

Q1 2008 Results of the ORLEN Group

Performance – General Overview

Financial highlights, PLNm	Q1 2007	Q4 2007	Q1 2008	y/y +/- %	q/q +/- %
1	2	3	4	5=(4-2)/2	6=(4-3)/3
Revenue	13,408	16,902	17,938	33.8	6.1
Operating profit plus depreciation/amortisation (EBITDA)	995	730	1,152	15.8	57.7
Operating profit/loss, including:	375	104	565	50.7	443.3
Refining (Production and Wholesale)	65	224	240	269.2	7.1
Petrochemicals	370	56	232	-37.3	314.3
Chemicals	83	38	91	9.6	139.5
Refining (Retail)	68	67	103	51.5	53.7
Other ¹	-74	-45	1	-	-
Unallocated ²	-137	-236	-102	-	-
Clean EBIT, including: ³	450	680	565	25.6	-16.9
Non-recurring events ⁴	-75	-576	0	-	-
Refining (Production and Wholesale)	-63	-364	0	-	-
Petrochemicals	0	-212	0	-	-
Chemicals	0	0	0	-	-
Refining (Retail)	0	0	0	-	-
Other ¹	-1	0	0	-	-
Unallocated ²	-11	0	0	-	-
Net profit	140	645	644	360.0	-0.2
Profit attributable to equity holders of the Parent	49	691	626	1,177.6	-9.4
Clean profit attributable to equity holders of the Parent	113	1,147	626	454.0	-45.4
Assets	45,171	46,149	46,786	3.6	1.4
Equity	21,662	22,619	22,949	5.9	1.5
Net debt	8,834	8,656	8,258	-6.5	-4.6
Net cash provided by (used in) operating activities	594	-573	986	66.0	-
CAPEX	513	1,735	577	12.5	-66.7
ROACE (%)⁵	4.1	1.1	5.9	44.6	432.9
Net debt to equity ratio (%)⁶	38.5	35.3	37.1	-3.7	5.1
Net debt/EBITDA⁷	2.1	2.9	1.7	-18.4	-40.6
EPS	0.12	1.61	1.46	1,172.9	-9.3
Clean EPS	0.26	2.68	1.46	454.9	-45.4
Dividend per share	0.00	0.00	0.00	-	-
Financial data, LIFO method (PLNm)	Q1 2007	Q4 2007	Q1 2008	y/y +/- %	q/q +/- %
Operating profit/loss ⁸	604	-460	210	-65.2	-
Inventory valuation ⁹ with LIFO method at operating profit level, including:	229	-564	-355	-	-
at PKN ORLEN S.A.	185	-390	-244	-	-
at the Unipetrol Group	26	-111	15	42.3	-
at the Mazeikiu Group	-	-53	-128	-	-
Net profit	324	193	351	8.2	81.7

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

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

3) Clean EBIT is the profit adjusted by the effect of non-recurring events.

4) Non-recurring events in Q1 2007:

- Refining: PLN 63m allowance for carbon dioxide emissions by Mazeikiu;

- Other and Unallocated: PLN 12m provision for economic risk at PKN ORLEN S.A.

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

6) Computed for average balance-sheet values.

7) Debt (interest bearing) net of cash and short-term securities / (EBITDA + dividend received from Polkomtel).

8) Until Q4 2007, under the LIFO method applied at the ORLEN Group, new inventories (new layers) were valued at unit prices recorded in Q1 of a given year, while it should be valued at acquisition cost in the current period. In Q4 2007, with a view to ensuring the best possible comparability of revenue and costs in the given period, the impact of changes in prices of new layers of inventories (from the figures relating to Q1 to current period amounts) was assessed, while from Q1 2008 onwards, new layers have been recognised at current period prices. In the case of PKN ORLEN S.A., the resulting amounts were PLN 2m and PLN 162m in Q1 2007 and Q4 2007, respectively. Detailed information on the impact of inventory valuation is presented on p. 20 of this report.

9) Computed as difference between operating profit under inventory valuation with the LIFO method and operating profit under inventory valuation with the weighted average method.

Commentary

In Q1 2008, operating profit generated by the ORLEN Group ("the ORLEN Group") rose by 50.7% year on year, to PLN 565m.

