1 457 965)
General and administrative expenses		(691 039)	(549 174)
Other operating revenues	25	192 224	253 560
Other operating expenses	25	(284 634)	(303 746)
Profit from operations		**2 093 194**	**2 001 006**
Financial revenues		1 543 086	891 903
Financial expenses		(378 811)	(290 680)
Net financial revenues and expenses	26	**1 164 275**	**601 223**
Profit before tax		**3 257 469**	**2 602 229**
Income tax expense	27	(497 610)	(402 353)
Net profit		**2 759 859**	**2 199 876**
Basic and diluted earnings per share (per share in Polish Zloty) *		**6,45**	**5,14**

* in 2007 and 2006 there were no additional share issues

(all amounts in PLN thousand)

	Note	for the year ended 31 December 2007	for the year ended 31 grudnia 2006
Cash flows - operating activities			
Net profit		**2 759 859**	**2 199 876**
Adjustments for:			
Depreciation		898 116	901 548
(Loss)/Profit from exchange rate differences, net		(427 599)	8 626
Interest and dividend received, net *		(418 463)	(505 394)
Loss on investing activities		42 411	13 224
(Increase) in receivables	21	(939 326)	(948 316)
(Increase) in inventories		(2 237 750)	(494 673)
Increase in liabilities and accrued expenses	21	1 182 854	907 731
(Decrease) in provisions	21	(45 367)	(86 123)
Income tax expense		497 610	402 353
Income tax paid		(451 640)	(530 945)
Other adjustments		(13 561)	(8 155)
Net cash provided by operating activities		**847 144**	**1 859 752**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 609 725)	(1 115 272)
Proceeds from the sale of property, plant and equipment		28 130	54 829
Proceeds from the sale of subsidiaries		2 470	22 599
Proceeds from the sale of associated companies		23 075	-
Proceeds from the sale of shares in AWSA Holland		-	73 007
Acquisition of shares **		(498 702)	(6 839 951)
Acquisition of short-term securities		(25 000)	-
Interest and dividends received		712 059	603 521
Loans granted to related entities		(47 000)	(7 232)
Proceeds from repayment of loans granted to related entities		1 443	675
Proceeds from the acquisition of liabilities of the UNIPETROL Group		36 951	260 734
Other		(47 368)	1 667
Net cash used in investing activities		**(1 423 667)**	**(6 945 423)**
Cash flow - financing activities			
Proceeds from long and short-term borrowings and loans		5 730 871	6 644 367
Debt securitities issued		1 325 175	-
Repayment of long and short-term borrowings and loans		(6 080 651)	(1 466 567)
Repurchase of debt securities		(223 913)	-
Interest paid		(315 888)	(56 263)
Payments due to finance lease liabilities		(118)	(11 890)
Net cash provided by financing activities		**435 476**	**5 109 647**
Net change in cash and cash equivalents		**(141 047)**	**23 976**
Effect of exchange rate changes		(126)	(170)
Cash and cash equivalents, beginning of the period		**307 315**	**283 509**
Cash and cash equivalents, end of the period	13	**166 142**	**307 315**
incl. cash and cash equivalents not available for use		-	3 000

* incl. dividend from Polkomtel S.A. of PLN 264 220 thousand in 2007 and PLN 461 270 thousand in 2006
**incl. in 2007 acquisition of shares from minority shareholders of Mazeikiu Group in the amount of PLN 482 003 thousand

STATEMENT 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 2007	**534 636**	**522 999**	**1 058 450**	**168 803**	**23 447**	**12 701 251**	**15 009 586**
Net profit	-	-	-	-	-	2 759 859	2 759 859
Increase in hedge accounting due to valuation of instruments	-	-	-	-	108 125	-	108 125
Deferred tax on increase in hedge accounting due to valuation of instruments	-	-	-	-	(20 543)	-	(20 543)
Decrease in hedge accounting due to settlement of instruments	-	-	-	-	(28 945)	-	(28 945)
Deferred tax on decrease in hedge accounting due to settlement of instruments	-	-	-	-	5 500	-	5 500
31 December 2007	**534 636**	**522 999**	**1 058 450**	**168 803**	**87 584**	**15 461 110**	**17 833 582**

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

(all amounts in PLN thousand)

The statement of profits and losses recognized directly in equity regarding 2007 and 2006

	for the year ended 31 December 2007	for the year ended 31 December 2007
Increase in valuation of financial hedge instruments, net *	87 582	23 447
	----------------	----------------
Profit recognized directly in equity	87 582	23 447
Profit for the period	2 759 859	2 199 876
	----------------	----------------
Profit recognized in current period and in equity, total	**2 847 441**	**2 223 323**
	==========	==========

* incl. financial instruments hedging sales of petrochemicals, refining products, purchases of crude oil and PLN currency swap hedging interest payment relating to issue of PLN denominated bonds. The Company applies hedge accounting since 2004.

Contents of additional notes to unconsolidated financial statements for the year 2007

1. Principle activity of the Company, composition of the Management Board and the Supervisory Board of the Company

Polski Koncern Naftowy ORLEN S.A. seated in Płock, Chemików 7 street ("Company", "PKN ORLEN", "Issuer") was formed through transformation of a state-owned enterprise into a joint stock company, on the basis of the Public Notary Act of 29 June 1993. The Company was registered as Mazowieckie Zakłady Rafineryjne i Petrochemiczne "Petrochemia Płock" S.A. in the District Court in Płock. Effective 20 May 1999, the Company changed its business name to Polski Koncern Naftowy Spółka Akcyjna.

On 7 September 1999, Centrala Produktów Naftowych "CPN" Spółka Akcyjna was incorporated, thus CPN was removed from the commercial register. Effective 12 April 2000, the Company changed its business name to Polski Koncern Naftowy ORLEN Spółka Akcyjna.

According to the Articles of Association dated 22 November 2006, the Company's activity includes among others:
- Processing of crude oil and manufacturing of oil-derivative (refinery and petrochemical) products and semi finished products;
- Domestic and foreign trade on own account, on a commission and as a consignee, including in particular: the trade of crude oil, oil-derivative and other fuel, sale of motor vehicles, parts and accessories for motor vehicles, sale of industrial and consumer goods;
- Research and development activity, project work, construction and production activities on own account and as a consignee, in the areas of processing, storage, packaging and trade in solid, liquid and gaseous oil products, derivative chemical products as well as transportation: road, rail, water and by pipeline;
- Storage of crude oil and liquid fuels, creation and management of oil stock in accordance with appropriate regulations;
- Services connected to the principal activity, in particular: sea and land reloading, refining of gas and oil including ethylization, dyeing and blending of components;
- Purchase, trade and processing of used lubricant oils and other chemical waste;
- Manufacturing, transportation and trade in heating energy and electricity;
- Overhaul of appliances used in principle activities, especially refinery and petrochemical installations, oil storage appliances, petrol stations and means of transportation;
- Operation of petrol stations, bars, restaurants and hotels;
- Capital investment activities, in particular: purchasing and trade of shares and stakes in domestic and foreign trade;
- Providing services in respect of the clearance of electronic fuel cards;
- Crude oil exploration and extraction;
- Natural gas exploration and extraction.

As at 31 December 2007, Nafta Polska S.A. held directly or indirectly 17.32% of shares in the Company, the Polish State Treasury held 10.20%, and other shareholders 72,48% of the shares.

The composition of the Management Board

The following changes to the composition of the Management Board of PKN ORLEN took place in 2007:

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

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

On 19 April 2007 the Supervisory Board of PKN ORLEN, on the motion of the President of the Management Board has appointed unanimously Mr. Paweł Szymański, current Member of the Management Board, to the position of Vice President of the Management Board.

On 30 July 2007 the Supervisory Board of PKN ORLEN, on the motion of the President of the Management Board dismissed with the majority of votes Mr. Paweł Szymański from the position of Vice President of the

Management Board responsible for Finance, effective from 30 July 2007. At the same time the Supervisory Board of PKN ORLEN, on the motion of the President of the Management Board has appointed with the majority of votes Mr. Dariusz Formela to the position of Member of the Management Board of PKN ORLEN, effective from 30 July 2007.

On 23 August 2007 the Supervisory Board of the PKN ORLEN, on the motion of the President of the Management Board has appointed unanimously Mr. Waldemar Maj to the position of Vice President of the Management Board of PKN ORLEN, effective from 3 September 2007.

The composition of the Management Board of the Company as at 31 December 2007 was as follows:

Piotr Kownacki - President of the Management Board, General Director
Cezary Filipowicz - Vice-President of the Management Board, Upstream & Crude Oil Procurement
Wojciech Heydel - Vice-President of the Management Board, Sales
Waldemar Maj - Vice- President of the Management Board, Chief Financial Officer
Dariusz Formela - Member of the Management Board, Organization and Capital Group
Krystian Pater - Member of the Management Board, Production
Krzysztof Szwedowski - Member of the Management Board, Purchases and Information Technology

The following changes in the composition of the Management Board of PKN ORLEN took place after 31 December 2007:

On 28 February 2008 Supervisory Board of PKN ORLEN adopted a resolution regarding suspension of Mr. Piotr Kownacki from the activities of the President and Member of the Management Board of PKN ORLEN for the indefinite period of time.

At the same time Supervisory Board adopted a resolution, that for the period of suspension of the President Mr. Piotr Kownacki, the authority of the President of the Management Board of PKN ORLEN is taken over by the Vice President Mr. Wojciech Heydel.

The composition of the Management Board of PKN ORLEN as at the day of publication of this report is as follows:

Piotr Kownacki - President of the Management Board, General Director (suspended from the activities of the President and Member of the Management Board)
Wojciech Heydel - Vice-President of the Management Board, Sales (acting as President of the Management Board)
Cezary Filipowicz - Vice-President of the Management Board, Upstream & Crude Oil Procurement
Waldemar Maj - Vice- President of the Management Board, Chief Financial Officer
Dariusz Formela - Member of the Management Board, Organization and Capital Group
Krystian Pater - Member of the Management Board, Production
Krzysztof Szwedowski - Member of the Management Board, Purchases and Information Technology

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

The following changes in the composition of the Supervisory Board of PKN ORLEN took place in 2007:

On 30 May 2007 Management Board of PKN ORLEN has received a statement from Mr. Wiesław Rozłucki, Member of the Supervisory Board of PKN ORLEN , that he is not planning to candidate for the position of the Member of the Supervisory Board for the next term of office.

On 31 May 2007 Ordinary Shareholders Meeting of PKN ORLEN has appointed Supervisory Board for the new 3 years term of office. Mrs. Małgorzata Izabela Ślepowrońska has been appointed to the position of Chairman of the Supervisory Board. To the position of Member of the Supervisory Board have been appointed: Ms. Agata Janina Mikołajczyk, Mr. Robert Czapla, Mr. Marek Drac-Tatoń, Mr. Raimondo Eggink. Mr. Zbigniew Macioszek, Mr. Krzysztof Rajczewski, Mr. Jerzy Woźnicki. Mr. Raimondo Eggink and Mr. Jerzy Woźnicki have been appointed to the positions of independent Members of the Supervisory Board of PKN ORLEN.

On 25 June 2007 Supervisory Board has appointed Mr Jerzy Woźnicki to the position of Deputy Chairman of Supervisory Board and Mr. Krzysztof Rajczewski to the position of Secretary of the Supervisory Board.

On 6 July 2007 the Management Board of PKN ORLEN has been informed by Ministry of State Treasury that on behalf of Polish State Treasury Mr. Prof. Dr. hab. Inż. Janusz Zieliński has been appointed to the position of the Member of the Supervisory Board of PKN ORLEN.

On 27 November 2007 Management Board of Polski Koncern Naftowy ORLEN S.A. has been informed about resignation of Mr. Jerzy Woźnicki from the position of the Member of Supervisory Board of the Company, effective from 30 November 2007. Overload of duties was a reason of a resignation.

On 20 December 2007 the Supervisory Board has appointed Mr. Raimondo Eggink to the position of Deputy Chairman of the Supervisory Board.

The composition of the Supervisory Board as at 31 December 2007 was as follows:

Małgorzata Izabela Ślepowrońska - Chairman of the Supervisory Board
Raimondo Eggink - Deputy Chairman of the Supervisory Board
Krzysztof Rajczewski – Secretary of the Supervisory Board
Robert Czapla - Member of the Supervisory Board
Marek Drac-Tatoń - Member of the Supervisory Board
Zbigniew Macioszek – Member of the Supervisory Board
Agata Janina Mikołajczyk – Member of the Supervisory Board
Janusz Zieliński- Member of the Supervisory Board

The following changes in the composition of the Supervisory Board of PKN ORLEN took place after 31 December 2007:

On 7 February 2008 the Extraordinary General Shareholders Meeting of PKN ORLEN dismissed Ms. Małgorzata Izabela Ślepowrońska from the position of Chairman of the Supervisory Board of the PKN ORLEN and from the Supervisory Board of the PKN ORLEN.

In addition, the Extraordinary General Shareholders Meeting of the PKN ORLEN dismissed from the Supervisory Board of the PKN ORLEN the following Members: Mr. Robert Czapla, Mr. Marek Drac - Tatoń, Mr. Raimondo Eggink, Mr. Zbigniew Macioszek, Ms. Agata Janina Mikołajczyk and Mr. Krzysztof Rajczewski.

The Extraordinary General Shareholders Meeting of the PKN ORLEN appointed to the Supervisory Board of the PKN ORLEN:

- Mr. Maciej Mataczyński to the position of the Chairman of the Supervisory Board of the PKN ORLEN, and independent Member of Supervisory Board;
- Mr. Grzegorz Borowiec to the position of the Member of the Supervisory Board of the PKN ORLEN;
- Mr. Raimondo Eggink to the position of independent Member of the Supervisory Board of the PKN ORLEN;
- Mr. Marek Karabuła to the position of Member of the Supervisory Board of the PKN ORLEN;
- Mr. Krzysztof Kołach to the position of the independent Member of the Supervisory Board of the PKN ORLEN;
- Mr. Ryszard Stefański to the position of independent Member of the Supervisory Board of the PKN ORLEN;
- Mr. Piotr Jan Wielowieyski to the position of independent Member of the Supervisory Board of the PKN ORLEN;

On 15 February the Supervisory Board appointed Mr. Marek Karabuła to the position of the Deputy Chairman of the Supervisory Board and Mr. Ryszard Stefański to the position of Secretary of the Supervisory Board.

The composition of the Supervisory Board as at the day of publication of report is as follows:

Maciej Mataczyński - Chairman of the Supervisory Board
Marek Karabuła - Deputy Chairman of the Supervisory Board
Ryszard Stefański - Secretary of the Supervisory Board
Grzegorz Borowiec - Member of the Supervisory Board
Raimondo Eggink - Member of the Supervisory Board
Krzysztof Kołach - Member of the Supervisory Board
Piotr Wielowieyski - Member of the Supervisory Board
Janusz Zieliński - Member of the Supervisory Board

2. Principles of presentation

Information on principles adopted for preparation of financial statements for 2007

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

The financial statements have been prepared in accordance with accounting principles contained in the International Financial Reporting Standards adopted by the European Union and in the scope required under the Minister of Finance Regulation of 19 October 2005 on current and periodical information provided by issuers of securities (Official Journal no. 209, item 1744). The financial statements cover the period from 1 January to 31 December 2007 and the comparative period from 1 January to 31 December 2006.

In preparation of these financial statements the Company applied International Financial Reporting Standards adopted by the European Union (IFRSs) in force as at 31 December 2007.

Presented financial statements are compliant with all IFRS requirements adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2007 and 31 December 2006, results of its operations and cash flows for the year ended 31 December 2007 and 31 December 2006.

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

Statement of the Management Board

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

The Management Board of PKN ORLEN declares that the entity, authorized to audit and conducting the audit of financial statements, was selected in compliance with the law and that the entity and auditors conducting the audit met the conditions to issue an independent opinion in compliance with relevant regulations of the domestic law.

In compliance with principles of corporate governance adopted by the Management Board of PKN ORLEN the auditor was selected by the Supervisory Board by means of resolution No 485/2005 of 21 January 2005 on the selection of an auditor. The Supervisory Board made the selection in order to ensure complete independence and objectivity of the selection itself as well as fulfillment of tasks by the auditor. On 23 August 2007 the Supervisory Board has prolonged contract with KPMG Audyt Sp. z o.o., as a qualified auditor for audit and review of consolidated and unconsolidated financial statements of PKN ORLEN and financial statements of the key companies from PKN ORLEN Capital Group for years 2008 – 2009.

3. Functional currency and presentation currency of financial statements

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

4. Accounting principles

Property, Plant and Equipment

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).

Property, plant and equipment are stated in the financial statements prepared at the balance sheet date at the carrying amount. The carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Property plant and equipment are initially recognized at cost. The cost of an item of property, plant and equipment comprises its purchase price and other costs directly attributable to bringing the item of property, plant and equipment into use. The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. The Company uses straight-line method and in justified cases units of production method.

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over the period reflecting its economic useful life.

Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation.

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives. The cost of current maintenance of property, plant and equipment is recorded in the financial result during the period when incurred.

Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance.

Except for intangible assets arising from development other internally generated intangible assets are not recognized as assets and are recorded in the income statement in the period when the related cost has been incurred.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably.
Intangible assets are measured initially at cost. The intangible assets acquired in a business combination are measured initially at fair value at the business combination date. Granted rights to renewable energy sources are measured initially at fair value.

After initial recognition, intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful life are amortized using straight-line method when an asset is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is verified periodically, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods.
The depreciable amount of an asset is determined after deducting its residual value.

The following standard useful lives are used for intangible assets:

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

CO_2 emission rights and rights to renewable energy sources are derecognized based on FIFO method ("First In, First Out").

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

Perpetual usufruct of land

The titles to perpetual usufruct of land acquired by the Company are presented in the separate position of the balance sheet.

The titles to perpetual usufruct of land obtained under an administrative decision are recognized as off balance sheet items.

Impairment of assets

If there is an external or internal indication that an item of property, plant and equipment or an intangible asset may be impaired, they are tested for impairment. Such tests are carried out annually also in respect of intangible assets with an indefinite useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by an impairment loss recognized immediately in the income statement. The recoverable amount is higher of its value in use and fair value less costs to sell.

Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset and its ultimate disposal.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Assets that do not generate cash flows individually are grouped in the smallest identifiable group of assets generating cash flows that are largely independent of the cash flows from other assets or groups of assets (cash-generating units). The Company allocates to each of the cash generating units:

- goodwill acquired in a business combination, if it may be assumed that the cash-generating unit benefited from the synergies of the combination;
- corporate assets, if there is reasonable and consistent basis of such an allocation.

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit;
- then, to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The Company assesses at each balance sheet date whether the impairment loss should be partly or completely reversed. Indication that the impairment loss recognized in prior period no longer exists is the opposite of indication that the impairment loss should be recognized.

An impairment loss recognized for goodwill is not reversed.

A reversal of an impairment loss is recognized in the income statement as revenue.

Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Particularly leases are the agreements defined in the Civil Code as well as rent and tenancy agreements concluded for a definite time.

Assets used under the finance lease, that is the agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognized as assets of the lessee. Assets used under the operating lease, that is the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognized as assets of the lessor.

If the Company uses an asset based on the finance lease, the asset is recognized in the balance sheet as an item of property, pant and equipment or an intangible asset. The leased asset is measured at the lower of its fair value or the present value of the minimum lease payments that is the present value of payments over the lease term that the lessee is or can be required to make.

The present value of the minimum lease payments is recognized in the balance sheet as financial liabilities with the division into short-term part (due no more than one year after the balance sheet date) and long-term part (due more than one year after the balance sheet date). The minimum lease payments are discounted and apportioned between finance charge and the reduction of the outstanding liability using interest rate implicit in the lease, if this is practicable to determine, if not, the lessee’s incremental borrowing rate.

Depreciation methods for assets leased under the finance lease as well as methods of determining impairment losses in respect of assets leased under the finance lease are consistent with policies applied for the Company’s owned assets.

If the Company conveyed to another entity the right to use an asset under the finance lease, the present value of the minimum lease payments and unguaranteed residual value is recognized in the balance sheet as receivables with the division into short-term part and long-term part. The minimum lease payments and unguaranteed residual value are discounted using interest rate implicit in the lease, that is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, the unguaranteed residual value and the initial direct costs to be equal to the fair value of the leased asset.

If the Company uses an asset based on the operating lease, the asset is not recognized in the balance sheet and lease payments are recognized as an expense in the income statement.

If the Company conveyed to another entity the right to use an asset under the operating lease, the asset is recognized based on the same policies as applied for the Company's owned assets, that is as an item of property, plant and equipment or an intangible asset.

Lease income from operating leases is recognized as revenues from sale.

Exploration and extraction of hydrocarbons

For exploration and extraction of hydrocarbons activity the Company applies accounting principles based on Successful Efforts Method.

The stages of exploration and extraction of hydrocarbons activity are classified in the following way:
- preliminary stage of assessment;
- acquisition of rights to explore and extract;
- exploration of resources;
- recognition of resources;
- resource site planning;
- exploitation of resources.

All expenditures related to the preliminary stage of assessment are recognized in the income statement when incurred.

Cost incurred for acquisition of rights to explore and extract are recognized as intangible assets. General and administrative expenses that may be directly attributed to the purchase transaction of exploration/extraction rights should increase the purchase price of an asset. If direct allocation of costs to the purchase transaction of exploration/extraction rights is not possible, indirect expenses are recognized in the income statement when incurred.

Cost of exploration and recognition
- Cost incurred for each exploratory drilling is initially recognized as construction in progress. If the exploratory drilling is unsuccessful, the cost previously recognized as an asset is included in the income statement;
- Cost incurred for each appraisal drilling is initially recognized as construction in progress. If the appraisal is unsuccessful, the cost previously recognized as an asset (including cost incurred in exploration stage) is included in the income statement. If the appraisal is successful, the cost incurred for all appraisal drillings (including unsuccessful drillings in hydrocarbons resource, that was recognized as an asset) is transferred to property, plant and equipment at the date of put into use;
- Other cost incurred at the exploration and recognition stage is initially recognized as intangible assets under development or construction in progress, depending on the type of cost incurred. If the exploration and recognition stage ends without success other cost incurred previously recognized as an asset is included in the income statement;
- When the commercial viability and technical feasibility of a resource is confirmed, the Company defines cash generating unit. It is assumed that cash generating unit will be defined as hydrocarbons resource;
- General and administrative expenses that can be directly attributed to the exploration and recognition stage should be recognized as an asset and included in previously defined cash generating unit. If cost cannot be allocated, it is included in the income statement when incurred.

Cost incurred for resource site planning are recognized as an asset and included in previously defined cost generating unit. General and administrative expenses that can be directly attributed to the resource site planning stage should be recognized as an asset and included in previously defined cost generating unit. If cost cannot be allocated, it is included in the income statement when incurred.

Cost directly attributed to hydrocarbons resource exploitation is included in the income statement as the cost of the current period.

Depreciation of non-current assets used for exploration and exploitation activity is calculated proportionally to the amount of extracted hydrocarbons, using unit of production method. If the unit of production method is not possible to apply (e. g. because of lack of information regarding total amount of hydrocarbons or using of assets on multiple stages of exploration or exploitation) other depreciation method, that most reliably reflects the economical usage, can be applied.

The Company creates provisions for the cost of removal of drillings and supporting infrastructure. The amount of the provision for future dismantling and land reclamation is initially recognized as a provision and as a part of initial value of an asset at the date of put into use.

The amount of created provisions is verified at each balance sheet date and adjusted to reflect the current knowledge as at that date. The increase in the provision due to the passage of time (due to discounting) is recognized as a financial expense. Changes in the provision due to assessment of cost, change of discount rate, change of date of removal/ reclamation adjust the book value of a provision and book value of an asset.

The Company performs impairment tests of assets used in exploration and exploitation activity, both for proved and unproved assets/resources.

The impairment assessment is performed by the Company for assets/resources (proved and unproved) on the level of cash generating unit defined as hydrocarbons resource.

Non-current assets held for sale

Non-current assets held for sale are those which comply simultaneously with the following criteria:
- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sales decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

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

Depreciation is discontinued for the asset when it is designated for sale.

Assets held for sale, excluding above all financial assets and investment property, are measured at the lower of the carrying amount and the fair value less costs to sell.

In case of any subsequent increase in fair value less costs to sell of an asset, the Company recognizes a gain, but not in excess of the cumulative impairment loss that has been recognized.

Investment property

An investment property is initially recognized at cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure, such as professional fees for legal services, property transfer taxes and other transaction costs. The cost of a self-constructed investment property is its cost when the construction or development is complete and ready to use, according to principles defined for property, plant and equipment.

After initial recognition an investment property is presented at fair value determined on the basis of a valuation of an independent valuer. Gains and losses resulting from changes in fair value of investment property are presented in the income statement in the period in which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

An investment property is presented in the financial statements prepared on the balance sheet date at fair value. The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

If there is clear evidence that the fair value of the investment property is not reliably determinable on a continuing basis, the Company measures investment property using the cost model, in accordance with principles defined for property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, as at trade date.

The Company derecognizes a financial asset when, and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Company removes a financial liability (or part of financial liability) from its balance sheet when, and only when it is extinguished - that is when the obligation specified in the contract:
- is discharged, or
- is cancelled, or
- expired.

Measurement of financial assets

When a financial asset or a financial liability is recognized initially, the Company measures it at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When an option contract is recognized initially, there may be a difference between the transaction price and the instrument value that would be determined with valuation techniques used by the Company. In such a case the Company recognizes an asset initially at the transaction price and at the end of the reporting period (month) it determines the gain or loss resulting solely from change of factors taken into account when the transaction price was set.

For the purpose of measuring a financial asset at a balance sheet date or any other date after initial recognition, the Company classifies financial assets into the following four categories:
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets.

Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial assets as financial assets at fair value through profit or loss.

A financial asset at fair value through profit or loss is a financial asset classified as held for trading if it is:
- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profittaking, or
- a derivative (except for a derivative that is an effective hedging instrument);
- designated by the Company upon initial recognition as at fair value through profit or loss, when doing so results in more relevant information.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Results of changes in the value of available – for - sale financial assets are charged directly to equity.

Fair value measurement of financial assets

The Company measures financial assets at fair value through profit or loss, including derivative financial assets and available-for-sale financial assets at their fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.

Fair value of financial assets is determined in the following way:
- for instruments quoted on an active market based on current quotations available as at the balance sheet date;
- for debt instruments unquoted on an active market based on discounted cash flows analysis;
- for forward and swap transactions based on discounted cash flows analysis.

If the fair value of investments in equity instruments (shares) that do not have a quoted market price on an active market is not reliably measurable, the Company measures them at cost, that is the acquisition price less any accumulated impairment losses.

Financial assets designated as hedging transaction are measured in accordance with the principles of hedge accounting.

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss are recognized directly in the income statement.

A gain or loss on an available-for-sale financial asset are recognized directly in equity through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses that are recognized directly in income statement. In case of debt financial instruments interests calculated using the effective interest method are recognized in the income statement.

Amortized cost measurement of financial assets

The Company measures loans and receivables, including trade receivables, as well as held-to-maturity investments at amortized cost using the effective interest method. The Company uses simplified methods in respect of measurement of financial assets at amortized cost if it does not distort information included in the financial statements. Financial assets measured at amortized cost, in relation to which the Company uses simplifications, are measured initially and after initial recognition (including the balance sheet date) at the amounts due.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective indicator that a financial asset or group of financial assets is impaired.

If there is an objective indicator that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.
The Company uses simplified methods in respect of determining the impairment of trade receivables – particularly the impairment loss is recognized if the payment term expired at least 6 months before the balance sheet date. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in income statement as revenues.

If there is an objective indicator that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

If there is an objective indicator that an impairment loss has been incurred on an available-for-sale financial asset, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in the income statement. Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed, with the amount of the reversal recognized in the income statement.

Non-current financial assets held for sale

Non-current financial assets, the carrying amount of which will be recovered principally through a sale transaction, are classified as non-current assets held for sale and presented in the separate position of the balance sheet. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Such a classification does not result in application of measurement principles defined in IFRS 5 designated for non-current assets held for sale. Non-current financial assets held for sale are still measured based on general principles relating to financial assets.

Measurement of financial liabilities

As at the balance sheet date or other dates after the initial recognition the Company measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments) at fair value. Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of a financial liability is the current price of instruments quoted on an active market.

If there is no active market for a financial instrument, the fair value of the financial liabilities is established by using the following techniques:
- using recent arm's length market transactions between knowledgeable, willing parties;
- reference to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis.

Loans and borrowings received and trade liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted on an active market.

Financial guarantee contracts, that are contracts that require the Company (issuer) to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as financial liabilities at fair value through profit or loss are measured at the higher of:
- the amount determined in accordance with principles relating to valuation of provisions;
- the amount initially recognized less, when appropriate, cumulative amortization.

Embedded derivatives

If the Company is a party of a hybrid (combined) instrument that includes an embedded derivative, the embedded derivative is separated from the host contract and accounted for as a derivative in accordance with principles defined for investments at fair value through profit or loss if all of the following conditions are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same realization terms as the embedded derivative would meet the definition of a derivative, and
- the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss (that is when a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

The Company assesses the need to separate an embedded derivative from the host contract and to present it as a derivative, when it becomes a party of a hybrid instrument for the first time. Reassessment is made only in case, when subsequent changes are introduced to the hybrid contract that substantially modify cash flows required by the contract.

A derivative is a financial instrument with all three of the following characteristics:
- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- it is settled at a future date.

Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the income statement. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognized directly in equity).

The Company discontinues prospectively fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Company's documented hedging strategy);
- the hedge no longer meets the criteria for hedge accounting, or
- the Company revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect the income statement. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity through the statement of changes in equity, and
- the ineffective portion of the gain or loss on the hedging instrument is recognized in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement. However, if the Company expects that all or a portion of a loss recognized directly in equity will not be recovered in one or more future periods, it reclassifies into the income statement the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognized directly in equity and includes them in the initial cost or other carrying amount of the asset or liability.

The Company discontinues prospectively cash flow hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised - in this case, the cumulative gain or loss on the hedging instrument recognized directly in equity remain separately recognized in equity until the forecast transaction occurs;
- the hedge no longer meets the criteria for hedge accounting - in this case, the cumulative gain or loss on the hedging instrument recognized directly in equity remain separately recognized in equity until the forecast transaction occurs;

- the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument recognized directly in equity are recognized in the income statement.

If the Company revokes the designation, the cumulative gain or loss on the hedging instrument recognized directly in equity remain separately recognized in equity until the forecast transaction occurs or is no longer expected to occur.

Inventories

Inventories are assets:
- held for sale in the ordinary course of business;
- in the process of production for such sale, or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Raw materials and merchandise are measured initially at acquisition cost.

As at the balance sheet date raw materials and merchandise are measured at the lower of cost and net realizable value, considering any inventory allowances. A net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Estimates of a net realizable value of particular items of raw materials and merchandise are made during the reporting year on a current basis. Revaluation to a net realizable value concerns raw materials and merchandise that are damaged or obsolete.

The cost of usage of raw materials and merchandise is determined based on the weighted average cost formula, based on acquisition or purchase cost.

Finished goods and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period.

The production costs do not include:
- costs incurred as a consequence of low production or production losses;
- general administration expenses that are not directly attributable to bringing the inventories to the condition and location at the moment of valuation;
- storage costs of finished goods and work in progress, unless these costs are necessary in the production process;
- selling costs.

For finished goods, the production costs comprise related fixed and variable indirect costs for normal production levels.

As at the balance sheet date finished goods and work in progress are measured at the lower of cost and net realizable value.

The cost of usage of finished goods is determined based on the weighted average cost formula, based on production cost in the particular reporting period.

Receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in the subsequent periods at amortized cost using the effective interest method less allowances for doubtful receivables.

The Company uses simplified methods of receivables measurement, if it does not distort information included in the financial statements, particularly if the payment term of receivables is not long. Receivables, in relation to which simplified methods are used, are measured initially and after initial recognition (including the balance sheet date) at the amounts due.

Cash and cash equivalents

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

Equity

Equity is stated in the accounting records by type, in accordance with legal regulations and the Company's Articles of Association.

The share capital is stated at nominal value in accordance with the Company's Articles of Association and the entry in the Commercial Register, except for shares issued before 1996. Those shares were adjusted using a general price index in line with IAS 29.

The Company's own shares and outstanding share capital contributions decrease the equity.

Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs.

Issuance costs incurred by setting up a joint stock company or increasing the share capital decrease the share premium to the amount of the surplus of the issuance value in excess of the nominal value of shares, and the remaining portion is presented by the Company as retained earnings.

Changes in the fair value of cash flow hedges related to the portion regarded as an effective hedge are included in equity as hedging reserve.

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

Retained earnings include:
- the amounts arising at profit distribution;
- transfers from revaluation reserve (the difference between the fair value and the acquisition cost, net of deferred tax, of assets available for sale is transferred to the revaluation reserve, if their price is determined on the regulated active market or if their fair value may be reliably estimated by alternative methods);
- the undistributed result for prior periods;
- the current period net result;
- advance dividends paid;
- the effects of prior period errors.

Interest-bearing bank loans and borrowings

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

The Company uses simplified methods of interest-bearing loans and borrowings measurement that are usually measured at amortized cost, if it does not distort information included in the financial statements, particularly if the payment term of the loan or borrowing is not long. Interest-bearing loans and borrowings, in relation to which simplified methods are used, are measured initially and after initial recognition (including the balance sheet date) at the amounts due.

Borrowing costs

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

Provisions

A provision is a liability of uncertain timing or amount.

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The provision is reversed, if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The provision is used only for expenditures for which the provision was originally recognized.

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

The provisions are created for (if recognition criteria mentioned above are met):
- environmental risk;
- restructuring;
- legal proceedings.

Provisions are not recognized for future operating losses.

Environmental provision

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

Provision for jubilee, retirement and pension benefits

Under the Company's remuneration plans its employees are entitled to jubilee bonuses as well as retirement and pension benefits.

The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement (pension) benefits are paid once at retirement (pension). The amount of retirement and pension benefits as well as jubilee bonuses depends on the number of years of service and an employee's average remuneration.

The jubilee bonuses are other long-term employee benefits, whereas retirement benefits and pension are classified as post-employment benefit plans.

The retirement and pension benefits and jubilee bonuses provisions are created in order to allocate costs to relevant periods.

The present value of these liabilities is estimated at the end of each reporting year by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities.
The accumulated liabilities equal discounted future payments, considering employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year.

Actuarial gains and losses are recognized in the income statement.

Accrued expenses

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been invoiced or formally agreed with the supplier, including amounts due to employees.

The uncertainty about the amount or timing of accrued expenses is much lower than in respect of provisions.

Accrued expenses relate for example to:
- unused holidays;
- loyalty program;
- employee bonuses.

Liabilities

Trade and other liabilities are stated at amortized cost using the effective interest method. The Company uses simplified methods of liabilities measurement, including financial liabilities that are usually measured at amortized cost, if it does not distort information included in the financial statements, particularly if the payment term of liabilities is not long. Liabilities, including financial liabilities, in relation to which simplified methods are used, are measured initially and after initial recognition (including the balance sheet date) at the amounts due.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the balance sheet however the information on contingent liabilities is disclosed in the financial statements unless the probability of outflow of resources relating to economic benefits is remote.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognized in the balance sheet, however the respective information on the contingent asset is disclosed in the financial statements if the inflow of economic benefits is probable.

Revenues

Revenue from sale of finished goods, services, merchandise and raw materials is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from sale of finished goods, merchandise, and raw materials is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue includes received or due payments for delivered goods or merchandise decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges. The amount of revenue is measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale.

Revenues and costs concerning rendering of services, whose beginning and end fall within different reporting periods, are recognized by reference to the stage of completion of the contract, when the outcome of a contract can be estimated reliably, that is when the total contract revenue and contract costs can be measured reliably, it is probable that the economic benefits will flow to the Company and the stage of contract completion can be measured reliably. When these conditions are not met, revenue is recognized only to the extent of contract costs incurred that is probable will be recoverable.

Revenues from licenses, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreement. Prepayments are recognized as deferred income.

Franchise revenues are recognized in accordance with the substance of the relevant agreement, in a way reflecting the reason of charging with franchise fees.

Revenues from dividends are recognized when the shareholder’s right to receive payment is established.

Costs

The Company recognizes costs in accordance with accrual basis and prudence.

Costs of finished goods sold comprise costs of finished goods sold and costs of services sold, including services of support functions.

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as transport expenses.

General and administrative expenses include expenses relating to management and administration of the Company as a whole.

Operating segments

The Company adopted business segments as the primary reporting format i.e. as the dominant source of risks and benefits related to sale of different merchandise and finished goods.

A secondary reporting format is geographical segments that are associated with activity conducted in different geographical areas.

The operations of the Company are divided into two main business segments:
- the Refining Segment that comprises crude oil processing as well as wholesale and retail trade in refinery products;

− the Petrochemical Segment that encompasses production and sales of petrochemicals.

The other operations of the Company include mainly support functions.

Segment revenue is revenue reported in the Company's income statement that is directly attributable to a segment and the relevant portion of the Company's revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the Company.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the Company. Segment expense does not include:
− income tax expense;
− losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature;
− general and administrative expenses and other expenses incurred at the level of the Company as a whole, unless such expenses concern operating activities of a segment and can be allocated on a reasonable basis to the segment.

Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Particularly segment assets and liabilities do not include assets (liabilities) connected with income tax.

The segment result is determined at the level of result from operations.

The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made, after adjustments within a given segment.

Sales prices used in transaction between segments are close to market prices. Segment operating costs are allocated to a proper segment.

Other costs which cannot be reliably allocated are included as unallocated expenses, reconciling total segment results to result from operations.

Government grants

The government grants are recognized at fair value if there is reasonable assurance that the grant will be obtained and the entity will comply with the conditions attached to it.

If the grant relates to a given income, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate.

If the grant concerns particular asset, its fair value is recognized as deferred income and on a systematic basis recorded in the income statement over the estimated useful life of the underlying asset.

Income tax expense

Income tax expense comprises current tax expense and deferred tax expense and decreases profit before tax.

Current tax is determined in accordance with the relevant tax law regulations in respect of the taxable profit.

Current tax liabilities represent the amounts payable at the balance sheet date. If the amount paid due to current income tax is greater than the amount due the excess is recognized in the balance sheet as a receivable.

Income tax is charged on result before tax.

Deferred tax assets are recognized for deductible temporary differences, unrealized tax losses and unrealized tax relieves.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deductible temporary differences are temporary differences that will result in reducing taxable amounts when determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base. Deductible temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.

Taxable temporary differences are temporary differences that will result in increasing taxable amounts when determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Taxable temporary differences arise when the carrying amount of an asset is higher than its tax base or when the carrying amount of a liability is lower than its tax base. Taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.

The Company does not recognize deferred tax assets and deferred tax liabilities for temporary differences resulting from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognized for goodwill, whose amortization is not a tax deductible cost.

The deferred tax assets and liabilities are measured at each balance sheet date using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized (impairment analysis of deferred tax assets at each balance sheet date).
Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities relating to equity transactions are charged to equity.

Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the balance sheet.

Deferred tax assets and liabilities are offset in the balance sheet, if the Company has a legally enforceable right to set off the recognized amounts. It is assumed that a legally enforceable right exists if the amounts concern the same tax payer (including capital tax group), except for amounts taxed based on lump sum method or in a similar way, if tax law does not allow to offset them with tax determined according to general rules.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for a given period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

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

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

The functional currency of the Company is Polish zloty.

At each balance sheet date:
- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the balance sheet date;
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the income statement in the period in which they arise, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting. Foreign exchange differences are recognized in the income statement in the net amount.

The Company's Management Board estimates and assumptions

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

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

Actual results may differ from the estimated values.

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

Changes in accounting policies, changes in accounting estimates and errors

The Company changes an accounting policy only if the change:
- is required by change in the accounting law;
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial position, financial performance or cash flows.

Changes in accounting policies are applied retrospectively. The related adjustments are presented in equity – in retained earnings. To ensure that data are comparable the Company adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information, development of a situation or more experience.

The prior period errors are corrected by the equity – retained earnings. When preparing financial statements, the assumption is made that the error was corrected in the period, in which it was made. It means that the amount of the correction relating to the prior period should be included in the income statement of that period.

Cash flow statement

The cash flow statement is prepared using indirect method.

Cash and cash equivalents presented in the cash flow statement include cash and cash equivalents less bank overdrafts, if they form an integral part of the Company's cash management.

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.

Interests paid on bank loans and borrowings, debt securities issued and interests from financial leases paid are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.

Interests received from finance leases, loans granted and short term securities are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.

Cash flows from corporate income tax are presented in cash flows from operating activities.

Business combinations

Business combinations are accounted for using the purchase method. Application of this method requires:
- identification of acquirer;
- measurement of cost of the business combination;
- allocation, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The fair value of assets, liabilities and contingent liabilities, for the purpose of an allocation of a cost of business combination, is recognized in accordance with the appendix B to IFRS 3.

The excess of the cost of business combination over the net fair value of identifiable assets, liabilities and contingent liabilities is presented as goodwill.

The excess of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognized as other operating income of the period.

Goodwill

Goodwill resulting from a business combination is stated at the acquisition date (all relevant days of acquisition if the business combination results from a series of transactions) at the excess of the cost of the business combination over the acquirer's share in the fair value of the net identifiable assets, liabilities and contingent liabilities.

Goodwill is allocated to cash-generating units at the acquisition date.

Goodwill is tested for impairment before the end of the reporting period in which the business combination occurred and in the following annual reporting periods. If events or circumstances indicate that goodwill might be impaired, the goodwill is tested for impairment before the end of each reporting period, in which such circumstances occurred.

As at the balance sheet date goodwill is measured at cost less cumulative impairment losses recognized in the previous periods as well as decreases due to partial disposals of shares, to which goodwill was allocated. Impairment losses up to the amount of goodwill allocated to a particular cash-generating unit (or group of units) are not reversible.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination, the acquirer reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognizes immediately in the income statement any excess remaining after that reassessment.

Impact of new Standards and Interpretations on the Company's financial statements

As at 31 December 2007 the following new standards, changes and interpretations to International Financial Reporting Standards were published:

- IFRIC 11 – "Group and Treasury Share Transactions" – effective for the annual periods beginning on or after 1 March 2007;
- IFRIC 12 – "Service Concession Arrangements" – effective from 1 January 2008;
- IFRIC 13 – "Customer Loyalty Programmes" – effective from 1 July 2008;
- IFRIC 14 – "The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction - effective from 1 July 2008;
- IFRS 2 – "Share – based Payment" – effective from 1 January 2009;
- IFRS 3 – "Business Combinations" – effective from 1 July 2009;
- IFRS 8 – "Operating Segments" – effective from 1 January 2009;
- IAS 1 – "Presentation of Financial Statements" – effective from 1 January 2009;
- IAS 23 –"Borrowing Costs" – effective from 1 January 2009;
- IAS 27 – "Consolidated and Separate Financial Statements" – effective from 1 July 2009;
- IAS 32 – "Financial Instruments: Presentation" – effective from 1 January 2009.

As at 31 December 2007 all the above-mentioned standards and interpretations are pending for the European Union approval.

The Company assessed the effects of implementation of these interpretations and changes to standards. Changes to IAS 23 were identified as most likely to significantly influence the financial statement. As the borrowing costs are not to be recognized as an expense in the income statement, the changes will cause the decrease of financial costs and an increase of depreciation expense of non-current assets, starting from the date of put into use. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset and depreciated during the economic useful life of an asset. Due to the fact that it is difficult to specify the connection between the loan or borrowing and the asset, currently the Company analyses the borrowing costs in order to keep the commensurability between drawn loans and current investments. Starting form 1 January 2009 the Company introduces the prospective changes to the accounting principles regarding the borrowing costs. In accordance with the changes to IAS 23, principles applied so far will not be used.

In this financial statement the Company recognized in the income statement the effect of the borrowing costs in the amount of PLN 134,713 thousand, which is the effect of positive foreign exchange differences and interests in 2007 and respectively PLN (113,079) thousand as the effect of negative foreign exchange differences and interest in 2006.

According to the preliminary assessment other changes in standards mentioned above will not significantly influence the Company's financial statements.

(all amounts in PLN thousand)

5. Tangible fixed assets

	31 December 2007	31 December 2006
Land	252 881	239 516
Buildings and constructions	4 841 989	4 594 478
Machinery and equipment	2 431 398	2 564 605
Vehicles and other	213 344	217 656
Construction in progress	732 527	384 861
Total property, plant and equipment	**8 472 139**	**8 001 116**

Changes of property, plant and equipment by categories:

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross value						
1 January 2007	239 516	6 453 240	5 808 588	447 538	423 078	13 371 960
Increase	-	20 494	574	39 988	1 382 477	1 443 533
Reclassification *	16 856	584 198	351 373	36 103	(1 024 417)	(35 887)
Decrease	(3 491)	(66 417)	(61 538)	(66 779)	(9 321)	(207 546)
31 December 2007	**252 881**	**6 991 515**	**6 098 997**	**456 850**	**771 817**	**14 572 060**
1 January 2006	201 694	5 844 896	5 513 829	400 931	444 506	12 405 856
Increase	1	32 018	30 543	7 144	1 140 434	1 210 140
Reclassification **	37 956	614 175	343 907	96 881	(1 134 066)	(41 147)
Decrease	(135)	(37 849)	(79 691)	(57 418)	(27 796)	(202 889)
31 December 2006	**239 516**	**6 453 240**	**5 808 588**	**447 538**	**423 078**	**13 371 960**
Accumulated depreciation and impairment allowances						
1 January 2007	-	1 858 762	3 243 983	229 882	38 217	5 370 844
Depreciation	-	342 876	480 740	55 708	-	879 324
Other increases	-	532	28	11 201	-	11 761
Impairment allowances	-	(13 029)	(1 820)	(44)	1 073	(13 820)
Depreciation decrease due to liquidation and sale of property, plant and equipment and other decreases	-	(39 615)	(55 332)	(53 241)	-	(148 188)
31 December 2007	**-**	**2 149 526**	**3 667 599**	**243 506**	**39 290**	**6 099 921**
1 January 2006	-	1 545 354	2 788 844	222 532	40 568	4 597 298
Depreciation	-	338 539	500 750	47 135	-	886 424
Other increases	-	2 023	2 058	6 040	-	10 121
Impairment allowances	-	(1 358)	997	165	(2 351)	(2 547)
Depreciation decrease due to liquidation and sale of property, plant and equipment and other decreases	-	(25 796)	(48 666)	(45 990)	-	(120 452)
31 December 2006	**-**	**1 858 762**	**3 243 983**	**229 882**	**38 217**	**5 370 844**
Net book value						
1 January 2007	**239 516**	**4 594 478**	**2 564 605**	**217 656**	**384 861**	**8 001 116**
31 December 2007	**252 881**	**4 841 989**	**2 431 398**	**213 344**	**732 527**	**8 472 139**
1 January 2006	**201 694**	**4 299 542**	**2 724 985**	**178 399**	**403 938**	**7 808 558**
31 December 2006	**239 516**	**4 594 478**	**2 564 605**	**217 656**	**384 861**	**8 001 116**

* Transfers from construction in progress to specific groups of property, plant and equipment in the amount of PLN 988 530 thousand, transfers of intangible assets in the amount of PLN 32 243 thousand and perpetual usufruct of a land in the amount of PLN 3 644 thousand
** Transfers form construction in progress to specific groups of property, plant and equipment in the amount of PLN 1 092 919 thousand, transfers of intangible assets in the amount of PLN 25 488 thousand and perpetual usufruct of land in the amount of PLN 15 658 thousand

Impairment allowances for property, plant and equipment as at 31 December 2007 and 31 December 2006 amounted to PLN 128,260 thousand and PLN 142,081 thousand, respectively.