Factors Resulting in Positive Change of the ORLEN Group's Operating Profit:

- Improved performance of the Mazeikiu Group ("the Mazeikiu Group") by PLN 236m compared with Q1 2007, thanks to the start up of the crude oil distillation unit on January 20th 2008;
- Improvement in the efficiency of the retail segment resulting from higher volumes of sales of engine fuels, which rose by 9%; and from a PLN 28m increase in margins on non-fuel goods and services;
- Strong demand for artificial fertilisers and lower operating expenses, which – after offsetting the negative impact of lower demand for plastics – increased the year-on-year growth of operating profit at the Anwil Group ("the Anwil Group") by PLN 8m.

Factors Resulting in Negative Change of the ORLEN Group's Operating Profit:

- Reduced operating profit of the petrochemical segment of the Unipetrol Group ("the Unipetrol Group"), by PLN 186m, was an effect of lower margins on petrochemical products in the local currency, particularly on polyolefins and aromatics;
- Unexpected shutdown of the Visbreaking and Reforming units of the Mazeikiu Group and the oil supply disruption.

Deterioration of the model refining margin and margins on polyolefins as well as appreciation of the złoty against the US dollar reduced the reported operating profit by over PLN 650m. On the other hand, the rising prices of crude oil and refining products boosted operating profit, in comparison with operating profit calculated according to LIFO methodology by approx. PLN 580m compared with Q1 2007.

The dynamics of revenue and operating profits in individual segments is discussed in detail below.

Commentary on Macroeconomic Factors

Crude Oil Prices and Price Differential

In Q1 2008, the price of Brent went up by 67.4% year on year, to USD 96.7/bbl. It was also higher than the price in Q4 2007 (USD 88.5/bbl).

The average Ural/Brent differential was USD 3.35/bbl in Q1 2008, relative to USD 3.41/bbl in Q1 2007 and USD 3.02/bbl in Q4 2007.

Refining Products

Q1 2008 saw rising margins (crack spreads) on diesel oil (by 56.5% year on year, to USD 176.5 per tonne), light fuel oil (by 70.6% to USD 150.5 per tonne), and A-1 jet fuel (by 39.5% to USD 218.4 per tonne). Concurrently, the margins on gasoline dropped by 5.0% to USD 124.3/t and the negative margin on heavy fuel oil deepened by 52.4% and stood at (-)USD 287.0 per tonne.

Petrochemical Products

Compared with Q1 2007, the margins on ethylene increased by 16.6%, to USD 807.0 per tonne, on propylene by 6.6%, to USD 687.9 per tonne, and on glycol from (-)USD 99.4 to USD 53.6 per tonne. The margins on other petrochemical products went down, with the sharpest declines recorded on benzene (down by 33.1%, to USD 389.2 per tonne), paraxylene (down by 30.2%, to USD 453.0 per tonne), ortoxylene (down by 28.2%, to USD 416.6 per tonne), butadiene (down by 16.2%, to USD 588.7 per tonne), phenol (down by 4.7%, to USD 1,124.9 per tonne) and acetone (down by 4.4%, to USD 677.6 per tonne). The margins on polyethylene and polypropylene fell significantly, by 13.6% and 14.7% to EUR 228.0 per tonne and EUR 222.0 per tonne, respectively.

Exchange Rates

In Q1 2008, the average PLN/EUR exchange rate fell by 8.0% year on year, to 3.58, and the average PLN/USD exchange rate decreased by 19.4%, to 2.39. The average LTL/USD exchange rate went down by 12.4%, to 2.31, while the LTL/EUR rate remained flat at 3.46. The average CZK/USD exchange rate dropped by 20.1%, to 17.1, and the average CZK/EUR rate fell by 8.7%, to 25.61.

Fuel Consumption

According to estimates by Agencja Rynku Energii S.A., in Q1 2008 gasoline consumption in Poland was 979 thousand tonnes, up by 6.0% on Q1 2007. Diesel oil consumption went up by 9.1% in Q1 2008 year on year, and amounted to 2,352 thousand tonnes. At the same time, consumption of light fuel oil dropped by 15.9%, to 359 thousand tonnes.

In Lithuania, gasoline consumption in Q1 2008 was 85 thousand tonnes, having decreased by 12.9% year on year, while the consumption of diesel oil grew by 7.7%, and stood at 237 thousand tonnes.

According to estimates for the German retail market, gasoline consumption in Q1 2008 remained fairly stable in comparison with Q1 2007 and amounted to 4,952 thousand tonnes. Diesel oil consumption rose by 6.2% year on year, to 2,791 thousand tonnes.

Q1 2008 Results of the ORLEN Group

Commentary - Refining Segment (Production and Wholesale)

Item, PLNm	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(6-2)/2	8=(6-5)/5
Revenue, including:	9,509	11,942	13,579	12,822	12,528	31.7	-2.3
Sales to third parties	6,662	8,631	9,749	9,587	10,420	56.4	8.7
Intra-company sales	2,847	3,311	3,830	3,235	2,108	-26.0	-34.8
Costs	-9,408	-11,003	-13,114	-12,583	-12,239	30.1	-2.7
Other operating income	55	44	38	66	41	-25.5	-37.9
Other operating expenses	-91	-62	-41	-81	-90	-1.1	11.1
Operating profit*	65	921	462	224	240	269.2	7.1
Depreciation and amortisation	271	244	258	264	248	-8.5	-6.1
CAPEX	349	420	355	779	276	-20.9	-64.6
Sales to third parties (thousand tonnes)	4,108	4,831	5,518	4,407	5,066	23.3	15.0

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

The segment's revenue in Q1 2008 grew by 31.7% year on year, mainly on sales volumes in product and material groups higher by 958 thousand tonnes, including primarily a 245 thousand tonnes (or 25.3%) increase in gasoline and a 443 thousand tonnes (or 28.0%) increase in diesel oil. The segment's costs rose by 30.1% year on year, which followed mainly from the rising prices of crude oil and other feedstock.

In Q1 2008, the Group's operating profit amounted to PLN 240m compared with PLN 65m in the corresponding period of 2007. Factors which contributed to the segment's operating profit included:

- Decrease in operating loss reported by the Mazeikiu Group, by PLN 214m year on year. On January 20th 2008, the general overhaul of the Vacuum Distillation Unit, damaged by fire in October 2006, was completed. As a result, the oil throughput capacity increased by 659 thousand tonnes (or 49.8%) and the fuel yield went up by 6 p.p. year on year. In Q1 2008, there was no revaluation allowance for carbon dioxide emissions, which increased last year's loss by PLN 63m;
- A PLN 46m decrease in operating profit of the Unipetrol Group, caused primarily by the 20% appreciation of the Czech koruna against the US dollar, which decreased the Unipetrol Group's operating profit by PLN 44m;
- Rise in the operating profit of PKN ORLEN by PLN 33m, to PLN 274m. The growth in the volumes of the Company's wholesale, by 171 thousand tonnes year on year, is estimated to add PLN 48m to operating profit, while higher margins on fuels (diesel oil, light fuel oil, Jet A-1) increased operating profit by PLN 138m. On the other hand, the PLN/USD exchange rate reduced operating profit of PKN ORLEN S.A. by PLN 162m;
- A rise in operating profit of Rafineria Trzebinia S.A., by PLN 13m, as a result of higher volumes of ester sales and earlier resumption of oil processing.

In Q1 2008, capital expenditure ("Capex") fell by PLN 73m year on year, to PLN 276m.

Q1 2008 Results of the PKN ORLEN Group

Commentary - Refining Segment (Retail)

Item, PLNm	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(6-2)/2	8=(6-5)/5
Revenue, including:	3,434	4,218	4,490	4,573	4,410	28.4	-3.6
Sales to third parties	3,427	4,211	4,483	4,555	4,400	28.4	-3.4
Intra-company sales	7	7	7	18	10	42.9	-44.4
Costs	-3,367	-4,098	-4,310	-4,508	-4,308	27.9	-4.4
Other operating income	38	7	17	38	28	-26.3	-26.3
Other operating expenses	-37	-14	-22	-36	-27	-27.0	-25.0
Operating profit*	68	113	175	67	103	51.5	53.7
Depreciation/amortisation	73	73	78	85	77	5.5	-9.4
CAPEX	52	91	167	468	81	55.8	-82.7
Sales to third parties (thousand tonnes)	1,053	1,114	1,201	1,153	1,147	8.9	-0.5

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level. Change in the quarterly results in relation to the previously published results was caused by an adjustment relating to the transfer of a sales account in which mainly revenue on sales of non-fuel products is posted, from other activities to the retail segment.