In 2007 the Company reviewed economic useful lives of property, plant and equipment applied afore. Should the rates from previous year be applied, depreciation expense would be higher by PLN 35,678 thousand. The gross book value of all fully depreciated property, plant and equipment still in use as at 31 December 2007 amounted to PLN 1,357,124 thousand and as at 31 December 2006 amounted to PLN 1,085,038 thousand.

Impairment allowances disclosed in property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeded its recoverable amount. The impairment allowances are charged to other operating expenses. The impairment allowances relate primarily to liquid fuels warehouse bases and petrol stations.

As at 31 December 2007 and 31 December 2006 no property, plant and equipment were used as a pledge for the Company's liabilities.

(all amounts in PLN thousand)

6. Intangible assets

	31 December 2007	31 December 2006
Acquired licenses, patents and similar intangible assets	55 757	42 211
Other	2 835	595
	------------	------------
Total intangible assets	**58 592**	**42 806**
	=======	=======

The changes of intangible assets were as follows:

	Acquired licenses, patents and similar intangible assets	Other	Total
Gross value			
1 January 2007	201 466	8 983	210 449
Acquisition	184	8 292	8 476
Reclassification *	32 243	-	32 243
Decrease	(1 411)	(5 257)	(6 668)
	======	======	======
31 December 2007	**232 482**	**12 018**	**244 500**
	======	======	======
1 January 2006	174 209	5 040	179 249
Acquisition	2 260	4 146	6 406
Other increases	1 074	-	1 074
Reclassification *	25 488	-	25 488
Decrease	(1 565)	(203)	(1 768)
	======	======	======
31 December 2006	**201 466**	**8 983**	**210 449**
	======	======	======
Accumulated depreciation and impairment allowances			
1 January 2007	159 255	8 388	167 643
Depreciation	17 828	-	17 828
Other increases	-	6 052	6 052
Depreciation decrease due to liquidation and sale of intangible assets and other decreases	(358)	(5 257)	(5 615)
	======	======	======
31 December 2007	**176 725**	**9 183**	**185 908**
	======	======	======
1 January 2006	145 111	5 038	150 149
Depreciation	14 354	2	14 356
Other increases	-	3 551	3 551
Depreciation decrease due to liquidation and sale of intangible assets and other decreases	(210)	(203)	(413)
	======	======	======
31 December 2006	**159 255**	**8 388**	**167 643**
	======	======	======
Net book value			
1 January 2007	**42 211**	**595**	**42 806**
	======	======	======
31 December 2007	**55 757**	**2 835**	**58 592**
	======	======	======
1 January 2006	**29 098**	**2**	**29 100**
	======	======	======
31 December 2006	**42 211**	**595**	**42 806**
	======	======	======

* transfers from construction in progress

Impairment allowances for intangible assets as at 31 December 2007 and 31 December 2006 amounted to PLN 47 thousand.

In 2007 the Company reviewed economic useful lives of intangible assets applied afore. Should the rates from previous year be applied, adjustment to depreciation expense would not be material. The gross book value of all fully depreciated intangible assets still in use as at 31 December 2007 amounted to PLN 145,292 thousand and as at 31 December 2006 amounted to PLN 135,393 thousand.

CO_2 emission rights

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

Information on granted emission rights and their balance sheet presentation	**Quantity (Mg)**	**Value (in PLN thousand)**
Emission rights acquired by the Company in 2005 for the 3-year accounting period	17 151 600	1 402 816
Actual use of emission rights in 2005	(5 450 878)	(445 823)
Actual use of emission rights in 2006	(5 520 509)	(451 518)
Remaining emission rights for 2007	6 180 213	505 475
Sale of emission rights in 2007 (quantity and value in accordance with accounting records)	(773 013)	(63 225)
Estimated emissions planned in 2007	(5 407 200)	(442 250)
CO_2 emission rights as at 31 December 2007	-	-

As at 31 December 2007 the net value of granted emission rights in the balance sheet of the Company, being the difference between granted emission rights and deferred income related to receipt of rights free of charge, amounted to nil.

At at the day of publication of these financial statements, the CO_2 emission rights received free of charge for 2007, were settled. According to qualified independent data verifier, corrected and verified total amount of emission in 2007 amounted to 5,110,131 Mg CO_2, that is 5,110,131 emission rights. This emission rights were discontinued in March 2008. After discontinuation 297,069 unused emission rights were left. All unused rights were sold in March 2008. PKN ORLEN has no longer any unused emission rights granted for the first settlement period (years 2005-2007).

In 2007 profit on sale of CO_2 emission rights in the amount of PLN 162 thousand was recognized.

Cogeneration certificates

In accordance with state regulations based on Directive No. 2001/77/EC from 27 September 2001 adopted by the European Union, the Company has recognized in the financial statements cogeneration certificates on production of high efficient electricity ("Red Energy").

In the balance sheet as at 31 December 2007, the net value of granted rights, being a difference between fair value of rights and deferred income related to receipt of free of charge rights, amounted to nil.

The sale of free of charge red energy rights is recognized as profit in other operating revenues, in the reporting period, when the rights were sold.

In the 12-month period ended 31 December 2007 the Company was granted rights in the amount of 1,058,625 MWh. The value of certificates amounted to PLN 18,632 thousand.

Perpetual usufruct of land

The titles to perpetual usufruct of land obtained under an administrative decision were recognized as off balance sheet items in the amount of PLN 927,112 thousand as at 31 December 2007 and of PLN 941,518 thousand as at 31 December 2006. These rights have been revalued to fair value as at 1 January 2004.

Concessions

As at 31 December 2007 and 31 December 2006 the Company possessed concessions for public services due to which annual concession fees recognized in the income statement in a given period are paid.

The Company as the owner of particular concessions granted by proper bodies of the public administration possesses concessions for the following activities:
- the trade of electrical energy;
- transportation and distribution of electrical energy;
- manufacturing of heating energy;
- transportation and distribution of heat energy;
- manufacturing of electrical energy;
- trade of heating energy;
- trade of liquid fuels;
- manufacturing of liquid fuels;
- manufacturing of gas fuels;
- trade of natural gas with foreign countries;
- exploration and recognition of crude oil and natural gas.

Concession for trade, transportation, distribution and manufacturing of electrical energy as well as concession for manufacturing, transportation and distribution of heating energy are granted for the period of 27 years (till 31 December 2025). Concessions for the trade of heating, gas fuels and natural gas with foreign countries are granted for ten years (till June 2013). Concessions for the trade and manufacturing of liquid fuels are granted for ten years (till 31 December 2008). Concessions for exploration and recognition of crude oil and natural gas are granted for five years (till 30 November 2012).

(all amounts in PLN thousand)

7. Long – term financial assets, shares in related entities and loans granted

a) Shares in related entities

Name	Seat	31 December 2007	31 December 2006	Company's interest in capital/ in voting rights as at 31 December 2007	Company's interest in capital/ in voting rights as at 31 December 2006	Principal activity
AB Mozeikiu Nafta („Mazeikiu") *	Lithuania - Juodeikiai	7 241 745	6 759 742	90,02%	84,2%	throughput of crude oil
UNIPETROL a.s.	Czech Republic - Praha	1 812 882	1 812 882	62,99%	62,99%	asset management of Unipetrol Group
ORLEN Deutschland AG	Germany - Elmshorn	503 803	503 803	100%	100%	asset management and retail fuel sales
Basell ORLEN Polyolefins Sp. z o.o.	Poland – Płock	453 699	453 699	50%	50%	production, distribution and sale of polyolefines
Polkomtel S.A.	Poland – Warszawa	436 495	436 495	19,61%	19,61%	rendering mobile telecommunication services
Anwil S.A.	Poland – Włocławek	176 200	176 200	84,79%	84,49%	production of nitric fertilizers, polyvinyl chloride
Niezależny Operator Międzystrefowy Sp. z o.o.	Poland – Warszawa	-	84 004	-	35,00%	rendering ground telecommunication services
Rafineria Trzebinia S.A.	Poland – Trzebinia	74 503	74 503	77,15%	77,15%	processing of paraffin, production and sale of fuel and oils
Rafineria Nafty Jedlicze S.A.	Poland – Jedlicze	64 000	64 000	75%	75%	processing of paraffin, production and sale of processing derivatives
ORLEN Oil Sp. z o.o.	Poland – Kraków	57 144	57 144	51,69%	51,69%	processing of paraffin, production and sale of processing derivatives
ORLEN Eko Sp. z o.o.	Poland – Płock	77 100	77 100	100%	100%	waste management, processing of non-metal waste
ORLEN Asfalt Sp. z o.o.	Poland – Płock	50 000	50 000	82,46%	82,46%	production and processing of products of crude oil refining
Other		420 698	421 368			
		-------------	-------------			
Total		**11 368 269**	**10 970 940**			
Impairment allowances						
ORLEN Deutschland AG		(75 000)	(75 000)			
Niezależny Operator Międzystrefowy Sp. z o.o.		-	(65 970)			
Other		(40 682)	(38 507)			
		-------------	-------------			
Total impairment allowances		**(115 682)**	**(179 477)**			
Net value of significant shares in related entities		**11 252 587**	**10 791 463**			
		========	========			

* PKN ORLEN Group recognized liability regarding minority shareholders squeeze out of Mazeikiu. As a result in consolidated financial statement – 100% shares in Mazikiu was assumed

(all amounts in PLN thousand)

Name	Seat	31 December 2007	31 December 2006	Company's interest in capital/ in voting rights as at 31 December 2007	Company's interest in capital/ in voting rights as at 31 December 2006	Principal Activity
b) Long-term financial assets						
- Assets available-for-sale *						
Telewizja Familijna S.A. **	Poland – Warszawa	26 004	26 004	11,96%	11,96%	radio and television related activity
Naftoport Sp. z o.o.	Poland – Gdańsk	31 026	31 026	14,10%	14,10%	construction, operation and maintenance of loading station for liquid fuels
Other		11 099	11 208			
		-------------	-------------			
Total		**68 129**	**68 238**			
Impairment allowances						
Telewizja Familijna S.A.		(26 004)	(26 004)			
Other		(9 329)	(9 582)			
		-------------	-------------			
Total impairment allowances		**(35 333)**	**(35 586)**			
		========	========			
Total assets available – for – sale		**32 796**	**32 652**			
		========	========			
- Investments held to maturity						
Telewizja Familijna S.A. bonds **	Poland – Warszawa	26 000	26 000			
Impairment allowance		(26 000)	(26 000)			
		-------------	-------------			
Net value of investments held to maturity		**-**	**-**			
		========	========			
Net value of significant shares in other entities		**32 796**	**32 652**			
		========	========			
c) Loans granted						
Related parties		**47 000**	**5 589**			
		========	========			

* these assets are not classified as held for sale
** As at 8 April 2003 the bankruptcy of Telewizja Familijna S.A. was declared; book value of shares and bonds as at 31 December 2007 and 31 December 2006 was fully covered by an allowance.

(all amounts in PLN thousand)

8. Other non-current assets

	31 December 2007	31 December 2006
Receivables from additional payments to subsidiaries' equity	15 858	14 721
Receivables due to acquisition of liabilities of the Unipetrol Group	-	29 716
Other	568	2 543
Total	**16 426**	**46 980**

9. Inventories

	31 December 2007	31 December 2006
Raw materials	4 102 712	2 463 786
Work in progress	498 529	434 550
Finished goods	1 906 997	1 392 501
Merchandise	245 248	224 899
Total inventory	**6 753 486**	**4 515 736**

The inventory allowances amounted to PLN 5,817 thousand as at 31 December 2007 and PLN 6,771 thousand as at 31 December 2006.

As at 31 December 2007 and 31 December 2006 inventories of the Company were not used as a pledge for its liabilities.

Starting from 2002, mandatory reserves are established based on the schedule in accordance with the Minister of Economy Regulation (the regulation of 19 December 2005 currently in force, Official Journal no. 266. item 2240) to arrive at the end of 2008 at the level equal to 76 days of average daily production, import and intra-Community acquisitions in prior year less export and intra-Community supplies (in addition Material Reserves Agency is obliged to establish the reserves of liquid fuels in the amount equal to consumption of fuels in 14 days on average and net import in a given year).

The detailed methods of calculation and formation of the mandatory reserves of liquid fuels are contained in the Minister of Economy Regulation of 24 April 2007 (Official Journal no 81 item 546,547).

At the beginning of April 2007 the new act on reserves of crude oil, refinery products and natural gas and the principles of proceeding in the event of threat to national liquid fuels security and disturbance on the oil market was introduced. The act introduced additional conditions which are met in the International Energy Agency. Due to that fact Poland became an associated member of the Agency and started the procedure of obtaining the full membership in the organization.

The new act introduced additional provisions such as:
- Building up mandatory reserves by additional 10% with regard to the so-called inaccessible reserves;
- Changes to methods of calculation of reserves (quantities sold in the country were replaced by net imports of crude oil in the revised methodology);
- Building up a 30-days reserves of LPG and natural gas.

PKN ORLEN fulfilled all obligations regarding the new act, which led to establishing higher reserves of crude oil.

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

The value of mandatory reserves held by the Company as at 31 December 2007 and 31 December 2006 amounted to PLN 4,391,455 thousand and PLN 2,443,865 thousand, respectively.

The increase is the effect of an increase of the quantity of mandatory reserves and prices for crude oil.

(all amounts in PLN thousand)

10. Trade and other receivables

	31 December 2007	31 December 2006
Trade receivables	4 265 822	3 198 480
Excise tax and fuel charge receivables	185 353	215 777
Taxation, duty and social security receivables	98 231	135 263
Receivables due to sale of property, plant and equipment	197	2 233
Prepayments for property, plant and equipment	398 910	57 657
Receivables due to acquisition of liabilities of the UNIPETROL Group	-	7 820
Prepayments for delieveries	4 791	41 264
Other receivables	66 096	72 702
Total trade and other receivables, gross	**5 019 400**	**3 731 196**
Receivables allowances	(272 990)	(255 573)
	--------------	--------------
Total trade and other receivables, net	**4 746 410**	**3 475 623**
	========	========

Trade and other receivables include PLN 1,215,124 thousand of amounts denominated in foreign currencies as at 31 December 2007 and PLN 540,059 thousand as at 31 December 2006.

Trade receivables result primarily from the sales of finished goods and sales of merchandise.

Receivables allowances:

	2007	2006
Receivables allowances as at 1 January	255 573	232 623
Allowance made during the period	129 577	117 786
Allowance reversed during the period	(93 547)	(84 475)
Allowance used during the period	(18 613)	(10 361)
	--------------	--------------
Receivables allowances as at 31 December	**272 990**	**255 573**
	========	========

11. Short-term financial assets

	31 December 2007	31 December 2006
Financial instruments at fair value through profit and loss	80 833	18 205
Derivatives recognized in financial assets designated as hegding instruments - hedge accounting	82 335	37 241
Held to maturity	25 004	-
Available for sale	11 626	-
	--------------	------------
Total	**199 798**	**55 446**
	========	========

12. Short-term prepayments

	31 December 2007	31 December 2006
Operating lease payments	15 608	16 556
Costs of insurance	27 299	31 163
Other	14 579	7 677
	--------------	--------------
Total	**57 486**	**55 396**
	========	========

(all amounts in PLN thousand)

13. Cash and cash equivalents

	31 December 2007	31 December 2006
Cash on hand and in bank	142 151	228 891
Cash in transit	23 991	78 424
Total	**166 142**	**307 315**
incl. cash and cash equivalents not available for use	-	3 000

Total cash and cash equivalents denominated in foreign currencies amounted to PLN 6,409 thousand as at 31 December 2007 and to PLN 57,421 thousand as at 31 December 2006.

14. Bank loans

	Note	31 December 2007	31 December 2006
Bank loans	(a)	5 822 950	6 635 472
Debt securities	(b)	1 117 512	-
Total		**6 940 462**	**6 635 472**
Including:			
Short-term		440 262	3 139 842
Long-term		6 500 200	3 495 630

The value of interest-bearing loans and borrowings drawn by the Company and debt securities issued increased in 2007 by 304,990 thousand net.

The change in indebtedness level resulted primarily from:

- Drawing of foreign loans translated to PLN:
  - EUR 580,000 thousand (PLN 2,142,730 thousand) of a consortium multi currency loan (Bank of Tokyo-Mitsubishi as Agent);
  - EUR 540,000 thousand (PLN 1,978,902 thousand) of a consortium multi currency loan (BNP Paribas S.A. as Agent);
  - EUR 180,000 thousand (PLN 669,780 thousand) in European Investement Bank;

- Drawing of loans in PLN:
  - PLN 500,000 thousand in PKO BP S.A.;
  - PLN 400,000 thousand of a consortium loan (Bank of Tokyo-Mitsubishi as Agent);
  - PLN 27,935 thousand in Bank Pekao S.A.;
  - PLN 11,524 thousand in BPH S.A.

- Indebtedness from debt securities issued in the amount of PLN 1,117,512 thousand;

- Repayment of foreign currency loans translated to PLN:
  - EUR 900,000 thousand (PLN 3,288,910 thousand) of a consortium multi currency loan (BNP Paribas S.A. as Agent);
  - USD 300,000 thousand (PLN 859,822 thousand) of a consortium multi currency loan (BNP Paribas S.A. as Agent);
  - PLN 182,656 thousand (PLN 690,214 thousand) of a consortium multi currency loan (Bank of Tokyo-Mitsubishi as Agent);
  - USD 130,000 thousand (PLN 341,705 thousand) of a consortium multi currency loan (Bank of Tokyo-Mitsubishi as Agent);

- Repayment of loans in PLN:
  - PLN 500,000 thousand in PKO BP S.A;
  - PLN 400,000 thousand of a consortium loan (Bank of Tokyo-Mitsubishi as Agent);

- Decrease of indebtedness of PLN 462,742 thousand resulting from foreign exchange differences and interest.

a) Bank loans by currency (translated to PLN thousand)

		31 December 2007	31 December 2006
PLN	(1)	84 277	44 818
EUR	(2)	5 738 673	5 338 575
USD	(3)	-	1 252 079
		--------------	---------------
		5 822 950	6 635 472
		========	=========

As at 31 December 2007 and 31 December 2006 the level of flat interest rates and loan margins relating to bank loans were as follows:

PLN (1)		
31 December 2007	**Indebtedness balance**	**Margin/rate within the range**
Floating rate	84 277	
T/N WIBOR		to 0,06%
1M WIBOR		to 0,06%
Total PLN	**84 277**	
EUR (2)		
31 December 2007	**Indebtedness balance**	**Margin/rate within the range**
Floating rate	5 738 673	
1M EURIBOR		0,21% - 0,225%
6M EURIBOR		to 0,25%
Total EUR	**5 738 673**	

Total	**5 822 950**	
	=========	

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

Total	**6 635 472**	
	=========	

(all amounts in PLN thousand)

As at 31 December 2007 and 31 December 2006 interest rates for specific bases were as follows:

	31 December 2007	31 December 2006
T/N WIBOR	5,3000%	4,1100%
1 M WIBOR	5,5200%	4,1200%
1 M EURIBOR	4,2880%	3,6330%
6 M EURIBOR	4,7070%	3,8530%
6 M LIBOR (USD)	4,5963%	5,3700%

In 2007 the effective interest rate for loans and debt securities denominated in PLN was at the level of 4.62%, for loans denominated in EUR at 4.20% and for loans denominated in USD at 5.60 %.

As at 31 December 2007 and as at 31 December 2006 bank loans and borrowings were not pledged on the Company's assets.

b) Debt securities

Debt securititie s by kind	Long term variable-yeld bonds	Fixed rate bonds
Nominal value	750 000	356 000
Book value	764 166	353 346
Interest rate	6M Wibor + margin 0,40%	5,04% - 5,37%
Expiration date	27.02.2012	21.02.2008
Type of surety	Unsecured	Unsecured

In the period covered by this unconsolidated financial statement no terms of payments and conditions relating to bank loans and borrowings were breached.

15. Provisions

Long-term provisions

	31 December 2007	31 December 2006
Environmental provision	275 000	252 177
Jubilee and retirement benefits provision	104 932	101 992
Business risk provision	3 800	3 800
Shield programmes provision	58 022	99 428
Other provisions	12 217	18 340
Total	**453 971**	**475 737**

Short-term provisions

	31 December 2007	31 December 2006
Environmental provision	46 388	91 400
Jubilee and retirement benefits provision	13 783	14 241
Business risk provision	421 449	415 380
Shield programmes provision	52 348	24 492
Other provisions	62 286	59 299
Total	**596 254**	**604 812**

(all amounts in PLN thousand)

The Company has legal obligation to clean contaminated land in area of production plant in Płock, petrol stations and warehouse bases. In 2006 and 2007 selected independent external experts conducted an assessment of the contaminated objects and estimated future expenditures on land reclamation. The amount of the land reclamation provision was reassessed by the Management Board on the basis of analysis of the independent expert. The amount of the provision is the Management Board's best estimate in respect of future expenditures taking into account the average level of costs necessary to remove contamination, by facilities constituting basis of creating the provision.

In 2007 the Company changed the assumptions for calculation of provision for jubilee, retirement and pension benefits. Changes relate mainly to the planned remuneration increase ratio. Should the prior year's assumptions be taken into account, the provision would have been lower by PLN 16,521 thousand.