In Q1 2008, the segment's revenue increased by 28.4% year on year, to PLN 4,410m. The growth was driven by higher sales volumes, which went up by 8.9% or 94 thousand tonnes, primarily owing to a 17.5% increase in sales of diesel fuel (up by 84 thousand tonnes) relative to Q1 2007. LPG sales grew considerably as well, with the volume rising by 10.2%, to 65 thousand tonnes.

Operating profit of the ORLEN Group for Q1 2008 reached PLN 103m, relative to PLN 68m generated in Q1 2007. The segment's profit was driven by such factors as:

- A PLN 28m increase in PKN ORLEN's operating profit for Q1 2008, to PLN 94m. Higher sales volumes, by 11.1% (or 69 thousand tonnes), are estimated to have increased PKN ORLEN's profit by PLN 24m. The profit was also positively affected by higher margins on non-fuel goods and services, which rose by PLN 24m year on year. The positive effects of sales volumes and non-fuel margins were partially offset by the negative effect of retail margins on diesel oil, which eroded operating profit by PLN 17m;
- A PLN 7m year-on-year increase in the operating profit of Benzina, to PLN 10m, driven by higher retail margins on fuels (up by PLN 9m) and non-fuel goods and services (up by PLN 2m), as well as by higher sales volumes of fuels, particularly diesel oil (up by 9.3%) and LPG (up by 7.4%), which increased the operating profit by PLN 2m.

In Q1 2008, capex increased year on year by PLN 29m, to PLN 81m.

Q1 2008 Results of the PKN ORLEN Group

Commentary - Petrochemicals

Item, PLNm	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(6-2)/2	8=(6-5)/5
Revenue, including:	3,314	3,560	3,401	3,425	3,287	-0.8	-4.0
Sales to third parties	2,352	2,526	2,221	2,201	2,257	-4.0	2.5
Intra-company sales	962	1,034	1,180	1,224	1,030	7.1	-15.8
Costs	-2,878	-3,153	-3,099	-3,389	-3,063	6.4	-9.6
Other operating income	14	15	26	62	20	42.9	-67.7
Other operating expenses	-80	-74	-34	-42	-12	-85.0	-71.4
Operating profit*	370	348	294	56	232	-37.3	314.3
Depreciation/amortisation	156	153	153	162	156	0.0	-3.7
CAPEX	51	61	169	241	107	109.8	-55.6
Sales to third parties (thousand tonnes)	765	790	737	767	779	1.8	1.6

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

In Q1 2008, the segment recorded a PLN 27m year-on-year drop in revenue, caused by the fact that in Q1 2007 the revenue figures included sales by Kaucuk, which was sold in H2 2007. The disposal resulted in a decrease in sales of such petrochemical products as styrene, butadiene, polybutadiene, polystyrene, and synthetic rubber. The fall of revenue was also an effect of lower sales of polyethylene and polypropylene by Basell ORLEN Polyolefins Sp. z o.o. (down by 14.3 thousand tonnes).

The segment's operating profit for Q1 2008 was PLN 232m, vs. PLN 370m in Q1 2007. The drop was caused by:

- Lower operating profit of the Unipetrol Group – it went down by PLN 186m year on year, to PLN 38m as a result of the falling exchange rate of the Czech koruna against the US dollar and the euro (which decreased the segment's operating profit by approx. PLN 118m); and lower margins on polyolefins (down by PLN 21m). Additionally, in Q1 2008 Kaucuk, which in Q1 2007 earned operating profit of PLN 32m, was not consolidated;
- A PLN 9m decrease in operating profit of Basell ORLEN Polyolefins Sp. z o.o., which amounted to PLN 39m, due to lower petrochemical margins and falling demand for polyolefins on European markets. Lower sales volumes are estimated to have decreased the company's operating profit by PLN 13m.

Compared with Q1 2007, in Q1 2008 capex increased by PLN 56m, to PLN 107m.

Q1 2008 Results of the ORLEN Group

Commentary – Chemicals

Item, PLNm	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(6-2)/2	8=(6-5)/5
Revenue, including:	737	720	714	632	737	0.0	16.6
Sales to third parties	732	640	644	476	733	0.1	54.0
Intra-company sales	5	80	70	156	4	-20.0	-97.4
Costs	-656	-652	-660	-584	-646	-1.5	10.6
Other operating income	4	3	3	6	5	25.0	-16.7
Other operating expenses	-2	-2	-1	-16	-5	150.0	-68.8
Operating profit*	83	69	56	38	91	9.6	139.5
Depreciation/amortisation	46	43	41	37	36	-21.7	-2.7
CAPEX	8	22	31	57	20	150.0	-64.9
Sales to third parties (thousand tonnes)	523	444	480	379	515	-1.5	35.9

*) Operating profit net of costs not allocated to any of the segments, incurred at the Group level.

In Q1 2008, the segment's revenue remained fairly unchanged in comparison with Q1 2007. However, the segment recorded a decrease in sales volumes, mainly of polyvinyl chloride (down by 14.5%) and PVC granulates (down by 3.1%).

Operating profit generated by the segment in Q1 2008 was PLN 91m, an increase on PLN 83m in Q1 2007. The segment's profit was driven by:

- Higher margins on fertilisers, which increased the profit by PLN 38m;
- Macroeconomic factors relating to the strengthening of the zloty against the US dollar, which eroded operating profit by PLN 27m;
- A 10.4% increase in fertiliser sales and concurrent 12.7% decline in sales of plastics, which together decreased the profit by (-)PLN 12m year on year.

In Q1 2008, capital expenditure increased year on year by PLN 12m and amounted to PLN 20m.

Q1 2008 Results of the ORLEN Group

Commentary – Other Activities

Item, PLNm	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	y/y +/-%	q/q +/-%
1	2	3	4	5	6	7=(6-2)/2	8=(6-5)/5
Revenue, including:	491	492	608	471	472	-3.9	0.2
Sales to third parties	235	210	167	84	129	-45.1	53.6
Intra-company sales	256	282	441	387	343	34.0	-11.4
Costs	-553	-493	-624	-521	-482	-12.8	-7.5
Other operating income	14	1	7	19	23	64.3	21.1
Other operating expenses	-26	-12	-15	-14	-12	-53.8	-14.3
Operating profit/loss*	-74	-12	-24	-45	1	-101.4	102.2
Depreciation/amortisation	66	62	63	65	61	-7.6	-6.2
CAPEX	33	81	72	126	72	118.2	-42.9
Sales to third parties (thousand tonnes)	42	36	27	34	25	-40.5	-26.5

*) Operating profit/loss net of costs not allocated to any of the segments, incurred at the Group level.

In Q1 2008, the Other Activities segment generated operating profit of PLN 1m, compared to the loss of (-)PLN 74m posted in Q1 2007. The key factors contributing to the profit include:

- An increase of PLN 32m year on year in operating profit of PKN ORLEN S.A.;
- Decrease of operating loss incurred by the Mazeikiu Group by PLN 21m year on year to (-)PLN 50m;
- Higher operating profit of the Unipetrol Group, which went up by PLN 20m compared to Q1 2007.

In Q1 2008, capital expenditure increased year on year by PLN 39m, to PLN 72m.