The changes in provisions in particular periods were as follows:

Change of long-term provisions

	Environmental provision	Jubilee and retirement benefits provision	Business risk provision	Shield programmes provision	Other provisions	Total
1 January 2007	252 177	101 992	3 800	99 428	18 340	475 737
Provision made during the period	23 763*	16 323	-	-	228	40 314
Provision used during the period	(47)	-	-	-	-	(47)
Provision reversed during the period	(893)	(13 383)	-	(41 406)**	(6 351)	(62 033)
	=======	======	=====	======	======	=======
31 December 2007	**275 000**	**104 932**	**3 800**	**58 022**	**12 217**	**453 971**
	=======	======	=====	======	======	=======

* environmental provision reclassified from short to long-term portion
** incl. PLN 39 060 thousand of shield programmes provision reclassified from long to short-term portion

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

* shield programmes provision reclassified from short to long-term portion

(all amounts in PLN thousand)

Change of short-term provisions

	Environmental provision	Retirement benefits and jubilee bonuses	Business risk provision	Shield programmes provision	Other provisions	Total
1 January 2007	91 400	14 241	415 380	24 492	59 299	604 812
Provision made during the period	-	8 967	22 594	42 752**	25 965	100 278
Provision used during the period	(21 249)	(9 425)	-	(8 696)	(21 548)	(60 918)
Provision reversed during the period	(23 763)*	-	(16 525)	(6 200)	(1 430)	(47 918)
31 December 2007	**46 388**	**13 783**	**421 449**	**52 348**	**62 286**	**596 254**

* environmental provision reclassified from short to long-term portion
** incl. PLN 39 060 thousand of shield programmes provision reclassified from long to short-term portion

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

* shield programmes provision reclassified from short to long-term portion

Long-term and short-term provisions

31 December 2007	Environmental provision	Jubilee and retirement benefits provision	Business risk provision	Shield programmes provision	Other provisions	Total
Long-term provisions	275 000	104 932	3 800	58 022	12 217	453 971
Short-term provisions	46 388	13 783	421 449	52 348	62 286	596 254
Total provisions	**321 388**	**118 715**	**425 249**	**110 370**	**74 503**	**1 050 225**

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

(all amounts in PLN thousand)

16. Other long-term liabilities

	31 December 2007	31 December 2006
Liabilities due to additional payments to subsidiaries' equity	-	28 600
Long-term lease payables	39 546	21 686
Total	**39 546**	**50 286**

17. Trade and other liabilities and accrued expenses

	31 December 2007	31 December 2006
Trade liabilities	4 105 822	2 848 973
Liabilities due to acquisition of property, plant and equipment	483 645	337 204
Holiday pay accrual	14 286	15 269
Payroll liabilities	246	12 482
Loyalty programme VITAY	35 000	22 786
Excise tax and fuel charge liabilities	754 409	788 817
Other taxation, duty and social security liabilities	238 203	293 391
Other liabilities and accrued expenses	157 281	138 379
Total	**5 788 892**	**4 457 301**

Trade and other liabilities and accrued expenses denominated in foreign currencies amounted to PLN 3,242,320 thousand as at 31 December 2007 and PLN 2,085,699 thousand as at 31 December 2006.

The carrying amount of short-term trade liabilities is equal to its fair value by virtue of its short-term characteristics.

The VITAY is a loyalty program created for individual customers. The VITAY program is in operation on the Polish market since 14 February 2001. Purchases made by customers are granted with VITAY points that can be subsequently exchanged for VITAY gifts.

From June 2006 fuel prize is available for customers in a form of a discount of fuel price which is not current expense of VITAY program but decreases fuel sales.

The provision is created with regard to the unrealized amount of points. It is recognized in the period when the points were granted to customers. As a result of changes regarding the substance of gifts, separate provisions are created for fuel and non-fuel gifts.

The provision is estimated on the basis of proportion of fuel and non fuel gifts granted, total unrealized amount of points and current cost per one VITAY point. The provision is equal to 75% of the value of unrealized points (75% being a ratio for points' realizability).

18. Other short – term financial liabilities

	31 December 2007	31 December 2006
Financial liabilities at fair value through profit and loss	17 850	23
Liabilities due to derivatives recognized as hegding instruments - hedge accounting	2 815	8 504
Total	**20 665**	**8 527**

(all amounts in PLN thousand)

19. Shareholder's equity

In accordance with the Commercial Register, the share capital of Polski Koncern Naftowy ORLEN S.A. as at 31 December 2007 amounted to PLN 534,636 thousand. It is divided into 427,709,061 shares with nominal value of PLN 1.25 each.

The share capital as at 31 December 2007 and 31 December 2006 consisted of the following series of shares:

Share series	Number of shares issued as at 31 December 2007	Number of shares issued as at 31 December 2006	Number of shares authorized as at 31 December 2007	Number of shares authorized as at 31 December 2006
A series	336 000 000	336 000 000	336 000 000	336 000 000
B series	6 971 496	6 971 496	6 971 496	6 971 496
C series	77 205 641	77 205 641	77 205 641	77 205 641
D series	7 531 924	7 531 924	7 531 924	7 531 924
	-----------------	-----------------	-----------------	-----------------
	427 709 061	427 709 061	427 709 061	427 709 061
	==========	==========	==========	==========

In 2007 and 2006 there was no additional issue of shares.

In Poland, each new issuance of shares is labeled as a new series of shares. All of the above series have the exact same rights.

The balance of the hedging reserve results from valuation of derivatives meeting the criteria for hedge accounting (for cash flow hedges).

The shareholder structure as at 31 December 2007 was as follows:

	Number of shares	Number of voting rights	Nominal value of shares(in PLN)	% share in share capital
Nafta Polska S.A.	74 076 299	74 076 299	92 595 374	17,32%
State Tresury	43 633 897	43 633 897	54 542 371	10,20%
Other	309 998 865	309 998 865	387 498 581	72,48%
Total	**427 709 061**	**427 709 061**	**534 636 326**	**100,00%**

Retained earnings	**31 December 2007**	**31 December 2006**
Reserve capital	11 817 511	9 617 634
Privatization Fund created with the privatization of Petrochemia Plock S.A.	53 476	53 476
Revaluation reserve from revaluation of property, plant and equipment in 1995	630 161	643 923
Reserve capital from disposal of property, plant and equipment revalued in 1995	200 103	186 342
Net profit	2 759 859	2 199 876
	----------------	----------------
Total	15 461 110	12 701 251
	=========	=========

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

(all amounts in PLN thousand)

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

	for the year ended 31 December 2007	for the year ended 31 December 2006
Weighted average number of ordinary shares issued	427 709 061	427 709 061
Earnings and diluted earnings per share (in PLN)	6,45	5,14

As at 31 December 2007 and 31 December 2006 there was no dilutive effect that could have had impact on the above calculation.

Method of calculation of earnings per share and diluted earnings per share for the years ended 31 December 2007 and 31 December 2006 (amounts in PLN)

		2007	2006
Net profit for the year (in PLN)	(A)	2 759 858 667,10	2 199 876 021,08
Weighted average number of ordinary shares	(B)	427 709 061	427 709 061
Earnings per ordinary share (in PLN)	(A/B)	6,45	5,14
Weighted average number of expected ordinary shares	C	427 709 061	427 709 061
Diluted earnings per ordinary share (in PLN)	(A/C)	6,45	5,14

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

20. Suggested distribution of the Company's profit for 2007 and distribution of profit for 2006 (amounts in PLN)

a) Suggested distribution of profit for 2007

The dividend policy communicated in a revised development strategy of PKN ORLEN in January 2006 and sustained during the revision of the strategy of PKN ORLEN for 2007 – 2012 in November 2007, assumes setting recommended dividend level in comparison to free cash flow for shareholders after realization of investment budget and capital structure optimization („Free Cash Flow to Equity" – FCFE). According to the applied methodology the Management Board sets the target of the payment (taking into account projected changes in indebtedness the coming prior) at a level not lower than 50% of FCFE (set as the minimum in the dividend policy).

Considering high investment expenditures planned for 2008 in the Capital Group, the Management Board expects that in 2008 the level of consolidated indebtedness of the Company will exceed the optimum level between 1.5x - 2.0x EBITDA.

Long – term rating „BBB-/negative outlook" for PKN ORLEN S.A. remains unchanged since July 2007. According to the Fitch Ratings Agency report from July 2007, the future change in rating (outlook) depends on the activities resulting in lower level of net consolidated indebtedness of the Company between 1.5x - 2.0x EBITDA .

Considering the factors mentioned above, mainly the intention of the Management Board of maintenance of the long-term rating on the investment level, the Management Board proposes to assign the net profit for 2007 in the amount of PLN 2 759 858 667,10, decreased by 4,000,000.00 of Social Fund charge, (the amount of PLN 2 755 858 667,10) to the reserve capital:

Reserve capital	2 755 858 667,10 PLN
Distribution to Social Fund	4 000 000,00 PLN

Net profit	**2 759 858 667,10 PLN**
	================

(all amounts in PLN thousand)

b) According to resolution of General Shareholders' Meeting of PKN ORLEN, profit for 2006 was distributed as follows

Reserve Capital	2 195 876 021,08
Distribution to Social Fund	4 000 000,00

Total	**2 199 876 021,08**
	==============

The distribution of the profit results from the paragraph § 1 of the Resolution no 6 of the Ordinary General Meeting of PKN ORLEN dated 31 May 2007.

Method of calculation of book value and diluted book value per share as at 31 December 2007 and 31 December 2006

		2007	2006
Book value (PLN)	(A)	17 833 581 487,24	15 009 586 446,02
Number of shares	(B)	427 709 061	427 709 061
Book value per share (PLN)	(A/B)	41,70	35,09
Expected number of shares	C	427 709 061	427 709 061
Diluted book value per share (PLN)	(A/C)	41,70	35,09

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

21. Explanation of differences between changes in the selected balance sheet captions and changes presented in the cash flow statement

	2007	2006
Balance sheet change in other non-current assets and trade and other receivables	(1 240 233)	(730 799)
Change in investment receivables	(1 842)	(9 215)
Change in receivables due from UNIPETROL Group entities	(36 951)	(253 888)
Change in advances for construction in progress	341 254	54 241
Other	(1 554)	(8 655)
	--------------	--------------
Change in receivables in the cash flow statement	**(939 326)**	**(948 316)**
	========	========

	2007	2006
Balance sheet change in other long-term liabilities and trade and other liabilities and accrued expenses	1 320 851	1 070 645
Change in investment liabilities	(146 440)	(86 735)
Change in liabilities due to additional payments to subsidiaries' equity	26 500	(55 100)
Change in finance lease liabilities	(18 718)	(21 686)
Other	661	607
	--------------	--------------
Change in liabilities and accrued expenses in the cash flow statement	**1 182 854**	**907 731**
	========	========

	2007	2006
Balance sheet change in provisions	(30 324)	(99 023)
Change in deferred tax liabilities recognized directly in equity	(15 043)	12 900
	--------------	--------------
Change in provisions in the cash flow statement	**(45 367)**	**(86 123)**
	========	========

(all amounts in PLN thousand)

22. Segment data

Revenues, expenses and financial result by business segments

	Refining Segment		Petrochemical Segment		Other operations		Adjustments		Total	
	for the year ended		for the year ended		for the year ended		for the year ended		for the year ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Sales to external customers	37 648 377	28 564 793	4 526 874	4 285 672	442 539	522 791			42 617 790	33 373 256
Transactions with other segments	6 207 623	6 069 012	3 183 235	2 980 471	932 046	765 503	(10 322 904)	(9 814 986)	-	-
Settlement of hedging transactions	37 587	21 100	48 291	106 678					85 878	127 778
Total sales revenues	43 893 587	34 654 905	7 758 400	7 372 821	1 374 585	1 288 294	(10 322 904)	(9 814 986)	42 703 668	33 501 034
Total operating expenses	(41 734 777)	(32 709 900)	(7 203 336)	(6 874 916)	(1 271 516)	(1 214 001)	10 322 904	9 814 986	(39 886 725)	(30 983 831)
Other operating revenues	124 560	167 660	12 173	38 823	15 638	37 003			152 371	243 486
Other operating expenses	(179 429)	(117 405)	(23 469)	(55 535)	(22 980)	(31 093)			(225 878)	(204 033)
Segment result	2 103 941	1 995 260	543 768	481 193	95 727	80 203	-	-	2 743 436	2 556 656
Unallocated revenues of the Company									39 853	10 074
Unallocated costs of the Company									(690 095)	(565 724)
Profit from operations									2 093 194	2 001 006
Financial revenues									1 543 086	891 903
Financial expenses									(378 811)	(290 680)
Profit before tax									3 257 469	2 602 229
Income tax expense									(497 610)	(402 353)
Net profit									2 759 859	2 199 876

(all amounts in PLN thousand)

Other information by business segments

	Refining Segment		Petrochemical Segment		Other operations		Total	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Segment assets	15 401 095	11 662 388	2 229 262	2 835 803	2 246 465	1 261 219	19 876 822	15 759 410
Unallocated assets, incl.:							12 092 885	11 711 591
clasiffied as held for sale *							6 150	6 150
Total assets							31 969 707	27 471 001
Segment liabilities	5 225 978	3 405 432	410 328	128 851	329 697	363 061	5 966 003	3 897 344
Unallocated liabilities							8 170 122	8 564 071
Total liabilities							14 136 125	12 461 415

* shares of Petrotel Sp. z o.o.

(all amounts in PLN thousand)

Other information by business segments – continued

	Refining Segment		Petrochemical Segment		Other operations		Total	
	for the year ended		for the year ended		for the year ended		for the year ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Cost incurred to acquire property, plant and equipment and intangible assets	989 160	855 919	152 129	108 447	185 593	119 845	1 326 883	1 084 211
Unallocated cost incurred to acquire property, plant and equipment and intangible assets							87 999	63 556
Total cost incurred to acquire property, plant and equipment and intangible assets							1 414 882	1 147 767
Segment depreciation	502 578	480 269	223 424	247 712	134 028	144 470	860 030	872 451
Depreciation of unallocated assets							38 086	29 097
Total depreciation							898 116	901 548
Non-cash expenses other than depreciation	124 943	105 629	23 337	40 841	15 283	19 982	163 563	166 452

(all amounts in PLN thousand)

Other information by business segments – continued

	Refining Segment		Petrochemical Segment		Other operations		Total	
	for the year ended		for the year ended		for the year ended		for the year ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Additions of impairment allowances	(109 984)	(52 291)	(17 108)	(40 841)	(8 542)	(5 645)	(135 634)	(98 777)
Unallocated allowances							(3 149)	(32 116)
Total additions of impairment allowances							(138 783)	(130 893)
Reversal of impairment allowances of assets	73 437	49 054	10 550	26 613	9 663	5 973	93 650	81 640
Unallocated value of reversal of impairment allowances of assets							10 613	12 716
Total reversal of impairment allowances of assets							104 263	94 356

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

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

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

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

(all amounts in PLN thousand)

Cash flow statement by business segments

	Refining Segment	Petrochemical Segment	Other operations	Unallocated	Total
	for the year ended	for the year ended	for the year ended	for the year ended	for the year ended
	31 December 2007	31 December 2007	31 December 2007	31 December 2007	31 December 2007
Segment result	**2 103 941**	**543 768**	**95 727**	**16 423**	**2 759 859**
Adjustments	(818 327)	1 245 894	(863 162)	(1 477 120)	(1 912 716)
Net cash provided by/(used in) operating activities	**1 285 614**	**1 789 662**	**(767 435)**	**(1 460 697)**	**847 144**
Cash flows - investing activities					
Proceeds	176 753	260 867	326 973	41 215	805 808
Expenditures	(1 593 190)	(361 365)	(175 183)	(99 737)	(2 229 475)
Net cash (used in) investing activities	**(1 416 437)**	**(100 498)**	**151 790**	**(58 522)**	**(1 423 667)**
Net cash provided by / (used in) financing activities				**435 476**	**435 476**
Net change in cash and cash equivalents	**(130 823)**	**1 689 164**	**(615 645)**	**(1 083 743)**	**(141 047)**
Effect of exchange rate changes					(126)
Cash and cash equivalents, beginning of the period					**307 315**
Cash and cash equivalents, end of the period					**166 142**

(all amounts in PLN thousand)

Geographical segments

The below table presents the Company's sales revenues by geographical segments for the period ended 31 December 2007 and 31 December 2006.

	Sales revenues by geographical area	
	for the year ended	
	31 December 2007	31 December 2006
Poland	28 680 659	26 464 314
-revenues from operating actvities	28 528 288	26 220 828
-other operating revenues	152 371	243 486
Germany	522 886	521 635
-revenues from operating actvities	522 886	521 635
-other operating revenues	-	-
Czech Republic	6 015 929	5 980 438
-revenues from operating actvities	6 015 929	5 980 438
-other operating revenues	-	-
Baltic states (Lithuania, Latvia and Estonia)	6 301 169	4 731
-revenues from operating actvities	6 301 169	4 731
-other operating revenues	-	-
Other countries	1 335 396	773 402
Unallocated revenues of the Company	39 853	10 074
Total sales revenues by geographical area	42 895 892	33 754 594

At 31 December 2007 and 31 December 2006 all assets of the Company are located in Poland

(all amounts in PLN thousand)

23. Financial instruments

a) Financial instruments by category and class

Financial instruments by category

Financial instruments by categories in accordance with IAS 39

	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss, incl.:	80 833	18 205
Held for trading, incl.	80 833	18 205
Derivatives (incl. embedded instruments)	80 833	18 205
Hedging derivatives - assets	82 335	37 241
Financial assets available for sale	44 422	32 652
Loans and receivables	4 157 807	3 122 882
Long-term receivables	16 426	46 980
Debt securities classified as receivables	25 004	-
Loans	52 461	8 976
Short-term receivables classified as financial instrument	4 063 916	3 066 926
Cash and cash equivalents	166 142	307 315
Total financial assets by categories	**4 531 539**	**3 518 295**
Financial liabilities at fair value through profit or loss, incl.:	17 850	23
Held for trading, incl.	17 850	23
Derivatives (incl. embedded instruments)	17 850	23
Hedging derivatives - liabilities	2 815	8 504
Other liabilities, incl.:	11 700 884	10 016 379
Short-term liabilities classified as financial instruments	4 760 422	3 352 307
Liabilities due to loans, borrowings and debt securities	6 940 462	6 635 472
Other *	-	28 600
Total financial liabilities by categories	**11 721 549**	**10 024 906**
Finance lease liabilities	40 404	21 686
Total financial liabilities	**11 761 953**	**10 046 592**

* liabilities due to declared repayable payments to subsidiaries' equity

(all amounts in PLN thousand)

Financial instruments by class

	31 December 2007	31 December 2006
Financial assets		
Stocks and shares in Companies	44 422	32 652
Bonds	25 004	-
Short-term receivables classified as financial instruments	4 063 916	3 066 926
Loans	52 461	8 976
Derivatives (forward contracts)	163 168	55 446
Cash and cash equivalents	166 142	307 315
Non-current receivables *	16 426	46 980
Total	**4 531 539**	**3 518 295**

* Detailed information in note 8

	31 December 2007	31 December 2006
Financial liabilities		
Debt securities issued	1 117 512	-
Loans and borrowings	5 822 950	6 635 472
Short-term liabilities as financial instruments	4 760 422	3 352 307
Derivatives (forward contracts)	20 665	8 527
Finance lease liabilities	40 404	21 686
Other *	-	28 600
Total	**11 761 953**	**10 046 592**

* liabilities due to declared repayable payments to equity

b) Disclosures concerning balance sheet items

Reclassification of assets

In 2007 and 2006 the Company did not reclassify financial assets measured at cost or amortized cost to financial assets measured at fair value, as well as financial assets measured at fair value to financial assets measured at cost or amortized cost.

Derecognition of assets

In the period covered by the foregoing financial statements the Company did not transfer any financial assets resulting in the future in the risks or rewards causing liabilities or cost.

c) Financial assets pledged as collateral for liabilities or contingent liabilities

Financial assets pledged as collateral for liabilities

Financial assets pledged as collateral for liabilities are cash and cash equivalents not available for use in the amount of PLN 3,000 thousand as at 31 December 2006.

Collaterals of financial or non-financial assets hold by the Company

The Company does not hold any collateral of financial or non-financial assets, for which it is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

(all amounts in PLN thousand)

d) Hedge accounting

Cash flow hedge accounting

The Company hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating costs due to purchases of crude oil against changes in currency (EUR/PLN for sale and USD/PLN for purchases and sale). All hedged cash flows are accounted for using cash flow hedge accounting. The hedging instruments used are derivatives (forwards and swaps).

The Company hedges cash flows from interest payments connected with issuance of bonds denominated in PLN using interest rate swap (IRS).

The following hedging instruments were used in hedge accounting as at 31 December 2007:

Derivative instruments (group of instruments)	Planned realization date of hedged cash flow (or group of cash flows)	Planned date of the influence of the result of the hedging transaction on the income statement	Fair value of derivative instruments designated as hedging instruments according to cash flow hedge accounting	Hedged risk
interest rate swap WIBOR	I quarter 2008 – I quarter 2012	I quarter 2008 – I quarter 2012	4 577	interest rate risk
forward-sale EUR	I quarter 2008	I quarter 2008	27 931	currency risk
forward-sale EUR	II quarter 2008	II quarter 2008	16 377	currency risk
forward-sale EUR	III quarter 2008	III quarter 2008	10 097	currency risk
forward-sale EUR	IV quarter 2008	IV quarter 2008	1 958	currency risk
forward-sale USD	I quarter 2008	I quarter 2008	2 751	currency risk
forward-sale USD	II quarter 2008	II quarter 2008	9 826	currency risk
forward-sale USD	III quarter 2008	III quarter 2008	8 138	currency risk
forward-sale USD	IV quarter 2008	IV quarter 2008	680	currency risk
Derivative instruments recognized in financial assets designated as hedging instruments – hedge accounting			**82 335**	
forward-purchase USD	I quarter 2008	I quarter 2008	(1 638)	currency risk
forward-purchase USD	II quarter 2008	II quarter 2008	(843)	currency risk
forward-purchase USD	III quarter 2008	III quarter 2008	(242)	currency risk
forward-purchase USD	IV quarter 2008	IV quarter 2008	(92)	currency risk
Liabilities due to derivative instruments designated as hedging instruments – hedge accounting			**(2 815)**	
Total			**79 520**	

(all amounts in PLN thousand)

The following hedging instruments were used in hedge accounting as at 31 December 2006:

Derivative instruments (group of instruments)	Planned realization date of hedged cash flow (or group of cash flows)	Planned date of the influence of the result of the hedging transaction on the income statement	Fair value of derivative instruments designated as hedging instruments according to cash flow hedge accounting	Hedged risk
forward-sale EUR	I quarter 2007	I quarter 2007	9 899	currency risk
forward-sale EUR	II quarter 2007	II quarter 2007	8 442	currency risk
forward-sale EUR	III quarter 2007	III quarter 2007	3 602	currency risk
forward-sale EUR	IV quarter 2007	IV quarter 2007	456	currency risk
forward-sale USD	I quarter 2007	I quarter 2007	4 060	currency risk
forward-purchase USD	I quarter 2007	I quarter 2007	143	currency risk
forward-sale USD	II quarter 2007	II quarter 2007	5 426	currency risk
forward-purchase USD	II quarter 2007	II quarter 2007	117	currency risk
forward-sale USD	III quarter 2007	III quarter 2007	4 222	currency risk
forward-purchase USD	III quarter 2007	III quarter 2007	67	currency risk
forward-sale USD	IV quarter 2007	IV quarter 2007	761	currency risk
forward-purchase USD	IV quarter 2007	IV quarter 2007	46	currency risk
Derivative instruments recognized in financial assets designated as hedging instruments – hedge accounting			**37 241**	
forward-sale EUR	I quarter 2007	I quarter 2007	(282)	currency risk
forward-sale EUR	II quarter 2007	II quarter 2007	(96)	currency risk
forward-sale EUR	III quarter 2007	III quarter 2007	(70)	currency risk
forward-sale EUR	IV quarter 2007	IV quarter 2007	(191)	currency risk
forward-purchase USD	I quarter 2007	I quarter 2007	(7 573)	currency risk
forward-sale USD	II quarter 2007	II quarter 2007	(22)	currency risk
forward-purchase USD	II quarter 2007	II quarter 2007	(25)	currency risk
forward- sale USD	III quarter 2007	III quarter 2007	(47)	currency risk
forward- purchase USD	III quarter 2007	III quarter 2007	(178)	currency risk
forward- sale USD	IV quarter 2007	IV quarter 2007	(20)	currency risk
Liabilities due to derivative instruments designated as hedging instruments – hedge accounting			**(8 504)**	
Total			**28 737**	

In the tables above transactions were grouped according to realization dates (quarters). Within the quarters, realization dates of cash flows and dates of the influence of the result of the hedging transaction on the income statement are strictly matched.