Condensed Consolidated Financial Statements

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED INCOME STATEMENT
for 3 months ended
March 31st 2008

ITEM, PLNm	Q1 2007	Q1 2008	y/y +/- %
1	2	3	4=(3-2)/2
Revenue on sales of products	13,764	17,892	30.0
Excise tax and other charges	-3,475	-3,982	- 14.6
Net revenue on sales of products	10,289	13,910	35.2
Revenue on sales of goods for resale and materials	3,605	4,506	25.0
Excise tax and other charges	-486	-478	-1.6
Net revenue on sales of goods for resale and materials	3,119	4,028	29.1
Total sales revenue	13,408	17,938	33.8
Cost of products sold	-8,670	-12,468	43.8
Cost of goods for resale and materials sold	-3,095	-3,790	22.5
Cost of products, goods for resale and materials sold	-11,765	-16,257	38.2
Gross profit on sales	1,643	1,681	2.3
Selling costs	-746	-740	-0.8
General and administrative expenses	-397	-345	-13.1
Other operating income	129	118	-8.5
Other operating expenses	-254	-149	-41.3
Operating profit	375	565	50.7
Financial income	47	442	840.4
Financial expenses	-260	-285	9.6
Net financial income/expenses	-213	157	173.7
Share in net profit/loss of undertakings valued with equity method	53	69	30.2
Profit before tax	215	791	267.9
Corporate income tax	-75	-147	96.0
Net profit	140	644	360.0
including:			
Net profit attributable to minority interests	91	17	-81.3
Net profit attributable to equity holders of the Parent	49	626	1,177.6

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED BALANCE SHEET
as at March 31st 2008

ITEM, PLNm	Dec 31 2007	Mar 31 2008	+/- %
1	2	3	4=(3-2)/2
ASSETS			
Non-current assets			
Property, plant and equipment	24,834	24,418	-1.7
Intangible assets	531	528	-0.6
Goodwill	133	132	-0.8
Non-current financial assets	62	62	0.0
Shares in undertakings consolidated with equity method	700	588	-16.0
Loans granted	18	17	-5.6
Deferred tax asset	233	239	2.6
Investment property	69	71	2.9
Perpetual usufruct right to land	92	95	3.3
Other non-current assets	111	115	3.6
Total non-current assets	26,783	26,265	-1.9
Current assets			
Inventories	10,365	11,192	8.0
Trade and other receivables	6,885	7,322	6.3
Income taxes receivable	115	69	-40.0
Current financial assets	168	188	11.9
Prepayments and accrued income	147	162	10.2
Cash	1,498	1,564	4.4
Assets held for sale	188	24	-87.2
Total current assets	19,366	20,521	6.0
Total assets	46,149	46,786	1.4
EQUITY AND LIABILITIES			
Equity			
Share capital	535	535	0.0
Share capital revaluation adjustment	523	523	0.0
Share capital	1,058	1,058	0.0
Share premium account	1,058	1,058	0.0
Share premium revaluation adjustment	169	169	0.0
Share premium account	1,227	1,227	0.0
Hedging capital	83	69	-16.9
Currency-translation differences	-1,328	-1,698	27.9
Retained profit, including:	18,942	19,568	3.3
net profit attributable to equity holders of the Parent	2,412	626	-74.0
Equity (attributable to equity holders of the Parent)	19,982	20,224	1.2
Equity attributable to minority interests, including:	2,637	2,725	3.3
Net profit attributable to minority interests	68	17	-75.0
Total equity, including:	22,619	22,949	1.5

Q1 2008 Results of the ORLEN Group

Net profit	2,480	644	-74.0
Non-current liabilities			
Loans and borrowings	8,603	9,082	5.6
Provisions	799	786	-1.6
Deferred tax liability	1,549	1,518	-2.0
Other non-current liabilities	141	160	13.5
Total non-current liabilities	11,092	11,546	4.1
Current liabilities			
Trade and other payables and accruals	9,181	9,885	7.7
Provisions	723	700	-3.2
Income tax expense	39	27	-30.8
Loans and borrowings	1,719	927	-46.1
Deferred income	61	61	0.0
Other financial liabilities	715	691	-3.4
Total current liabilities	12,438	12,291	-1.2
Total equity and liabilities	46,149	46,786	1.4

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED CONSOLIDATED CASH-FLOW STATEMENT
for 3 months ended on March 31st 2008

ITEM, PLNm	Q1 2007	Q1 2008	y/y +/- %
1	2	3	4=(3-2)/2
Cash flows from operating activities			
Net profit	140	644	360.0
Adjustments:			
Share in net profit/(loss) of undertakings valued with equity method	-53	-69	-
Depreciation and amortisation	620	587	-5.3
Foreign exchange gains/(losses)	73	-183	-
Net interest and dividends	135	131	-3.0
(Profit)/loss on investing activities	107	-4	-
Increase in receivables	-283	-294	-
Decrease/Increase in inventories	151	-909	-
Decrease/Increase in liabilities and accruals	-303	1 079	-
Decrease in provisions	-10	-25	-
Income tax expense	75	147	96.0
Income tax paid	-48	-119	-
Other adjustments	-10	1	-
Net cash provided by/(used in) operating activities	594	986	66.0
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	-690	-873	-
Disposal of property, plant and equipment and intangible assets	26	24	-7.7
Disposal of shares	2	166	8,200.0
Acquisition of shares	-466	0	-
Acquisition of short-term securities	-166	0	-
Disposal of short-term securities	263	0	-
Dividends and interest received	61	3	-95.1
Loans (granted)/repaid	-12	1	-
Other	-6	-3	-
Net cash provided by/(used in) investing activities	-988	-682	-
Cash flows from financing activities			
Increase in long- and short-term loans and borrowings	2,103	1,331	-36.7
Issue of debt securities	750	237	-68.4
Repayment of long- and short-term loans and borrowings	-2,325	-1,305	-
Redemption of debt securities	0	-366	-
Interest paid	-81	-126	-
Other	-10	-8	-
Net cash provided by/(used in) financing activities	437	-237	-
Net increase in cash	43	67	55.8
Foreign-exchange gains/(losses)	0	-1	-

Q1 2008 Results of the ORLEN Group

Cash at beginning of period	2,351	1,498	-36.3
Cash at end of period, including	2,394	1,564	-34.7
restricted cash	47	58	23.4

Financial Commentary to the Condensed Consolidated Financial Statements

Income Statement

Operating Income and Expenses

In Q1 2008, total sales revenue increased by PLN 4,530m (or 33.8%) year on year, to PLN 17,938m. The highest sales increases were recorded in the Refining (Production and Wholesale), where sales to third parties increased by PLN 3,758m (or 56.4%) year on year, and in the Refining (Retail), where sales to third parties increased by PLN 973m (or 28.4%) year on year. The Q1 2008 sales to third parties by the Chemicals remained flat at the Q1 2007, and sales by the Petrochemicals and Other Activities were down on the Q1 2007 figures by PLN 95m (4.0%) and PLN 106m (45.1%), respectively. The increase in total sales revenue went hand in hand with growth of operating expenses attributable to the core business, by PLN 4,492m (or 38.2%). Gross profit on sales stood at PLN 1,681m, up by 2.3% year on year.

Selling Costs and General and Administrative Expenses

In Q1 2008, selling costs fell by PLN 6m, or 0.8%, year on year, mainly as a result of cost reduction initiatives at PKN ORLEN S.A. General and administrative expenses went down by PLN 52m, or 13.1%, driven mainly by reduction of costs at the Mazeikiu Group.

Other Operating Income and Expenses

In Q1 2008, compared with Q1 2007, the Group recorded a loss of (-)PLN 31m on other operating activities, while in Q1 2007 the loss was (-)PLN 125m. Other operating income fell by PLN 11m (or 8.5%), and other operating expenses went down by PLN 105m (or 41.3%), driven by reduction of the cost of revaluation of property, plant and equipment at the Unipetrol Group (by PLN 65m) and the Mazeikiu Group (by PLN 60m).

Operating Profit

The Q1 2008 operating profit was PLN 565m, up by PLN 190m year on year.

The higher operating profit of the ORLEN Group is attributable to a PLN 177m increase in PKN ORLEN's operating profit and a PLN 236m decrease in operating loss of the Mazeikiu Group. Rafineria Trzebinia and Anwil also reported growth of operating profits, by PLN 11m and PLN 8m, respectively. In the reporting period, the following companies reported lower operating profit compared with Q1 2007: Unipetrol Group – by PLN 205m, ORLEN Oil Sp. z o.o. – by PLN 9m, BOP – by PLN 9m, and ORLEN Asfalt – by PLN 7m.