The influence of the cash flow hedge accounting, in the effective portion, was presented in the statement of changes in unconsolidated equity.

(all amounts in PLN thousand)

In the period covered by the foregoing financial statements there were no cases of a forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

e) Fair value of financial instruments

Comparison of the fair value and the carrying amount of financial instruments measured at amortized cost:

	31 December 2007		31 December 2006	
	Fair value	**net book value**	**Fair value**	**net book value**
Financial assets				
Purchased bonds	25 028	25 004	-	-
Loans granted	52 387	52 461	8 540	8 976
Other*	15 427	16 426	45 824	46 980
Total	**92 842**	**93 891**	**54 364**	**55 956**
Financial liabilities				
Liabilities resulting from issuance of debt securities	1 112 181	1 117 512	-	-
Libilities due to loans	5 824 177	5 822 950	6 645 649	6 635 472
Finance lease liabilities	34 943	40 404	20 169	21 686
Other **	-	-	27 224	28 600
Total	**6 971 301**	**6 980 866**	**6 693 042**	**6 685 758**

* Detailed information in note 8
** liabilities due to declared repayable payments to subsidiaries' equity

The above comparison of the carrying amount and the fair value of the financial instruments does not include short-term receivables and liabilities as well as other classes of financial instruments for which the carrying amount is similar to the fair value.

Methods and assumptions applied in determining fair values of financial instruments recognized in the balance sheet at amortized cost

Acquired bonds, granted loans, financial liabilities due to issuance of debt securities as well as loan liabilities are measured at fair value using discounted cash flows method. Future cash flows are discounted using discount factors calculated based on market interest rates (according to quotations of 3-month interest rates available in Reuters as at the balance sheet dates) increased by margins proper for particular financial instruments.

	31 December 2007	**31 December 2006**
WIBOR 3M	5.575%	4.060%
EURIBOR 3M	4.540%	3.695%
LIBOR 3M	4.755%	5.310%
PRIBOR 3M	4.160%	2.500%
VILIBOR 3M	6.650%	3.790%

Methods applied in determining fair values of financial instruments recognized in the balance sheet at fair value

The Company measures derivative instruments at fair value using valuation models for financial instruments based on generally available data from active markets. Forward exchange rates are not modeled as a separate risk factor, but are calculated based on spot rates and respective forward interest rate for foreign currency against PLN.

For all interest rate curves the Company applies valuation models for financial instruments based on generally available data from active markets. Discount factors for all tenors on the curve relating to the period are calculated based on current structure of forward interest rates and parameters of the model.

The Company measures derivative instruments at fair value using generally available exchange rates, interest rates and commodity prices, forward and volatility curves, for currencies and commodities quoted on liquid markets.

Fair value of shares quoted on active markets is determined based on market quotations.

(all amounts in PLN thousand)

First day profit

As at 31 December 2007 and 31 December 2006 the Company held no financial instruments, which initial value calculated using valuation techniques would differ from the initial value recognized in books. The only financial instruments which fair values are determined using valuation techniques are derivative instruments, for which the difference described above (so called first day profit/ loss) does not occur.

Financial instruments for which fair value cannot be measured reliably

As at 31 December 2007 and 31 December 2006 the Company held shares in entities, whose fair value cannot be measured reliably. There are no active markets for these entities and no comparable transactions in the same instruments.

f) Nature and extent of risks arising from financial instruments

The Company is exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risks (including currency risk, interest rate risk).

Credit risk

The Company is significantly exposed to credit risk connected above all with trade receivables. Within its trading activity PKN ORLEN sells products and services with deferred payment term, which may result in the risk that customers will not pay for the Company's receivables for sales of products and services. In order to minimize credit risk and working capital the Company manages the risk by credit limit policies governing granting of credit limits to customers and establishment of pledges of appropriate types.

The established payment term of receivables connected with the ordinary course of sales amounts to 14-30 days.

Each non-cash customer is individually assessed with regard to credit risk. A portion of trade receivables is insured within an organized trade credit insurance program. In addition, trade receivables are monitored by finance departments on a regular basis. In the event of occurrence of overdue receivables, sale is withheld and debt recovery procedures implemented as described by the obliging procedures.

Based on the current analysis of receivables the customers were divided into two groups:
- I group - customers from the Capital Group and customers who had past due payments not more than 3 times in a year;
- II group – other customers.

The division of not past due receivables based on the criterion described above:

	31 December 2007	31 December 2006
Group I	3 604 390	2 724 512
Group II	314 074	229 158
Total	3 918 464	2 953 670

The aging analysis of financial assets past due, but not impaired as at the balance sheet date:

Current receivables as financial instruments	31 December 2007	31 December 2006
Up to 1 month	140 567	106 831
1-3 months	4 059	4 149
3-6 months	719	2 246
6-12 months	107	30
	145 452	113 256

(all amounts in PLN thousand)

The concentration of risk connected with trade receivables is limited due to large number of customers with trade credit dispersed in various sectors of the Polish, German, Czech and Lithuanian economy.

Credit risk associated with assets resulting from the positive valuation of derivative instruments is assessed by the Company as low due to the fact that all transactions are concluded with recognized banks.

The measure of credit risk is the maximum exposure to credit risk for each class of financial instruments.

Maximum credit risk exposure	**31 December 2007**
Stakes and shares in Companies	44 422
Purchased bonds	25 004
Short-term receivables as financial instruments	4 063 916
Loans granted	52 461
Assets from valuation of forward contracts	163 168
Cash and cash equivalents	166 142
Other	16 426

Total	**4 531 539**
	=========

Due to cooperation of the Company mainly with recognized Polish and international banks, the risk connected with depositing of cash and cash equivalents is significantly limited.

The Management Board of the Company believes that the risk of impaired financial assets is reflected by recognition of an impairment loss. Information about impairment losses of particular classes of assets are included in notes describing these assets.

In 2007 and 2006 the Company did not recognize assets obtained as collateral.

The Company does not possess receivables as financial instruments which would be impaired if their payment terms were not changed.

Liquidity risk

The Company is exposed to liquidity risk associated with financial liabilities and contingent liabilities resulting above all from drawn loans and signed lease agreements. Due to significant number of entities financing the Company as well as because of different payment terms defined in the Company there is no liquidity risk connected with concentration.

The measure of liquidity risk is the degree of matching cash flows (inflows and outflows) – it is analyzed by the Company on a monthly basis in a yearly horizon.

Liquidity risk is significantly limited by open credit lines presented below

Currency	Maximum possible indebtedness as at 31 December 2007	Usage as at 31 December 2007	Maximum possible indebtedness as at 31 December 2006	Usage as at 31 December 2006
EUR + USD	2 311 000 EUR	1 600 000 EUR	2 601 000 EUR	1 382 656 EUR and 430 000 USD
PLN	601 000	84 277	601 000	44 818
Total after translation into PLN	**8 879 002**	**5 815 477**	**10 565 951**	**6 593 565**

As at the balance sheet date open credit lines exceed short-term liabilities decreased by current receivables.

In order to manage liquidity there has been cash pooling system in the PKN ORLEN Capital Group starting from 2001. As at 31 December 2007 the system comprised 30 entities belonging to the Capital Group. Concentration of domestic cash and cash equivalents in cash pooling system takes place in cooperation with three banks, whereas concentration of currency cash and cash equivalents takes place in cooperation with one bank. There are considerable financial benefits in the Group as a result of the cash pooling system.

(all amounts in PLN thousand)

A maturity analysis for financial liabilities

2007	up to 1 year	1-3 years	3-5 years	above 5 years	Total
Gross liabilities – issued bonds	356 000		750 000		**1 106 000**
Gross liabilities – granted loans and borrowings	604 582		5 086 440	664 760	**6 355 782**
Trade liabilities as financial instruments	4 760 422				**4 760 422**
Net payments due to derivative instruments – gross settled amounts	20 665				**20 665**
Total	**5 741 669**		**5 836 440**	**664 760**	**12 242 869**

2006	up to 1 year	1-3 years	3-5 years	above 5 years	Total
Gross liabilities – granted loans and borrowings	3 470 182		3 483 788		**6 953 970**
Trade liabilities as financial instruments	3 352 307				**3 352 307**
Net payments due to derivative instruments – gross settled amounts	8 527				**8 527**
Total	**6 831 016**		**3 483 788**		**10 314 804**

Short-term liabilities are due up to one year in each of presented reporting periods.

Maturity dates and the value of guarantees and sureties recognized off balance sheet are presented in note 31.

Market risks

The Company is exposed to currency risks, interest rate risks and risks of changes in commodity price, whereby financial instruments possessed are exposed to currency risk and interest rate risk as at the balance sheet date.

Market risks management policy

In PKN ORLEN there is currency risk management policy and interest rate risk management policy that are oriented at cash flows hedging. The policy does not allow speculation and is based on detailed parameters in respect of the level and horizon of hedging. The risk management process functions based on implemented procedures as well as market risk management policy. In accordance with the policy approved by the Management Board of PKN ORLEN the main purpose of the Company in respect of market risk management is the decrease of volatility of cash flows and potential economic losses arising as a result of events that can have negative influence on the Company's result. Market risk management includes identification, measurement and defining the methods of risk minimizing and encompasses aspects connected with volatility of currency rates, interest rates and commodity prices. In respect of currency exposure the Company hedges currency exposure connected with operating activity (revenues and costs denominated or indexed to foreign currencies), currency exposure connected with major investments as well as currency exposures connected with cash flows from financing activities. In respect of interest rate exposure the Company aims to achieve the ratio of debt based on fixed rate to debt based on floating rate as well as Interest-at-Risk ratio within the level defined in the approved hedging policy.

PKN ORLEN carries out works aiming at covering major Capital Group companies with the common hedging policy in respect of currency risk and interest rate risk.
PKN ORLEN analyses the possibility of implementing the policy of hedging the refining margin.

- **Currency risk**

The Company is significantly exposed to currency risk resulting from current receivables and short-term liabilities, cash and cash equivalents, investments encompassing purchases of non-current assets and capital assets as well as liabilities from loans and borrowings denominated in foreign currencies.

The Company is mainly exposed to changes of EUR/PLN, USD/PLN and CZK/PLN.

(all amounts in PLN thousand)

Sensitivity analysis for currency risk

The influence of financial instruments arising from changes in relevant currencies on profit before tax and hedging reserve:

currency	Influence on profit before tax		Influence on hedging reserve		Influence on equity	
	for the year ended 31 December 2007	for the year ended 31 December 2006	for the year ended 31 December 2007	for the year ended 31 December 2006	for the year ended 31 December 2007	for the year ended 31 December 2006
Increase in currency rate by assumed variation						
USD + 4.20 %	(81 439)	(115 320)	13 079	31 649	(68 360)	(83 671)
EUR + 3.60%	(201 349)	(190 874)	44 577	33 908	(156 772)	(156 966)
CZK + 3.60 %	-	1 320	-	-	-	1 320
Total influence	(282 788)	(304 874)	57 656	65 557	(225 132)	(239 317)
Decrease in currency rate by assumed variation						
USD - 4.20 %	81 439	115 320	(13 079)	(31 649)	68 360	83 671
EUR - 3.60 %	201 349	190 874	(44 577)	(33 908)	156 772	156 966
CZK – 3.60 %	-	(1 320)	-	-	-	(1 320)
Total influence	282 788	304 874	(57 656)	(65 557)	225 132	239 317

Variations of currency rates described above were calculated based on historical volatility of particular currency rates.

Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential carrying amount by increased or decreased market factors such as EUR/PLN, USD/PLN and CZK/PLN currency rates. In case of derivative instruments, the influence of currency rate variations on fair value was examined at constant level of interest rates.

For other currency risk factors (including LTL/PLN currency rates) the sensitivity of financial instruments is not material from the Company's point of view.

(all amounts in PLN thousand)

– **Interest rate risk**

The Company is exposed to risk of volatility of cash flows due to interest rates resulting from granted borrowings, owned bank deposits as well as liabilities from loans and borrowings based on floating interest rates. The Company owns derivative transactions hedging part of cash flows risk due to interest rates described in note 23 d, for which cash flows hedge accounting is applied.

The Company is exposed to risk of volatility of fair value due to interest rates resulting from derivative transactions hedging economically future issuance of bonds, for which hedge accounting was not applied. The Company does not own financial instruments with fixed interest rates valued at fair value other than derivative instruments.

The Company is mainly exposed to changes of WIBOR and EURIBOR, and in the comparable period also to changes of LIBOR.

Sensitivity analysis for interest rate risk

The influence of relevant interest rate changes due to cash flows risk as well as changes of fair value of derivative instruments on profit before tax and hedging reserve:

Interest rate	**Influence on profit before tax**		**Influence on hedging reserve**		**Influence on equity**	
	for the year ended 31 December 2007	**for the year ended 31 December 2006**	**for the year ended 31 December 2007**	**for the year ended 31 December 2006**	**for the year ended 31 December 2007**	**for the year ended 31 December 2006**
Increase in interest rate by assumed variation						
WIBOR +50 b.p.	(5 742)	(431)	203	109	(10 606)	(322)
EURIBOR + 25 b.p.	(29 799)	(13 346)	-	-	(29 799)	(13 346)
LIBOR + 50 b.p.	-	(6 260)	-	-	-	(6 260)
Total influence	(35 541)	(20 037)	203	109	(40 405)	(19 928)
Decrease in interest rate by assumed variation						
WIBOR - 50 b.p.	5 742	431	(203)	(109)	10 606	322
EURIBOR - 25 b.p.	29 799	13 346	-	-	29 799	13 346
LIBOR - 50 b.p.	-	6 260	-	-	-	6 260
Total influence	35 541	20 037	(203)	(109)	40 405	19 928

Variations of interest rates described above were calculated based on volatility of interest rates during the year.

The Company does not own financial instruments with fixed interest rates, which are measured at fair value in the balance sheet. The Company measures derivative instruments at fair value.

The sensitivity of financial instruments for interest rate risk was calculated as arithmetic product of the balance of the balance sheet items sensitive to interest rates (excluding derivative instruments) multiplied by adequate variation of interest rate. In case of derivative instruments, the influence of interest rate variations on fair value was examined at constant level of currency rates.

(all amounts in PLN thousand)

g) Risk of changes in commodity prices

The Company is exposed to changes in commodity prices due to:
- expenditures concerning purchases of crude oil for processing, which depend on the volume of processing, the level of inventory as well as the level of crude oil price on the global market and differential;
- revenues from sales of refinery and petrochemical products, which depend on the volume of sales, the level of prices on the global market.

As at 31 December 2007 and 31 December 2006 there were no financial instruments exposed to risk of changes in commodity prices.

24. Cost by kind

	for the year ended 31 December 2007	for the year ended 31 December 2006
Materials and energy	20 073 961	19 867 042
Cost of merchandise and materials sold	17 327 593	8 558 853
External services *	1 902 911	1 599 432
Payroll, social security and other employee benefits	555 122	496 000
Depreciation	898 116	901 548
Taxes and charges	235 369	216 895
Other	409 180	459 850
	41 402 252	**32 099 620**
Change in inventory position	(549 692)	(250 152)
Cost of products and services for own use	(49 862)	(95 880)
Operating cost	**40 802 698**	**31 753 588**
Distribution expenses	(1 686 709)	(1 457 965)
General and administrative expenses	(691 039)	(549 174)
Other operating expenses	(284 634)	(303 746)
Cost of finished goods, merchandise and raw materials sold	**38 140 316**	**29 442 703**

* including PLN 14 456 thousand in 2007 and PLN 13 734 thousand in 2006 of research and development cost

25. Other operating revenues and expenses

Other operating revenues	for the year ended 31 December 2007	for the year ended 31 December 2006
Profit on sale of non-financial non-current assets	16 820	11 011
Provision reversal	33 746	97 758
Reversal of impairment allowances of assets	104 263	94 356
Penalties and compensations	2 723	19 238
Other	34 672	31 197
Total	**192 224**	**253 560**

Reversal of impairment allowances of assets	for the year ended 31 December 2007	for the year ended 31 December 2006
Receivables	87 348	72 369
Inventory	1 345	258
Property, plant and equipment and intangible assets	15 570	21 729
Total	**104 263**	**94 356**

(all amounts in PLN thousand)

Other operating expenses	for the year ended 31 December 2007	for the year ended 31 December 2006
Loss on sale of non-financial non-current assets	45 170	13 324
Revaluation of property, plant and equipment	17 004	19 736
Creation of provisions	36 256	66 224
Impairment allowance of current assets	121 779	111 157
Donations	6 923	5 772
Nonculpable shortages in non-current assets	11 824	10 208
Other	45 678	77 325
Total	**284 634**	**303 746**

Impairment allowance of current assets	for the year ended 31 December 2007	for the year ended 31 December 2006
Receivables	(121 388)	(106 652)
Inventory	(391)	(4 505)
Total	**(121 779)**	**(111 157)**

26. Net financial income and expenses

	for the year ended 31 December 2007	for the year ended 31 December 2006
Interest expense	(294 255)	(105 202)
Positive foreign exchange surplus	669 169	150 373
Interest income	41 779	44 297
Profit from sale of shares and other securities	1 661	6 937
Dividends received *	708 701	579 619
Decrease in receivables allowances	6 199	11 951
Increase in receivables allowances	(8 186)	(11 134)
Settlement and valuation of financial instruments **	49 342	(79 232)
Other	(10 135)	3 614
Total	**1 164 275**	**601 223**

* incl. dividend from Polkomtel S.A. of PLN 264 220 thousand in 2007 and PLN 461 270 thousand in 2006
** including in 2006 the amount of PLN (104 154) thousand net result of settlement of financial instrument hedging payments for shares in Mazeikiu.

(all amounts in PLN thousand)

Gains/(losses) due to financial instruments by categories

	for the year ended 31 December 2007	for the year ended 31 December 2006
Net gains/(losses) due to financial assets at fair value through profit and loss, incl.:	49 002	(79 258)
Available for sale, incl.:	49 002	(79 258)
Trade derivatives (including: embedded instruments)	49 002	(79 258)
Net gains/(losses) due to financial assets available for sale, including:	707 750	587 541
Amounts recognized in income statement	707 750	587 541
Net gains/(losses) due to held-to-maturity financial assets	1 194	23 684
Net gains/(losses) due to loans (granted)	2 217	267
Net gains/(losses) due to financial liabilities at amortized cost	134 713	(113 079)
Net gains/(losses) due to current receivables	(110 848)	(33 717)
Net gains/(losses) due to short-term liabilities	381 456	210 812
Inefficient portion charged to income statement during the period	340	26
Other	(1 549)	4 947
Total	**1 164 275**	**601 223**

Interest incomes and expenses by categories

	for the year ended 31 December 2007	for the year ended 31 December 2006
Total financial income and expenses on interests (accounted for under effective interest rate method) from financial assets or financial liabilities not at fair value through profit and loss	(275 505)	(70 737)
Income and expenses due to charges (different from amounts taken into account during determining effective interest rate) due to financial assets or financial liabilities not at fair value through profit and loss	-	(20)
Income from bank deposits interests	23 029	9 852
Total	**(252 476)**	**(60 905)**

Financial costs due to impairment of financial assets by class

	31 December 2007	31 December 2006
Impairment of stakes and shares in Companies	(6 993)	(141)
Impairment of interest on receivables (as financial instruments)	(8 186)	(11 134)
Total	**(15 179)**	**(11 275)**

(all amounts in PLN thousand)

27. Income tax expense

	for the year ended 31 December 2007	for the year ended 31 December 2006
Current tax	(445 504)	(484 777)
Deferred tax	(52 106)	82 424
Total	**(497 610)**	**(402 353)**

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

	for the year ended 31 December 2007	for the year ended 31 December 2006
Profit before tax	**3 257 469**	**2 602 229**
Corporate income tax for 2007 and 2006 by the valid tax rate	618 919	494 424
Dividends received *	(134 653)	(110 096)
Business risk provision	-	12 583
Cost of fixed assets liquidation	2 395	1 827
Donations	1 960	1 108
Prescribed receivables recognized as ex penses	1 582	249
Other	7 407	2 258
Income tax expense	**497 610**	**402 353**
Effective tax rate	15%	15%

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

(all amounts in PLN thousand)

The net deferred tax liability

	31 December 2007	31 December 2006
Deferred tax assets:		
Environmental provision	61 064	65 280
Receivables allowances	14 642	11 116
Retirement benefits and jubilee bonuses	22 556	22 084
Impairment of non-current assets	19 654	19 743
Valuation of non-current financial assets	24 007	40 141
Other provisions	39 825	37 196
Wages and salaries, unpaid	16 918	14 695
Expenses for loyalty programme prizes	14 299	12 601
Accrued expenses	11 338	5 736
Unrealised negative foreign exchange differences	-	12 686
Other	18 504	20 324
	--------------	--------------
Total deferred tax assets	**242 807**	**261 602**
Deferred tax provision:		
Investment relief *	91 199	110 699
Difference between carrying ammount and tax base of property, plant and equipment	322 272	315 812
Unrealised positive foreign exchange differences	48 660	-
Financial instruments	31 002	5 095
Difference in contribution in kind to Basell ORLEN Polyolefins Sp. z o.o.	42 870	42 870
Other	2 154	15 325
	--------------	--------------
Total deferred tax provision	**538 157**	**489 801**
	--------------	--------------
Deferred tax provision, net (Deferred tax provision - deferred tax assets)	**295 350**	**228 199**
	========	========

* According to the Polish tax regulations, taxpayers were entitled to deduct qualified investment expenditures in a given tax year from the taxable income (investment relief). Taxable income could have been decreased additionally by 50% of investment relief in proceeding year (investment premium). Described in detail in note 31 c.

28. Leases

a) The Company as a lessee

Operating lease

As at 31 December 2007 and 31 December 2006, the Company did not posses the non-cancellable operating lease agreements. The lease payments recognized as cost amounted to PLN 71,375 thousand in 2007 and PLN 59,398 thousand in 2006.

Finance lease

The company as a lessee as at 31 December 2007 posses the financial lease agreements. The financial lease agreements relate mainly to the petrol stations.

The net value of all fixed assets in financial lease as at 31 December 2007 amounts to PLN 44 831 thousand and PLN 29 321 thousand as of 31 December 2006 and relate to buildings, premises as well as land and water engineering objects.

In concluded lease agreements, the general conditions of financial lease are effective, there are no special restrictions or additional terms of contract. The financial lease contracts do not contain any clauses concerning conditional liabilities from lease fees and provide possibility of purchase the object of the lease. In most cases there is the possibility of prolongation of the agreement.

Future minimum lease payments under financial lease agreements as at 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Up to 1 year	1 393	-
Between 1 and 5 years	14 740	5 763
Above 5 years	42 577	25 355
	---------	---------
Total minimum lease payments due to lease agreements	**58 710**	**31 118**
	=====	=====

(all amounts in PLN thousand)

Current value of future minimum lease payments under financial lease agreements mentioned above as at 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Up to 1 year	858	-
Between 1 and 5 years	6 328	3 688
Above 5 years	33 218	17 998
	---------	---------
Total minimum lease payments due to lease agreements	**40 404**	**21 686**
	=====	=====

As at 31 December 2007 and 31 December 2006 the balance sheet value for each group of assets was as follows:

	31 December 2007	31 December 2006
Tangible fixed assets	**44 831**	**29 321**
buildings, premises as well as land and water engineering objects	44 831	29 321

b) The Company as a lessor

Operating lease

As at 31 December 2007 and 31 December 2006 the Company did not posses the non-cancellable operating lease agreements as a lessor. Operating lease agreements regard the lease of machinery, equipment, buildings and land owned by the Company.

Finance lease

As at 31 December 2007 finance lease agreements regard the lease of distributors owned by the Company. Finance lease agreements as of 31 December 2006 regarded the lease of distributors and steering devices owned by the Company. The agreements were concluded for a definite period.

Gross investments in the lease due as at 31 December 2007 and 31 December 2006 for future periods were as follows:

	31 December 2007	31 December 2006
Up to 1 year	29	310
Between 1 and 5 years	17	52
	-----------	-----------
Total gross lease investments in the lease	**46**	**362**
	======	======

Current value of future minimum lease payments under financial lease agreements mentioned above as at 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Up to 1 year	26	286
Between 1 and 5 years	16	48
Above 5 years	-	-
	-----------	-----------
Total gross lease investments in the lease	**42**	**334**
	======	======

Unearned finance income as at 31 December 2007 amounted to PLN 4 thousand and as at 31 December 2006 to PLN 168 thousand.

As at 31 December 2007 and 31 December 2006 the Company did not record contingent rents recognized in the profit and loss and allowances for bad debts concerning minimum lease payments. There were also no unguaranteed residual values accruing to the benefit of the lessor.

Disclosures resulting from IFRS 7 regarding the financial instruments are included in note 23 and presented together with other financial instruments.

(all amounts in PLN thousand)

29. Investment expenditures incurred and planned and commitments resulting from investment expenditures

Investment expenditures in 2007 accounted for PLN 1,414,882 thousand, including PLN 122 206 thousand of environmental protection related investments. Planned investment expenditure in the period of 12 months from the balance sheet date amounts to PLN 2,155,174 thousand, including PLN 247 381 thousand of environmental protection related investments. As at 31 December 2007 future liabilities resulting from signed contracts amounted to PLN 498,193 thousand.

30. Related party transactions

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

As at 31 December 2007 the Company did not grant any loans to managing and supervising persons and their relatives.

In the year ended 31 December 2007 there were no significant transactions concluded with members of the Management Board, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

b) Transactions with related parties concluded through the supervising persons of the Company

In 2007 the Company obtained statements on transactions concluded in 2007 with related parties extended in scope in regard of the amended IAS 24 "Related Party Disclosures".

	Sale	Purchase	Receivables	Liabilities
Legal persons *	517 764	540 735	110 127	49 695
Natural persons	-	-	-	-

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

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

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

In 2007 the managing persons of the Company did not conclude any transactions with related parties in regard of IAS "Related Party Disclosures".

d) Transactions with related parties concluded through the key management personnel of the Company

In 2007 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".

(all amounts in PLN thousand)

e) Transactions of the Company with related parties in the period from 1 January to 31 December 2007 and the settlement balances as at 31 December 2007

	Consolidated subsidiaries [1]	Consolidated associates [2]	Consolidated jointly controlled entities [3]	Non-consolidated subsidiaries [1]	Non-consolidated associates [2]	Total related parties
Sales	17 454 670	22 353	2 413 304	4 467	8	19 894 802
Purchases	2 060 855	100 367	21 759	94 189	8	2 277 178
Financial revenues from interest	3 206	31	3	3	2	3 245
Financial expenses	2 144	8	-	10	1	2 163
Gross short-term receivables	1 841 922	1 650	480 761	719	2	2 325 054
Impairment allowance for receivables	(28 577)	(42)	(1)	(189)	(2)	(28 811)
Short-term liabilities	301 564	11 631	2 034	23 066	-	338 295
Gross long-term receivables	15 858	-	-	-	-	15 858
Long-term liabilities	24 576	-	-	-	-	24 576

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

(all amounts in PLN thousand)

31. Contingent liabilities and risks

a) Guarantees and sureties of PKN ORLEN in 2007

	31 December 2006	Increase/ Decrease	31 December 2007	Expiration of guarantee/ surety
Guarantee of payment for the benefit of Lithuanian Bank in relation to mandatory trade offering for shares attributable to minority shareholders of Mazeikiu Group	1 283 452	(1 283 452)	-	29.01.2007
Guarantees issued by PKN ORLEN Group for the benefits of legal persons	15 018	(3 935)	11 083	31.10.2009
Customs guarantees issued by PKN ORLEN S.A. as collateral of settlements towards Customs Office	3 300	-	3 300	30.06.2009
Bid guarantees issued by PKN ORLEN Group for the benefit of legal persons	-	14 790	14 790	21.03.2008
Other	1 176	1 152	2 328	14.09.2010
Total guarantees and sureties:	**1 302 946**	**(1 271 445)**	**31 501**	

b) Other contingent liabilities of PKN ORLEN in 2007

	31 December 2006	Increases/ Decreases	31 December 2007
Excise tax guarantees (including collaterals submitted on behalf of PKN ORLEN and third parties in respect of movements of harmonized excise goods kept on warehouse under the excise tax suspension procedure)*	957 235	364 932	1 322 167
Letter of credits	26 985	206 713	233 698
Legal cases related to real estates with undefined legal status	23 153	11 750	34 903
Anti trust proceeding of the Office for Competition and Consumers' Protection **	14 000	4 500	18 500
Legal cases ***	5 250	45 714	50 964
Total other contingent liabilities:	**1 026 623**	**633 609**	**1 660 232**
Total contingent liabilities (guarantees and sureties and other contingent liabilities)	**2 329 569**	**(637 836)**	**1 691 733**

*including as at 31 December 2007 excise tax guarantee of PKN ORLEN in the amount of PLN 1 000 011 thousand related to products in production plant in Płock, tax warehouses and warehouse-bases (owned and belonging to third parties) as well as bank guarantees of PKN ORLEN S.A. in the amount of 322 156 thousand submitted on behalf of Operator Logistyczny Paliw Płynnych Sp. Z o.o. (former NAFTOBAZY Sp. z o.o.) as excise tax guarantees
** for details see note 31 h
*** including as at 31 December 2007 liability relating to the legal action of Brends Sp. z o.o. against PKN ORLEN in Arbitration Court in case of payment of PLN 42 000 thousand of contractual penalty from presumptive breach by PKN ORLEN of resolution of agreement concluded between PKN ORLEN and Jerzy Krzystyniak acting in his own name and in the name of Brends Sp. z o.o.

c) Risk of loosing tax relieves

In accordance with tax regulations, in force in previous years, the Company reduced the taxable income for the purposes of corporate income tax by the following titles:
- investment expenditures incurred in a given tax year (investment relief);
- 50% of the previous year's investment relief (investment premium).

(all amounts in PLN thousand)

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

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

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

d) Excise tax and value added tax contingent liability of Rafineria Trzebinia S.A.

As at balance sheet date of 31 December 2007 the following tax proceedings and controls are pending in Rafineria Trzebinia S.A.:

Tax proceeding in order to determine the excise tax liability for the period of May – September 2004.

On 15 October 2004, the Head of the Customs Office in Kraków had decided to institute tax proceedings in order to determine the excise tax liability of 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 Director of the Customs Office in Kraków, where the total excise tax liability was set for the period of May-August 2004 at about PLN 60 million. According to the Management Board of Rafineria Trzebinia S.A., the company possesses all necessary expert opinions confirming correctness of the applied classification of goods taxed with 0 PLN rate. On 12 April 2005, the Management Board of Rafineria Trzebinia S.A. filed an appeal against the discussed decisions and a motion to suspend execution of the decision until the date of settling the matter by the second instance authority.

On 5 May 2005, in reply to its motion to suspend execution of a decision until the date of settling the matter, Rafineria Trzebinia S.A. received a decision from the Head of the Customs Office in Kraków suspending execution of the above decision.

On 9 June 2005 the Director of the Customs Chamber in Kraków, having examined Rafineria Trzebinia S.A.'s appeal of 12 April 2005 against the decision of the Head of the Customs Office in Kraków of 31 March 2005, quashed the decision of the first instance authority and submitted it for further examination.

On 28 July 2005 the Head of the Customs Office, upon receipt of the Director 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 represents the position that it possesses all necessary opinions confirming correctness of the applied classification of goods taxable with 0 PLN rate, which according to the Management Board guarantees a positive outcome of the proceedings.

On 9 August 2005 the Management Board of Rafineria Trzebinia S.A. appealed against the above decisions and filed a motion to suspend execution of the decisions until the case is decided by the second instance authority. On 11 August 2005, the Head of the Customs Office in Kraków, having examined the appeal of Rafineria Trzebinia S.A. of 8 August 2005, suspended execution of the decision in respect of setting the excise tax liability for the period of May-September 2004 at about PLN 100 million. On 14 November 2005 the Director of the Customs Chamber in Kraków had decided to refuse to accept evidence from the hearings of witnesses using argument that it does not constitute any significant circumstances in respect of the case. In addition, the Customs Office declined to accept corrections to excise tax declarations submitted by Rafineria Trzebinia S.A. for the period May-September 2004, resulting from the change in excise tax rate for technological oils from 60 PLN/Mg to 0 PLN. The Office declined acceptance based on the fact that there were proceedings in progress in respect of the case.

On 30 December 2005 the Director of the Customs Chamber in Kraków issued a decision keeping the first instance authority's decision in force. Rafineria Trzebinia S.A. prepared a complaint to the Woivodship

Administrative Court in Krakow against the decision of the Director of the Customs Chamber in Kraków together with a motion to suspend execution of the decision.
The complaint and the motion to suspend execution of the decision were submitted to the Woivodship Administrative Court in Kraków on 3 February 2006. On 14 February 2006 the Director of the Customs Chamber in Kraków issued a decision on suspending execution of the decision until the case is decided by the Woivodship Administrative Court.

The hearing regarding complaint against the decision of the Director of the Customs Chamber in Kraków dated 30 December 2005 for the period of May - September 2004 was held on 12 June 2007 in the Woivodship Administrative Court in Kraków. The Court obliged Rafineria Trzebinia S.A. to complete the complaint by additional documents but has not set any new dates for next hearing.

On 26 July 2007 the Woivodship Administrative Court in Kraków, after examination on its sitting in chambers of complaint of Rafineria Trzebinia S.A. against decisions of the Director of the Customs Chamber in Kraków setting the excise tax liability for the period of May-August 2004, issued a decision to suspend the proceedings until the Rafineria Trzebinia's complaint on decisions of the Director of the Customs Chamber in Kraków dated 9 June 2005 relating to reversal of the decision of the Head of the Customs Office in Kraków and withdrawal of the decision for the re-examination is examined, stating that the verdict on that case is vital for the proceedings.

On 12 September 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received a notice from the Woivodship Administrative Court in Kraków about complaint of Rafineria Trzebinia S.A. against the decision of the Director of the Customs Chamber in Kraków to withdraw and re-examinate the decision. Next hearing was set on 3 October 2007. On the hearing on 3 October 2007 the Woivodship Administrative Court in Kraków issued a decision in compliance with motion of Rafineria Trzebinia S.A. - deciding on tax proceedings re-examination. On 13 March 2008 Rafineria Trzebinia S.A. submitted a motion to the Director of the Customs Chamber in Kraków with a complaint on inactivity in defining tax liability for the period of May - August 2004.

On 19 March 2007 Rafineria Trzebinia S.A. received a written notification from the Customs Chamber in Kraków in respect of a submission of a motion for compulsory entry made in the mortgage register by the District Court in Chrzanów for the benefit of the State Treasury. The mortgage register entry regarded both real estate owned and used under perpetual usufruct by Rafineria Trzebinia S.A. The real estates pledge for the excise tax liability for the period May-September 2004 as determined by the decisions issued by the Head of the Customs Office in Kraków. On 18 April 2007 Rafineria Trzebinia S.A. received a decision dated 2 April 2007 of the District Court in Chrzanów, V Commercial Department of Commercial Register, dismissing the claim of the Director of the Customs Chamber in Kraków in respect of a compulsory entry made in the mortgage register on real estates of Rafineria Trzebinia S.A.

On 21 May 2007 the Head of the Customs Office in Kraków re-submitted a motion for compulsory entry made in the mortgage register relating to real estate owned or used under perpetual usufruct by Rafineria Trzebinia S.A. On 2 August 2007 the Management Board of Rafineria Trzebinia S.A. received notifications from the District Court in Chrzanów, V Commercial Department of Commercial Register, relating to compulsory mortgage entry made in the mortgage register relating to real estate owned or subject to perpetual usufruct by Rafineria Trzebinia S.A. The mortgage was entered to the benefit of the Customs Chamber in Kraków of the total amount of PLN 100,719 thousand. Real estate is situated in Trzebinia and constitutes in total the whole plant of Rafineria Trzebinia S.A. The entry was made to secure the claims of the Customs Chamber relating to excise tax liability for the period of May-September 2004, which are subject to dispute in front of the Woivodship Administrative Court. Entries in the mortgage register are not legally binding. Rafineria Trzebinia S.A. appealed against the Court's sentence mentioned above. On 20 December 2007 the District Court in Kraków issued a decision on repeal of the above-mentioned mortgages. The sentence of District Court is legally binding, however Rafineria Trzebinia is entitled to submit an annulment to the Supreme Court.

The Management Board, based on the opinions of recognized tax advisors, states that in connection with the excise tax for technological oils proceedings in progress, there is a high probability of a positive outcome, based on the evidence and arguments raised by Rafineria Trzebinia S.A.. As a result there is no provision related to the case in the financial statements of Rafineria Trzebina S.A. for the period ended 31 December 2007.

On 6 March 2007, the Management Board of Rafineria Trzebinia S.A. filed a motion to the Customs Office in Kraków to spread the payment of the disputable liabilities imposed based on decisions of the Head of the Customs Office in Kraków into installments.

On 5 April 2007, a decision of the Head of the Customs Office in Kraków was received by Rafineria Trzebinia S.A.. The Head of Customs Office disapproved the motion of the taxpayer, refusing to spread the tax liability into installments. On 6 April 2007, the Management Board of Rafineria Trzebinia S.A. appealed against the decision of the authority to the Head of the Customs Chamber in Kraków. On 25 June 2007 the Director of

Customs Chamber in Kraków sustained the decision of the Head of Customs Office in Kraków and refused to spread the arrears in taxes into installments. Rafineria Trzebinia S.A. did not appeal against the decision of the Director of Customs Chamber in Kraków.

Control proceedings with respect to reliability of calculation and settlement of excise tax and value added tax for 2002, 2003 and the period of January to April 2004.

Acting under the authorization from the General Tax Control Inspector of 18 January 2005, the Tax Control Office in Kraków is conducting control proceedings with respect to reliability of the stated tax bases and correctness of calculation and settlement of excise tax and value added tax for 2002 and 2003. On 30 November 2006 Rafineria Trzebinia S.A. received a control protocol related to the above period. On 14 December 2006 the Plenipotentiary of Rafineria Trzebinia S.A. raised reservations. The reservations regarded formal faults related to the protocol as well as to control proceedings. On 28 December 2006 the Director of Tax Control Office submitted the response to reservations raised by the Plenipotentiary.

On 5 December 2007 the Director of Tax Control Office in Kraków issued the result of tax control in Rafineria Trzebinia in relation to excise tax for 2002 and decision related to value added tax for 2002. Tax Inspection Authority sustained that the value added tax settlements carried out by Rafineria Trzebinia in 2002 were correct. Decisions of Tax Control Office for 2002 determine the correct amounts of value added tax liability on the level of PLN 10 thousand.

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

In a letter dated 6 February 2007, the Tax Control Inspector representing the Tax Control Office in Kraków presented the office's position in respect of reservations to the control protocol for the period January-April 2004 that had been raised by the Plenipotentiary. Termination date of control proceedings for 2003 and the period of January to April 2004 was again extended to 31 March 2008. On 19 March 2008 the Director of the Tax Control Office in Kraków has sent an information, that the case will not be reviewed on time and has settled new review on 20 June 2008.

As at the date of preparation of these financial statements, the final outcome of the above control proceedings or potential impact of control extended to other periods are not yet known. The Management Board, based on the opinions of recognized tax advisors, believes that there is a high probability that the outcome of the proceedings will be favorable for Rafineria Trzebinia S.A. As a result, no provision for liabilities which might have arisen should the above control proceedings had unfavorable outcome for Rafineria Trzebinia S.A. has been created in the financial statements of Rafineria Trzebinia S.A. for the period ended 31 December 2007.

Tax proceedings with respect to determination of value added tax amount for the period of January to August 2005

On 22 October 2006 the Plenipotentiary of Rafineria Trzebinia S.A. received a decision of the Head of the Tax Office for Małopolska regarding institution of control proceedings with respect to value added tax liability for the period of January, February and April – August 2005.

On 26 February 2007 the Head of the Tax Office for Małopolska in Kraków, had decided to institute tax control proceedings with regard to setting of value added tax liability for March 2005.

The above proceedings concern intracommunity supplies of finished goods and merchandise.

On 3 September 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received a notice of the Head of the Tax Office for Małopolska in Kraków extending to 31 October 2007 the tax control proceedings with respect of value added tax liability for the period from January to August 2005. On 5 November 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received a decision of the Head of the Tax Office for Małopolska suspending tax control proceedings with respect to the value added tax liability for the period from January to August 2005. Rafineria Trzebinia S.A. has submitted a complaint for the above described decision by appealing for complete reversal. On 24 January 2008 the Director of the Tax Chamber issued the decision of a complete reversal of the above described decision of the Head of the Tax Office for Małopolska. On 31 January 2008 the Head of the Tax Office for Małopolska in Kraków has sent the notification of a new term to settle the case relating to determination of the value added tax amount for the period of January to August 2005. The term was set at 31 March 2008. On 26 March 2008 the Head of the Tax Office for Małopolska in Kraków has submitted another notice with a termination date settled on 30 May 2008.

As at the date of preparation of these financial statements, the final outcome of the above control proceedings or potential impact of control extended to other periods are not yet known. The Management Board, based on the opinions of recognized tax advisors, believes that there is a high probability that the outcome of the proceedings will be favorable for Rafineria Trzebinia S.A. As a result, no provision for liabilities which might have arisen should the above control proceedings had unfavorable outcome for Rafineria Trzebinia S.A. has been created in the financial statement of Rafineria Trzebinia S.A. for the period ended 31 December 2007.

Tax proceedings with respect to determination of excise tax liability for months November – December 2004

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

The Head of the Customs Office in Kraków has issued a decision on 31 May 2007 stating the amount of excise tax liability of app. PLN 600 thousand. The amount of the tax liability and penalty interest was already paid by Rafineria Trzebinia S.A. On 14 June 2007 Rafineria Trzebinia S.A. appealed against the above mentioned decision to the Director of the Customs Chamber in Kraków. The Director of the Customs Chamber issued decisions sustaining the first instance authority's decisions relating to the excise tax liability for November- December 2004. On 12 October 2007 a complaint was issued to the Woivodship Administrative Court in Kraków.

On 16 April 2008 the hearing in front of the Voivodship Administration Court in Krakow took place and as a consequence the favorable for Rafineria Trzebinia S.A. outcome of a dispute, not yet binding was issued.

Decisions related to excise tax liability for the period January – February 2007

On 25 September 2007 the Director of the Customs Chamber in Kraków issued a decision on excise tax liability for months January-February 2007 requesting at the same time adjustment of AKC-3 declaration for this period.

On 5 October 2007 Rafineria Trzebinia S.A. issued a motion to the Director of the Customs Chamber in Kraków to suspend the decision, and on 15 October 2007 appealed against the decision. On 28 March 2008 the representative of Rafineria Trzebinia S.A. has received notice from the Director of the Customs Chamber in Kraków about setting the term to settle the appealed case. The new term was set at 30 April 2008.

The share of PKN ORLEN in total voting rights at the General Shareholders' Meeting of Rafineria Trzebinia amounts to 77.15%.

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

On 24 March 2006 Rafineria Trzebinia S.A. received a notice from the Chairman of the Energy Regulatory Office regarding official institution of proceedings in respect of imposing a fine in connection with violating of concession obligations regarding production of liquid fuels. The essence of the proceedings regards potential direct application of the provisions of Directive 2003/30/EC of the European Parliament and of the EU Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport and Directive 2003/17/EC of the European Parliament and of the Council of 3 March 2003 amending Directive 98/70/EC relating to the quality of petrol and diesel oils while on one hand effective 1 May 2004 Poland has become a member of the European Union whereas on the other hand no regulations of the Minister of Economy in respect of quality requirements for biofuels were available.

On 8 September 2006 the Chairman of the Energy Regulatory Office issued a decision imposing a fine of PLN 1 million in connection with alleged violating of concession regarding production of liquid fuels by Rafineria Trzebinia S.A. On 26 September 2006 the Management Board of Rafineria Trzebinia S.A. appealed via the Chairman of the Energy Regulatory Office to the Court of Competition and Consumer Protection, District Court in Warsaw, against the decision of the Chairman of the Energy Regulatory Office. The appeal regarded complete waiver of the decision. Unless waived, the Management Board of Rafineria Trzebinia S.A. appealed that the decision was changed in respect of the merit by waiver of the proceedings in front of the Chairman of the Energy Regulatory Office due to the lack of legal substance as Rafineria Trzebinia S.A. violated neither laws nor the concession obligations. The motion submitted by Rafineria Trzebinia S.A. included also a prejudicial query to the Court of Justice of the European Communities in Luxembourg via the Court of Competition and Consumers Protection, regarding the application of the acquis communautaire based on article 234 of the ECT. The query was as follows: "Was Rafineria Trzebinia S.A. – an entity registered in the Republic of Poland – entitled in 2006 to production of biofuels with a 20% fraction of biocontent in line with the standard EN 14214 and trade in biofuels in the Republic of Poland and other countries of the European Union, in accordance with the law of European Communities, in particular in accordance with the Directive 2003/30/EC of the European Parliament and of the Council on the promotion of the use of biofuels or other renewable fuels for transport, whereas the Republic of Poland did not implement the provisions of the above stated Directive within the period specified in the Directive?". On 6 December 2006 the Chairman of the Energy Regulatory Office submitted a response to the appeal, claiming waiver of the appeal as it identified no basis to change the decision in respect of the fine. Among other matters, the Chairman of the Energy Regulatory Office stated that the violation of the acquis communautaire as described by Rafineria Trzebinia S.A. did not occur as the fine was imposed on the Company in relation to trade of fuels not meeting quality standards defined in the regulation dated 19 October 2005 in the Republic of Poland, and in conjunction with this case the decision was effective solely in the Republic of Poland and consequently it could not violate acquis communautaire.

On 2 April 2007 the Court of Competition and Consumers Protection in Warsaw pronounced a sentence giving consideration to Rafineria Trzebinia S.A.'s appeal and changing the decision of the Chairman of the Energy Regulatory Office in respect of the fine of PLN 1,000 thousand by waiver of proceedings.

According to the Court, Rafineria Trzebinia S.A. traded in biofuels with a 20% fraction of biocontent in line with terms of the concession regarding production of liquid fuels. None of the concession terms banned production of fuels with specified parameters. According to the concession Rafineria Trzebinia S.A. is obliged to control the quality of fuels on a current basis and to issue quality certificates which may concern parameters set by law (for example regulation) or mutual agreements. As in the period covered by the decision of the Chairman of the Energy Regulatory Office there were no quality standards set by regulations defining quality requirements for biocontent and liquid biofuels and Rafineria Trzebinia S.A. produced biofuels by the terms of the concession and the agreements and issued quality certificates confirming that parameters of fuels produced are in line with parameters set in the agreements, it means that Rafineria Trzebinia S.A. could produce biofuels with a 20% fraction of biocontent. This way the Court admitted that the decision of the Chairman of the Energy Regulatory Office offended article 56 par. 1 point 12 of Energy Law, changed the decision and waived the proceedings due lack of legal substance. The verdict is not binding yet.

On 22 May 2007 the Plenipotentiary of Rafineria Trzebinia S.A. received the appeal of the Chairman of the Energy Regulatory Office. Both the Chairman of the Energy Regulatory Office and Rafineria Trzebinia S.A. sustain their positions.

The response of Rafineria Trzebinia S.A. to the appeal of the Chairman of the Energy Regulatory Office dated 8 May 2007 to the verdict of 2 April 2007 of the District Court in Warsaw – the Court of Competition and Consumers Protection, was sent to the VI Civil Department of the District Appeal Court in Warsaw on 31 May 2007.

On 15 November 2007 the seating in front of the Court of Appeals in Warsaw VI Civil Department took place, when the appeal of the Chairman of the Energy Regulatory Office was dismissed and the reimbursement of court proceeding costs in favor of Rafineria Trzebinia S.A was sentenced. The case was accomplished with the advantageous decision for Rafineria Trzebinia. The representative of the Chairman of the Energy Regulatory Office announced the possible submit for an annulment to the Supreme Court.

f) Standing of Rafineria Trzebinia S.A. in connection with temporarily discontinued production and sales of the ON BIO biofuel containing 20% of FAME esters from 3 January 2007 till 16 July 2007

The immediate reason for the decision to temporarily discontinue production and sales of the biodiesel containing 20% of FAME esters was the Regulation of the Minister of Finance dated 22 December 2006 reducing excise tax relieves. As a consequence, the financial standing of Rafineria Trzebinia S.A., an owner of modern biofuel production installation, deteriorated and the bank creditors of Rafineria Trzebinia S.A. demanded additional collateral on Rafineria Trzebinia S.A. property.

The establishing of collateral must have been preceded by conclusion of agreements between Rafineria Trzebinia S.A. and PKN ORLEN and banks: Pekao S.A. and BPH S.A.

PKN ORLEN as a strategic investor was actively engaged in financial standing improvement process of Rafineria Trzebinia S.A.

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

The agreement defined conditions for repayment of bank loan liabilities of Rafineria Trzebinia S.A. due to Pekao S.A. and BPH S.A. banks as well as amounts due to PKN ORLEN. It has also provided that Rafineria Trzebinia S.A. has to present satisfactory legal and property collaterals that would secure repayment of financial liabilities to the banks and PKN ORLEN. According to the schedule contained in the agreement, till 30 June 2007 Rafineria Trzebinia S.A. has partially repaid its bank loan liabilities to Pekao S.A. and BPH S.A. in the amounts of PLN 30,000 thousand and PLN 5,000 thousand, respectively. It has also provided PKN ORLEN with the partial payment of its trade liabilities amounting to PLN 15,000 thousand.

On 2 October 2007 another part of bank loan was repaid to BPH S.A. in the amount of PLN 20,000 thousand. The balance of bank loans as at 31 December 2007 amounted to PLN 24,590 thousand.

The above described conditions of cooperation with the banks as well as the support granted by PKN ORLEN as a major shareholder have enabled Rafineria Trzebinia S.A. to conduct usual business activities, implement stabilization strategies and rebuild positive customer relations.

On 18 April 2007, after the approval of the corporate bodies, the Management Board of Rafineria Trzebinia S.A. signed an agreement with PKN ORLEN for composition of fuels with a up to 5% fraction of biocontent. The agreement enabled better utilization of assets such as warehouse spaces and production capacities of biodiesel installation.

The Management Board of Rafineria Trzebinia S.A. after performing the detailed legal and financial analysis has adopted a resolution on 11 May 2007 regarding implementing a new product on domestic market – methyl ester as an intrinsic fuel named “BIOESTER”.

On 16 July 2007 the Management Board of Rafineria Trzebinia S.A. decided to resume diesel oil ON BIO production containing 20% of bio components – higher fatty acid esters FAME. The decision about the resumption of the production was made after performing by Rafineria Trzebinia S.A. the detailed economic analysis in relation to changes in the Excise Tax Act. The Management Board of Rafineria Trzebinia S.A. considers that resolved tax changes as well as other planned changes and solutions supporting the development of alternative source of energy motivate resumption of the production and sales of bio fuels by the Refinery.

The share of PKN ORLEN in total voting rights at the General Shareholders’ Meeting of Rafineria Trzebinia amounts to 77.15%.

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

According to the paragraph 36 of the Regulation of the Minister of Economy dated 14 December 2000 relating to detailed methods of determination and computation of tariffs and electricity settlement regulations (Official Journal No. 1 dated 15 January 2001), the method of settlement of system fee, constituting an element of a power transfer fee was changed. According to the paragraph 37 of the Regulation 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 Płock 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 and then filed a law suit against PKN ORLEN, while the District Court in Warsaw summoned PKN ORLEN as a co-defendant in a court case PSE – Operator S.A. (legal successor of PGE Polska Grupa Energetyczna S.A., former Polskie Sieci Elektroenergetyczne) 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.

Court proceedings in which PKN ORLEN acts as a defendant

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- Operator S.A. against ZEP S.A., where PKN ORLEN is an outside intervener, is decided.

On 3 August 2005 a complaint was filed against the above decision to suspend of proceedings. On 12 December 2005 the Court of Appeal in Warsaw, I Civil Department, dismissed the complaint regarding the decision to suspend of proceedings.

On 20 August 2007 the Legal Office placed on behalf of PKN ORLEN a motion applying for undertaking previously suspended proceeding. On 13 September 2007 the Plenipotentiary of PKN ORLEN received a plaintift's letter standing against undertaking suspended proceeding. On 17 September 2007 court rejected undertaking suspended proceeding.

A complaint on the above mentioned decision to reject undertaking suspended proceeding was submitted on 22 October 2007.

On 19 December 2007 in response to PKN ORLEN complaint the Court of Appeals in Warsaw has issued the decision about changing the resolution and sentenced undertaking the proceedings.

On 11 February 2008 on behalf of PKN ORLEN there was a judicial writ sent, in which in response to court summons defendant referred to circumstances, in connection to which there is planned witness evidence and also to the sentence of Polish Constitutional Tribunal's statement dated 25 October 2006. On 14 March 2008 we received a plaintift's letter dated on 10 March 2008.

On 9 April 2008 the court hearing of two witnesses of PKN ORLEN, took place. The court dismissed motions to permit evidence from court expert opinions. The court consented to defendant's motion to add files from proceedings in front of the Chairman of the Energy Regulatory Office, in front of the Court of Competition and Consumes Protection and in front of the Supreme Court to the flies of these proceedings. The court postponed the proceedings and set the next seating for 4 June 2008.

Court proceedings in which PKN ORLEN S.A. acts as an outside intervener

On 4 January 2007 the District Court in Warsaw decided to undertake the previously suspended proceedings due to the Polish Constitutional Tribunal's statement issued on 25 October 2006 (current signature XVI GC 23/06).

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

On 4 April 2007 the Company received the letter in proceedings of ZEP S.A. dated 22 March 2007, in which ZEP S.A. supported its statement in the case and claimed to waive the motion of PSE S.A. concerning issuance of a partial verdict and motions of evidence raised by PSE S.A.

On 6 April 2007 another letter in proceedings on behalf of PKN ORLEN as an outside intervener was sent to the court. In the letter PKN ORLEN supported the motion of ZEP S.A. to raise a legal query to the Polish Constitutional Tribunal and explained its statement in the case.

The Company received also the letter in proceedings of PSE S.A. dated 25 April 2007, in which PSE S.A. supported its claims and its statement included in the previous letters as well as presented its opinion about statements and motions presented in the letter of an outside intervener. Moreover, PSE S.A. supported and explained its motion concerning issuance of a partial verdict.

On 20 June 2007 PSE S.A. sent the letter in proceedings where it sustained and developed conclusions.

On 6 September 2007 the Court has issued the decision in which it rejected PKN ORLEN's motion for dismissing an action for repayment of the amount of PLN 53,969 thousand.

On 14 December 2007 and on 25 February 2008 the Court hearings took place. On the hearing held on 25 February 2008 the Court closed the case and pronounced that on 10 March 2008 the decision will be issued. The decision was postponed till 25 March 2008.

On 25 March 2008 the District Court in Warsaw, XVI Commercial Department made a decision that ZEP is to pay PSE the amount of PLN 62,514 thousand with interests and the amount of PLN 143 thousand as a return on proceedings cost.

On 26 March 2008 the motion was submitted to the Court to prepare written explanation of the verdict.

The amount of claims is being updated by the amount of interest calculated from the main receivable. As at 31 December 2007 the provision for liabilities due to ZEP S.A. amounts to PLN 57,494 thousand.

h) Anti-trust proceedings

As at the date of the preparation of these financial statements, the Company is a party in the following anti-trust proceedings:

- Upon to the decision of the Chairman of the Office of Competition and Consumer Protection (“OCCP”) dated 21 March 2005, an anti-trust proceedings were started in connection with an allegation that PKN ORLEN in Płock concluded an agreement with Lotos S.A. Group in Gdańsk which limited competition on the domestic sale market of universal petrol U95 through an unanimous decision to give up production and distribution of U95 and thus eliminating competition on the domestic U95 sale market as well as excluding the risk of the market take-over by the competitor.

  On 31 Decemeber 2007 the Chairman of OCCP penalized PKN ORLEN and LOTOS Group for the participation in the above described agreement. The fine imposed on PKN ORLEN amounted to PLN 4,500 thousand. On 28 January 2008 plenipotentiary of PKN ORLEN appealed to the Court of Competition and Consumer Protection against that decision. The appellation was passed via the Chairman of OCCP, who might change his decision before passing it to the Court. In case the Chairman of OCCP overrules the appeal, he passes the motion to the Court of Competition and Consumer Protection together with his answer. The beginning date of the court proceedings is expected at the end of 2008 or beginning of 2009. Sides of the proceedings are entitled to appeal to the Appeal Court in Warsaw and subsequently to submit an annulment to the Supreme Court against the sentence of the Court of Competition and Consumer Protection.

- On 21 March 2005, the Company received a letter in which the Chairman of OCCP requested information on monoethylene glycol market and radiator liquid market in the years 2000-2004. The letter concerns the proceedings in the area of setting prices for antifreeze “Petrygo” liquid to radiators and prices for monoethylene glycols. In these proceedings the Chairman of OCCP issued a decision of 19 July 2000 imposing a fine in the amount of PLN 40 million. The Company appealed to Anti-Trust Court against the decision. On 13 August 2001 the Anti-Trust Court annulled fully the decision of the Chairman of OCCP, which accused PKN ORLEN of applying monopolistic practice, at the same time annulling the fine. Consequently, in 2001 the provision was fully reversed in PKN ORLEN. On 4 October 2001 the Chairman of OCCP submitted an annulment to the verdict.

  On 10 July 2003 the Supreme Court annulled the verdict of the Anti-Trust Court dated 13 August 2001.

  The case was conducted again by the District Court in Warsaw, the Consumer and Competition Court (former Anti-Trust Court), which at the seating on 21 July 2004 pronounced the judgment again revoking the appealed decision of the Chairman of OCCP.

  Due to the letter from OCCP received on 21 March 2005, PKN ORLEN answered the questions of OCCP on 11 April 2005. A response defining the adequate geographical market of monoethylene glycol was sent to OCCP on 6 May 2005. Upon the OCCP’s request, additional information was provided on 18 May 2005, 7 December 2005 and 14 July 2006. On 5 October 2006 the Company submitted additional information concerning the method of calculation of base price of monoethylene glycol and explained the conditions concerning validity of price list for antifreeze liquid to radiators for packaging companies. On 19 October 2006 a notice from OCCP concerning conclusion of proceedings to take evidence was received. PKN ORLEN was given a fourteen-day period to get acquainted with the evidence gathered. On 3 November 2006, after getting acquainted with all gathered evidence, the Company submitted a motion to discontinue the proceedings or to issue a decision stating that no activities limiting competition described in art. 8 par. 1 and 2, point 5 and 6 of the Anti-trust Act occurred. The decision dated 29 December 2006 no. RWA-48/2006 was received on 16 January 2007. The Chairman of the Office for Competition and Consumers’ Protection decided that PKN ORLEN violated laws by limiting competition and abusing dominant position on the domestic monoethylene glycols market. The violation regarded acting against the creation of the indispensable conditions for setting or development of the competition through unfair setting of the price formula of anti-freeze engine coolant “PETRYGO”. The setting was acknowledged as inadequate compared to increase in price of glycol (basis raw material for this coolant). The Chairman of OCCP ordered to abandon the practice and imposed a penalty in the amount of PLN 14,000 thousand.

  On 29 January 2007 PKN ORLEN filed a cancellation to this decision to the District Court in Warsaw, the Consumer and Competition Court. As at the present date, the date of the seating in respect of the cancellation has not yet been set.

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

- On 23 February 2007 the Company received a letter from the Office for Competition and Consumers' Protection in Wrocław about commencing an explanatory proceedings relating to motion of Petra Sp z o.o. about antitrust actions of PKN ORLEN on the local market in Twardogóra. On 17 April 2007 the Office for Competition and Consumers' Protection in Wrocław following the motion of Petra Sp z o.o. started antitrust proceedings against PKN ORLEN, suspected of restricting competition on the local retail sales of liquid fuels market in Twardogóra. On 30 May 2007 PKN ORLEN submitted explanations to unsupported motion of Petra, claiming PKN ORLEN used significantly lower prices to eliminate Petra out of market. On 30 August 2007 PKN ORLEN submitted additional letter with arguments proving lack of antitrust action on Twardogóra local market to the Office for Competition and Consumers' Protection in Wrocław.

  After the anti-trust proceeding, by decision dated 29 January 2008, no. RWR 04/2008 The Chairman of the Office for Competition and Consumers' Protection in Wrocław did not stated that PKN ORLEN performed actions restricting competition on the local retail sales of liquid fuels market in Twardogóra. Till the date of 20 March 2008 no appellation was submitted to the Office for Competition and Consumers' Protection in Wrocław (the final date of submitting an appeal by Petra elapsed on 18 February 2008). Currently it is supposed that Petra decided not to execute its right to appeal against the decision of the Chairman of OCCP and the decision number RWR 04/2008 became binding.

i) Compensation program for employees

The Voluntary Leave Program (VLP) was launched in PKN ORLEN to support the restructuring process conducted in the Company. VLP provides additional money considerations for employees with whom the employment agreement was or would be dissolved by mutual consent due to reasons independent from employees by virtue of the restructuring process.

Due to the above, the Company base on the decision of the Management Board no. 2537/05 dated on 22 December 2005 created a provision in the amount of PLN 236,000 thousand.

On 27 March 2006 the Agreement on rules of cooperation of social partners in restructuring processes of Polski Koncern Naftowy ORLEN S.A. and on employees' rights connected with those processes, was signed. The agreement concerns employees of PKN ORLEN subject to restructuring and reorganization processes.

According to the Agreement, employee subject to the restructuring process is entitled to dissolve the employment contract by mutual consent due to reasons independent from employees and to receive a single money consideration of PLN 50 thousand increased by PLN 4 thousand for every started year of service with PKN ORLEN or its legal predecessors. In case of definite dismissal in accordance with "Particular principles of dissolution of employment contracts due to reasons independent from employees act" of 13 March 2003 (Official Journal no. 90, item 844 with later amendments), an employee is entitled to receive a consideration equal to 40% of the consideration in accordance with Voluntary Leave Program (VLP). In case of non-acceptance of new job or salary conditions, an employee is entitled to receive a consideration equal to 3-months' salary.

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

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

As at 31 December 2007 the provision for Voluntary Leave Program amounted to PLN 110,369 thousand.

j) Claims and court proceedings – Tankpol Sp. z o.o.

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

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

On 14 December 2006 the Supreme Court pronounced that it submitted the case for further examination to the Court of Appeals in Warsaw. According to justification of the verdict by the Supreme Court, valuation of shares of ORLEN PetroTank presented by Tankpol should be taken into consideration (whereas the Court of Appeals omitted the valuation in its verdict). On 6 March 2007 the seating in front of the Court of Appeals in Warsaw took place. The verdict was pronounced on 15 March 2007. The Court of Appeals dismissed Tankpol's claim in respect of money compensation. The case (referring to quantity of shares subject to transfer) was revoked to repronouncement in front of the District Court in Warsaw.
On the hearing on 12 March 2008 the court decided to postpone the trial and to hear the case in chambers, so as to decide on court expert appointment.

k) Polish tax regulations

The current taxation system in Poland is based on the following taxes: personal income tax, corporate income tax, tax on goods and services (value added tax, VAT), excise tax and civil law activity tax (relating to e.g. establishing or changes in articles of association of a company, sale of shares or – in certain cases – sale of real estate). Business activities are also to a smaller extent influenced by inheritance and donation tax, tax on gambling as well as agricultural and forestry tax. Among local taxes the most important are: real estate tax, and tax on means of transportation.

Beside corporate income tax stated at 19% rate in 2007, majority of companies conducting business activity are taxpayers of the value added tax (VAT). The basic VAT rate amounts to 22%, reduced rates are 7%, 3% and 0%, whereas some goods and services are exempt from VAT.

Business activity involves also excise tax. Excise goods are precisely defined in the act. The goods comprise e.g. engine fuels, heating oil, natural gas, alcoholic beverages, tobacco products and electricity. By virtue of PKN ORLEN's business activity, excise tax is a significant economic cost for PKN ORLEN and group companies. Activities under excise tax include: production of harmonized excise tax goods, release of harmonized excise tax goods from a tax consignment warehouse, sale of excise tax goods on Polish territory, export and import of excise tax goods, intra Community supply and intra Community acquisition of excise goods, acquisition and possession of excise tax goods with an excise tax unsettled in the proper amount (which does not indicate excise tax to be a multiphase tax).

In the common view of entrepreneurs, Poland qualifies as a country with an exceptionally high level of tax risk. The tax law is often amended, which results in lack of clarity as well as inconsistencies and lack of certainty. In addition, frequent discrepancies in tax law interpretations provided within tax authorities and administrative judiciary are observed.

Tax system in Poland is judged as unstable, with highly formalized tax regulations combined with rigorous laws in respect of sanctions. Tax settlements and other regulated areas of activity (e.g. customs or currency exchange control) might be subject to a control from the relevant authorities, entitled to impose severe penalties and sanctions with interests. Tax settlements may be subject to a tax control over five years since the end of the calendar year when the tax liability reaches its maturity. Considering the above described rationales, activities of PKN ORLEN and other entities of the group, that conduct business activity in Poland, may be subject to a tax risk.

l) Risk connected with the disposal of a portion of assets and liabilities related to purchase of UNIPETROL a.s. shares

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

In 2005, the Management Board appointed at that date, having analyzed all eventual consequences resulting from the above agreements and having consulted recognized independent experts, adopted and presented to the Supervisory Board a proceeding strategy related to execution of the agreements, taking into account the best interest of the Company and its shareholders.

Agrofert Holding a.s. agreed that PKN ORLEN disclosed only portion of the agreements. This portion was presented by Agrofert Holding a.s. itself at the press conference on 13 September 2005.

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

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

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

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

On 13 December 2006 the Company received from the Court of Arbitration by the Czech Chamber of Commerce and Czech Chamber of Agriculture in Prague, a copy of a fourth law suit issued by Agrofert Holding a.s., seated in Prague, regarding the payment of compensation of loss related to unfair competition, illegal violation of reputation of Agrofert Holding a.s. The value of the dispute amounts to CZK 17,352,550,000 (approximately EUR 700 million) with interests. The reply for Agrofert Holding claim was submitted by the Company's Plenipotentiary. The arbitration proceedings initiated by this law suit are currently in progress.

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

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

(all amounts in PLN thousand)

32. Remuneration, including profit distribution paid and due or potentially due to the Management Board, Supervisory Board and members of key executive personnel in accordance with IAS 24.

The payments to the Management Board, Supervisory Board and key executive personnel include short-term employee benefits, post-employment benefits, other long-term employee benefits and compensation due in relation to the termination of employment, which have been paid, are due or potentially due the period.

a) Remuneration of the Management Board, Supervisory Board Members and key executive personnel of the Company in 2007

	2007
Remuneration of the Management Board Members of the Company	**27 207**
including: compensation paid to the Management Board Members performing the function in 2007	20 421
remuneration due and potentially due	4 564
remuneration paid to other Management Board Members	1 956
remuneration potentially due to other Management Board Members	266
Remuneration of the Supervisory Board Members of the Company	**1 031**
Remuneration of key executive personnel of the Company	**41 136**

Remuneration paid in 2007 to the Management Board Members performing the function in 2007

	salaries	bonus for 2006	severance pay, non-competition clause and compensation	insurance policies*	**Total**
Igor Chalupec	84	1 297	3 220	8	4 609
Cezary Filipowicz	851	380	-	67	1 298
Dariusz Formela	363	-	-	18	381
Wojciech Heydel	1 154	1 049	-	76	2 279
Piotr Kownacki	1 444	-	-	75	1 519
Jan Maciejewicz	231	676	1 620	11	2 538
Waldemar Maj	362	-	-	-	362
Krystian Pater	669	-	-	38	707
Cezary Smorszczewski	283	622	2 420	20	3 345
Krzysztof Szwedowski	851	307	-	57	1 215
Paweł Szymański	544	604	990	30	2 168
Total	**6 836**	**4 935**	**8 250**	**400**	**20 421**

* Expenses incurred by the Company

(all amounts in PLN thousand)

Remuneration potentially due for 2007 and due for 2008 to the Management Board Members performing the function in 2007

	potentially due*	severance pay, non-competition clause and compensation	**Total**
Igor Chalupec	37	140	177
Cezary Filipowicz	403	-	403
Dariusz Formela	146	-	146
Wojciech Heydel	1 148	-	1 148
Piotr Kownacki	717	-	717
Jan Maciejewicz	127	-	127
Waldemar Maj	228	-	228
Krystian Pater	323	-	323
Cezary Smorszczewski	155	220	375
Krzysztof Szwedowski	483	-	483
Paweł Szymański	347	90	437
	------------	------------	------------
Total	**4 114**	**450**	**4 564**
	=======	=======	=======

* Potentially due, not paid remuneration to Management Board Members is due to the new bonus policy - Management by Objectives (MBO) in force from 1 January 2005.

Remuneration paid to other Management Board Members in 2007

	severance pay, non-competition clause and compensation *
Zbigniew Wróbel	**1 956**

* compensation paid based on amicable settlement

Remuneration potentially due to other Management Board Members for previous years

	potentially due
Janusz Wiśniewski	**266**

Principles of incentives for key executive personnel (including the Management Board Members)

In 2005 new incentive system for key executive personnel of PKN ORLEN S.A. and Orlen Group was introduced – Management by Objectives (MBO). New incentive system concerns Management Board and key executive personnel. Individuals participating in MBO are rewarded for individual goals realization and solidarity goal (SVA), set at the beginning of the period. The Supervisory Board sets goals for each Management Board Member. Set goals are of qualitative and quantitative nature and are assessed on the basis of Bonus Policy, after the end of a year to which they relate.

The value of bonus granted depends also on the solidarity objective, which is consolidated SVA for ORLEN Group. When planned level of SVA is achieved, everybody receives bonus in full calculated amount. When the solidarity objective is not achieved, all employees are granted half of worked out bonus. Introduced system encourage employees for cooperation and timing for better results of Concern.

Remuneration regarding non-competition clause and dissolution of the contract as a result of dismissal from the position held

Agreements concluded between issuer and managing persons constitute that the persons are obliged to obey a non-competition clause for 6 or 12 months, starting from the date of a termination or expiration of the

contract. In the period members of the Management Board are entitled to receive remuneration in the amount of six or twelve monthly basic remuneration, paid in equal monthly installments.
Furthermore contracts include remuneration payments in case of dissolution of the contract as a result of dismissal from the position held. Remuneration amounts to six or twelve basic monthly remuneration.

Compensation paid to the Management Board and Supervisory Board of PKN ORLEN S.A. acting as Supervisory Board or Management Board Members of subsidiaries, jointly-controlled companies or associates for the year 2007

Management Board Members of PKN ORLEN S.A., acting in 2007 as Supervisory Board Members of subsidiaries, jointly controlled companies or associates of PKN ORLEN Group did not receive compensations in that virtue, excluding UNIPETROL, where compensations paid was transferred to ORLEN Dar Serca foundation. Management Board Members of PKN ORLEN S.A. acted in Management Board of AB Mazeikiu Nafta, what results from differences in role of Management Board in Corporate Governance between the Polish law and Lithuanian one. The role of Management Board of AB Mazeikiu Nafta is similar to the role of Supervisory Board in Polish legislation.

Remuneration of the Supervisory Board Members	**2007**
Konstanty Brochwicz-Donimirski	47
Robert Czapla	112
Marek Drac-Tatoń	112
Raimondo Eggink	112
Zbigniew Macioszek	124
Agata Mikołajczyk	65
Wojciech Pawlak	47
Krzysztof Rajczewski	112
Wiesław Rozłucki	47
Ryszard Sowiński	47
Małgorzata Ślepowrońska	83
Jerzy Woźnicki	55
Janusz Zieliński	54

Remuneration of the Supervisory Board Members in subsidiaries	**1 017**
Małgorzata Slepowrońska	14

Total remuneration of the Supervisory Board Members	**1 031**
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The Chairman of the Supervisory Board of PKN ORLEN S.A. performing this function since 31 May 2007, acted simultaneously as Supervisory Board Member of Petrolot Sp. z o.o. from 31 August 2007 as the representative of PLL LOT S.A. (second shareholder of that company) and received the remuneration in the amount of PLN 14 thousand. Other Supervisory Board Members of PKN ORLEN S.A. did not act as Management Board or Supervisory Board Members of subsidiaries, jointly controlled companies or associates of ORLEN Group in 2007.

b) Remuneration of the Management Board, Supervisory Board Members and key executive personnel of the Company in 2006 (PLN thousand)

	2006
Remuneration of the Management Board Members of the Company	**19 437**
including: compensation paid to the Management Board Members performing the function in 2006	14 081
compensation due and potentially due	5 356
Remuneration of the Supervisory Board Members of the Company	**739**
Remuneration of key executive personnel of the Company	**28 992**

(all amounts in PLN thousand)

Remuneration paid in 2006 to the Management Board Members performing the function in 2006

	salaries	bonus for 2005	severance pay, non-competition clause and compensation	insurance policies*	Total
Igor Chalupec	1 939	1 250	-	98	3 287
Cezary Filipowicz	842	-	-	73	915
Wojciech Heydel	1 160	1 033	-	76	2 269
Piotr Kownacki	185	-	-	-	185
Jan Maciejewicz	1 091	776	-	43	1 910
Cezary Smorszczewski	1 328	626	-	80	2 034
Krzysztof Szwedowski	635	-	-	43	678
Paweł Szymański	854	609	-	51	1 514
Dariusz Witkowski	216	196	840	37	1 289
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Total	**8 250**	**4 490**	**840**	**501**	**14 081**
	=======	=======	=======	=======	=======

* Expenses incurred by the Company

Remuneration due and potentially due for 2006 to the Management Board Members performing the function in 2006

	Potentially due*
Igor Chalupec	1 247
Cezary Filipowicz	506
Wojciech Heydel	1 154
Jan Maciejewicz	600
Cezary Smorszczewski	643
Krzysztof Szwedowski	408
Paweł Szymański	604
Dariusz Witkowski	194

Total	**5 356**
	=======

* Potentially due, not paid remuneration to Management Board Members is due to the new bonus policy - Management by Objectives (MBO) in force from 1 January 2005. Bonus was calculated based on preliminary appraisal of Management Board of the Company performed by the Supervisory Board.

Compensation of Management Board and Supervisory Board Members of the Company acting as Supervisory Board or Management Board Members of subsidiaries, jointly-controlled companies or associates for the year 2006

Management Board Members of PKN ORLEN, acting in 2006 as Supervisory Board Members of subsidiaries, jointly controlled companies or associates of ORLEN Group did not receive compensations in that virtue, excluding UNIPETROL a.s., where compensations paid was transferred to ORLEN Dar Serca foundation. Management Board Members of PKN ORLEN acted in Management Board of AB Mazeikiu Nafta, what results from differences in role of Management Board in Corporate Governance Order between the Polish law and Lithuanian one. The role of Management Board of AB Mazeikiu Nafta is similar to the role of Supervisory Board in Polish legislation.

Supervisory Board Members did not act as Management Board or Supervisory Board Members of subsidiaries, jointly controlled companies or associates of ORLEN Group in 2006.

(all amounts in PLN thousand)

Remuneration of the Supervisory Board Members of the Company	2006
Konstanty Brochwicz-Donimirski	9
Robert Czapla	9
Dariusz Dąbski	54
Marek Drac-Tatoń	32
Raimondo Eggink	106
Maciej Gierej	9
Zbigniew Macioszek	100
Maciej Mataczyński	93
Krzysztof Obłój	9
Małgorzata Okońska – Zaremba	9
Andrzej Olechowski	52
Wojciech Pawlak	97
Adam Pawłowicz	25
Krzysztof Rajczewski	9
Wiesław Rozłucki	54
Adam Sęk	9
Ryszard Sowiński	54
Ireneusz Wesołowski	9

Total remuneration of the Supervisory Board Members	**739**
	====

33. Employment structure

Average employment by groups was as follows:

	for the year ended 31 December 2007	for the year ended 31 December 2006
Blue collar workers	1 970	2 031
White collar workers	2 820	2 973
	----------	----------
	4 790	**5 004**
	======	======

Employment level as of 31 December 2007 amounted to 4,741 persons and 31 December 2006 amounted to 4,780 persons.

34. Additional information

a) Polkomtel S.A.

On 10 March 2006 an agreement was concluded between KGHM Polska Miedź S.A., PKN ORLEN, PSE S.A. and Węglokoks S.A. as buyers and TDC Mobile International A/S as a seller in respect of “Agreement on the approval of the offer and conditional sale of shares in Polkomtel S.A.” (“The Agreement”). The conclusion of the above agreement was preceded by conclusion by KGHM Polska Miedź S.A., PKN ORLEN, 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, PSE S.A. and Węglokoks S.A. of the entitlement to acquire shares under the offer of TDC Mobile International A/S.

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

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

As a result of complaint filed by TDC Mobile International A/S the Court of Appeals in Warsaw changed the decision of the District Court in Warsaw. The Court of Appeals stated that the execution of pledge depends on submission by Vodafone Americas Inc. a bail of Euro 43 million. Vodafone Americas Inc. paid the bail for the benefit of Court's bank account, which states that the decision on pledge is effective.

On 10 march 2006 Vodafone Americas Inc. filed a law suit to International Court of Arbitration by Federal Chamber of Commerce in Vienna, against six legal entities defining TDC Mobile International A/S as a Principle Respondent, Polkomtel S.A as a First Auxiliary Respondent and KGHM Polska Miedź S.A., PKN ORLEN, PSE S.A. and Węglokoks S.A. as other Auxiliary Respondents. In the above mentioned law suit Vodafone Americas Inc., among other things, questioned the method of calculation of the price offered by TDC International A/S to other shareholders. On 28 March 2008 PKN ORLEN has received court verdict, that confirmed the validity of agreement on purchase of shares from TDC Mobile International A/S. The Court of Arbitration sustained Vodafone demand to prohibit Polkomtel's stock book entries to further investigation.

General Shareholders' Meeting of Polkomtel S.A. was held on 28 March 2008. Shareholders decided to pay dividend from net profit realized in 2007. Total dividend amounted PLN 1,248,245 thousand (equalling PLN 60.89 per share) and will be paid to shareholders in accordance with their share in share capital of Polkomtel S.A. Dividends attributable to PKN ORLEN amounted to PLN 244,764 thousand. In accordance with the resolution of Supervisory Board of Polkomtel S.A. dated 18 December 2007, the advanced dividend for the benefit of PKN ORLEN in the amount of PLN 61,904 thousand was paid. In accordance with the decision of General Shareholders' Meeting the remaining amount of dividend will be paid in two rates in amount of PLN 91,410 thousand paid till 28 May 2008 and PLN 91,450 thousand paid till 27 November 2008.

b) Purchase of additional shares in Mazeikiu by PKN ORLEN

Mandatory tender offering for shares in AB Mazeikiu Nafta ("Mazeikiu")

In accordance with Lithuanian law, exceeding of the 40% voting rights at the General Meeting of Shareholders of Mazeikiu by PKN ORLEN (what took place in 2006 when the shares were purchased from Yukos International UK B.V.) obliged PKN ORLEN to announce mandatory tender offering ('MTO') for all remaining shares in Mazeikiu attributable to investors other than PKN ORLEN. Until receipt of relevant clearance with regard to the documentation related to MTO from the Stock Exchange Commission in Lithuania, PKN ORLEN was not able to execute its voting rights at the General Meeting of Shareholders, that were attributable to all shares held in Mazeikiu. Until that moment, however not longer than for the period of 100 days, the Government of the Republic of Lithuania assumed an obligation to execute voting rights attributable to shares held in Mazeikiu in conformity with instructions issued by PKN ORLEN. Documentation related to MTO received clearance of the Stock Exchange Commission in Lithuania on 22 December 2006.

Prior to commencement of the subscription process under MTO, a merger of Mazeikiu with AB Mazeikiu Elektrine was registered on 28 December 2006. In consequence of the merger, 1,366,992 new shares of Mazeikiu were issued for the minority shareholders of AB Mazeikiu Elektrine. As a result of the new issue of shares, total number of shares of Mazeikiu is equal to 708,821,122.

Mandatory Tender Offering has been conducted in the period from 2 to 15 January 2007. Pursuant to the settlement of MTO, PKN ORLEN purchased 35,879,247 shares of Mazeikiu and became a shareholder of 632,713,599 shares (which is equal to 89.2628% stake in share capital).

Constant call offer at the Vilniaus Stock Exchange

Due to the fact that MTO did not comprise the above mentioned new issue of shares, as well as in order to improve the preparatory process to squeeze out procedure related to shares of Mazeikiu attributable to minority shareholders other than the Government of the Republic of Lithuania, PKN ORLEN made a constant call offer at the Vilniaus Stock Exchange for shares of Mazeikiu at each day in the period from 26 January to 19 February 2007. The purchase price for shares was equal to the purchase price used for the purposes of MTO i.e. LTL 10.25 per share. In the described period PKN ORLEN purchased 1,895,952 shares of Mazeikiu and as at 19 February 2007 held 634,609,551 shares, (constituting a 89.5303% stake in share capital of Mazeikiu). Except for 70,750,000 shares owned by the Government of the Republic of Lithuania, 3,461,571 shares representing 0.4884% stake in share capital were quoted on the market (constituting a 0.4884% state in share capital).

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

Acting under agreement with the Government of the Republic of Lithuania, on 20 February 2007 PKN ORLEN commenced a squeeze out procedure related to shares of Mazeikiu held by minority shareholders. The squeeze out was conducted in accordance with the Lithuanian law. The provisions of the cooperation between PKN ORLEN and the Government of the Republic of Lithuania are included in the agreement dated 25 January 2007.

At the first phase of the process, which was effective until 21 May 2007, the shareholders of Mazeikiu were entitled to sell shares through broker house SEB Vilniaus Bankas. The price was set at LTL 10.25. During the first phase 2,469,775 shares of Mazeikiu were purchased, constituting 0.35% stake in share capital. Minority shareholders, other than Government of the Republic of Lithuania, hold 991,796 shares subject to squeeze out procedure.

On 19 September Lithuanian Court in response to a motion raised on 23 May by PKN ORLEN issued a decision that all shares held by minority shareholders other than the Government of the Republic of Lithuania will become property of PKN ORLEN for a price equal to LTL 10.25 per share. As 29 October the recall period passed and a decision became legally binding.

So as to enable efficient implementation of court's decision on 19 September Vilnius Stock Exchange suspended trading with shares of Mazeikiu.

On 12 November the second phase of squeeze out of shares held by minority shareholders (other than the Government of the Republic of Lithuania) finished. During this phase 991,796 shares of Mazeikiu were purchased.

As a result of squeeze out procedure in Mazeikiu's capital remained two shareholders: PKN ORLEN with 90,019% in share capital and the Government of the Republic of Lithuania with 9,981% in share capital. On 22 November 2007 Vilnius Stock Exchange decided to withdraw Mazeikiu's shares from trading.

Settlement of Mazeikiu's shares purchase

In the period covered by these financial statements and in accordance with Lithuanian law the minority shareholders squeeze out was performed. After mandatory squeeze out settlement PKN ORLEN purchased 41,236,770 shares of Mazeikiu Nafta for a price of LTL 10,25 per share constituting a 5.82% stake in share capital of Mazeikiu. For the purposes of consolidation Mazeikiu Nafta Capital Group has been fully recognized in consolidated data just as at 31 December 2006. Due to this fact, previously estimated purchase price was corrected. That resulted a change in goodwill in amount of PLN 12,895 thousand, that was recognized in retained earnings as at the day of purchase.

c) Restructuring process of IKS Solino S.A.

PKN ORLEN made a decision to retry the process of sale of organized part of IKS Solino S.A. – Salt Processing Unit (SPU).

Due to that PKN ORLEN has started operations which will reflect in receiving necessary corporate decisions to enable the sale of SPU till the end of 2008. The decision of IKS Solino shareholders should be taken by the end of June 2008.

d) Goldenfrazil Limited versus members of the Supervisory Board of UNIPETROL a.s.

On 26 February 2007, Goldenfrazil Limited, seated in Nicosia, Cyprus, submitted a request pursuant to Section 182(1)c of the Czech Commercial Code to the Supervisory Board of UNIPETROL a.s., asserting rights to damages in the amount of CZK 351,877,163 (EUR 12.8 million) which according to Goldenfrazil Limited alleges UNIPETROL has against the members of UNIPETROL's Management Board (the ''Goldenfrazil Claim''). Goldenfrazil Limited claims that UNIPETROL suffered damage as a result of the failure of the UNIPETROL's Management Board to comply with their obligations to act with due managerial care, and their obligations to prevent damage in connection with the sale by UNIPETROL a.s. to Anwil S.A. of shares in Spolana a.s. pursuant to the Share Purchase Agreement dated 27 October 2006 (''Spolana Share Purchase Agreement''). The Supervisory Board of UNIPETROL has defended Goldenfrazil's claim on the basis it has no merit. Goldenfrazil Limited has nevertheless filed the suit as mentioned above. On 21 September 2007 legal representatives of UNIPETROL a.s. Management Board submitted to the court a reply with chosen documentary evidence. Goldenfrazil withdrew all claims against UNIPETROL a.s. Management Board. Court's final statement has not been delivered yet.

35. Significant events after balance sheet date

a) Changes in Supervisiory Board of PKN ORLEN

PKN ORLEN has informed in its regulatory announcement no. 12/2008 that on 7 February 2008, the Extraordinary General Shareholders' Meeting of PKN ORLEN dismissed Mrs. Małgorzata Izabela Ślepowrońska from the position of Chairman of the Supervisory Board and from the Supervisory Board of PKN ORLEN.

Additionaly the Extraordinary General Shareholders Meeting of PKN ORLEN dismissed from the Supervisory Board of the PKN ORLEN the following Members: Mr. Robert Czapla, Mr. Marek Drac- Tatoń, Mr. Raimondo Eggink, Mr. Zbigniew Macioszek and Mrs. Agata Janina Mikołajczyk and Mr. Krzysztof Rajczewski.

The Extraordinary General Shareholders Meeting of PKN ORLEN appointed to the Supervisory Board of PKN ORLEN:

- Mr. Maciej Mataczyński to the position of the Chairman of the Supervisory Board, and Member of Supervisory Board of PKN ORLEN;
- Mr. Grzegorz Borowiec to the position of the Member of the Supervisory Board of PKN ORLEN;
- Mr. Raimondo Eggink to the position of independent Member of the Supervisory Board of PKN ORLEN;
- Mr. Marek Karabuła to the position of Member of the Supervisory Board of PKN ORLEN;
- Mr. Krzysztof Kołach to the position of the independent Member of the Supervisory Board of PKN ORLEN;
- Mr. Ryszard Stefański to the position of independent Member of the Supervisory Board of PKN ORLEN;
- Mr. Piotr Jan Wielowieyski to the position of independent Member of the Supervisory Board of PKN ORLEN;

b) Suspension of Mr. Piotr Kownacki from the activities of the President and Chief Executive Officer of the Management Board by the Supervisory Board of PKN ORLEN

PKN ORLEN has informed in its regulatory announcement no. 16/2008 that on 28 February 2008, the PKN ORLEN Supervisory Board has concluded a resolution regarding suspension of Mr. Piotr Kownacki for the indefinite period from the activities of the President and Chief Executive Officer of the PKN ORLEN Management Board with the following justification:

"The Supervisory Board has made the decision due to the fact that the President took actions individually, without agreement with the Company's Management Board, which were leading to significant worsening of the Company's image. These actions include statements of political character, pulling the Company into current political disputes, as well as unjustified discrediting the Supervisory Board.

The Supervisory Board hopes that the period of the President suspension will favor the hushing up of emotions and rebuilding the atmosphere of the common, non-political operation for the Company's good."

At the same meeting the Supervisory Board has passed the resolution that for the period of the President Mr. Piotr Kownacki suspension, the authority of the President of the PKN ORLEN Management Board is taken over by the Vice President Mr. Wojciech Heydel.

c) The agreement relating to the purchase of shares in Odin Energi Latvija signed by ORLEN International Exploration & Production

PKN ORLEN S.A. informed in its regulatory announcement no 23/2008 that on 9 April 2008 subsidiary of PKN ORLEN S.A., ORLEN International Exploration & Production Company BV, seated in Amsterdam, Netherlands ("ORLEN International Exploration & Production"), and Odin Energi A/S, seated in Hellerup, Denmark ("Odin Energi") signed an agreement ("the Agreement") relating to the sale of shares in Odin Energi Latvija ("Odin Energi Latvija").

As a result of signing the Agreement ORLEN International Exploration & Production purchased from Odin Energi 500 shares in Odin Energi Latvija, with the nominal value of LVL 5 per each share (i.e. approximately PLN 24.81 based on the average LVL/PLN exchange rate as of 9 April 2008, as stated by the National Bank of Poland). The purchased shares represent 50% of the share capital of Odin Energi Latvija and 50% of the voting rights at the General Shareholders' Meeting of Odin Energi Latvija. The Agreement has been signed simultaneously with the agreement on purchase of the remaining 50% of shares in Odin Energi Latvija by the PKN ORLEN partner, Kuwait Energy Company. Kuwait Energy Company has purchased the shares through its subsidiary Kuwait Energy Netherlands Corporation.

The purchase price for the purchased shares amounts to USD 950,000 (i.e. approximately PLN 2,090 thousand based on the average USD/PLN exchange rate as of 9 April 2008, as stated by the National Bank of

Poland) and will be paid from ORLEN International Exploration & Production's own resources. The purchased shares will be transferred to ORLEN International Exploration & Production at the date of payment for the purchase price.

The book value of the purchased shares in the ORLEN International Exploration & Production books will be equal to their purchase price.

The investment of ORLEN International Exploration & Production in the Odin Energi Latvija shares is of a long term nature. The purchase of Odin Energi Latvija shares gives ORLEN International Exploration & Production the right to a 45% share in the concession for searching and exploration of crude oil and natural gas in the Latvian economic Baltic Sea area.

The main business activities of Odin Energi Latvija involve, among others, exploration, recognition and extraction of hydrocarbons.
The main business activities of ORLEN International Exploration & Production involve, amongst others, the extraction of crude oil, the extraction of natural gas, geological exploration and recognition of hydrocarbons.

PKN ORLEN S.A. owns 100% of the share capital of ORLEN International Exploration & Production and 100% of the voting rights at the General Shareholders' Meeting of ORLEN International Exploration & Production.

No connections exist between Issuer, managing and supervising persons of Issuer and the seller of Odin Energi Latvija shares.

(all amounts in PLN thousand)

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

Differences as to data published in the condensed financial statements as at 29 February 2008, with the effect on a total assets:

	Total Assets for 2007	Total equity and liabilities as at 31 December 2007
Data for 2007 disclosed in the condensed financial statement for IV quarters 2007	31 965 654	31 965 654
Current income tax receivables	4 053	-
Deferred tax assets	-	4 053
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Data for 2007 disclosed in annual financial statements for 2007	31 969 707	31 969 707
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37. Signatures of the Management Board Members

These financial statements were authorized by the Management Board of the Company in its seats on 22 April 2008.

……………………
Piotr Kownacki
President
(Absent, suspended)

…………………………	………………………..	………………………..
Cezary Filipowicz	Wojciech Heydel	Waldemar Maj
Vice-President	Vice-President	Vice-President
	(Acting as President)	
…………………………	………………………	………………………
Dariusz Formela	Krystian Pater	Krzysztof Szwedowski
Member of the Board	Member of the Board	Member of the Board

Płock, 22 April 2008