In Q1 2008, operating profit plus depreciation/amortisation (EBITDA) stood at PLN 1,152m and was PLN 157m higher than in Q1 2007.

Financial Income and Expenses

In Q1 2008, net financial income and expenses stood at PLN 157m, while in the corresponding quarter of 2007 they amounted to (-)PLN 213m. The Q1 2008 financial income was PLN 442m, up by PLN 395m year on year. The growth is attributable mainly to the strengthening of the zloty against the US dollar and the euro, which increased the financial income by PLN 356m vs. PLN 8m in Q1 2007. Concurrently, the Group's financial expenses went up by PLN 25m on the Q1 2007 figure.

Net Profit

In Q1 2008, the share in net profit of the Group undertakings valued with the equity method stood at PLN 69m, compared with PLN 53m in Q1 2007. Corporate income tax amounted to PLN 147m in Q1 2008, up by PLN 72m year on year. In Q1 2008, the Group generated net profit of PLN 644m, 360.0% up on the Q1 2007 figure.

Balance Sheet

Assets

As at March 31st 2008, the Group had balance-sheet total of PLN 46,786m, up by PLN 637m (or 1.4%) relative to December 31st 2007.

Relative to December 31 2007, non-current assets fell by PLN 518m (1.9%), to PLN 26,265m, primarily due to a PLN 416m (1.7%) decrease in the value of property, plant and equipment, and a PLN 112m (16.0%) decline in the value of shares and equity interest in undertakings valued with the equity method.

Relative to December 31 2007, current assets went up by PLN 1,155m (6.0%), to PLN 20,251m. The increase was driven mainly by higher inventories and trade and other receivables (PLN 827m, or 8.0%, and PLN 437m, or 6.3%, respectively). The Group also recorded a drop in assets classified as held for sale (by PLN 164m, or 87.2%) and income tax receivable (by PLN 46m, or 40.0%).

As at March 31st 2008, net working capital (current assets less current liabilities) was PLN 8,230m, while at the end of 2007 it stood at PLN 6,928m. The growth was an effect of the repayment of short-term loans and increase in inventories carried as current assets.

Equity and Liabilities

As at March 31st 2008, the Group's total equity rose by PLN 330m (1.5%) compared with the end of 2007, to PLN 22,949m, the growth being attributable primarily to an increase in retained profit of PLN 626m. A factor with an adverse effect on the equity was higher negative currency-translation differences on subordinated undertakings of (-)PLN 370m.

Non-current liabilities amounted to PLN 11,546m, having risen by PLN 454m relative to the end of 2007, mainly as a result of a PLN 479m increase in long-term loans and borrowings. Current liabilities were down from PLN 12,438m as at December 31st 2007, to PLN 12,291m as at March 31st 2008. Under current liabilities, a significant increase was recorded in trade and other payables, up by PLN 704m (7.7%). Liabilities under short-term loans and borrowings fell by PLN 792m (46.1%), while other financial liabilities shrank by PLN 24m (3.4%). The Group's total external debt (loans and borrowings) amounted to PLN 10,009m as at March 31st 2008, down by PLN 313m relative to the end of 2007.

Cash Flow

Cash from Operating Activities

In Q1 2008, net cash from operating activities grew by PLN 392m year on year, to PLN 986m. The increase was driven by higher accruals and deferred income, which went up by PLN 1,079m, while in the corresponding quarter of 2007 a decrease in that item eroded cash from operating activities by PLN 303m. This positive effect was partially reduced by a PLN 909m increase in inventories in Q1 2008 (in Q1 2007, this item went down by PLN 151m).

Cash from Investing Activities

In Q1 2008, net cash used in investing activities stood at (-)PLN 682m, while in the corresponding period in 2007 it amounted to (-)PLN 988m. The decrease in net cash used in investing activities in Q1 2008 resulted primarily from purchase of minority interest shares in Mazeikiu Nafta for PLN 464m. The proceeds from sale of shares, posted in Q1 2008, are an effect of the disposal of shares in AGROBOHEMIE a.s. and Synthesia a.s. for PLN 165m.

Cash from Financing Activities

In Q1 2008, net cash used in financing activities amounted to (-)PLN 237m, compared with PLN 437m in Q1 2007. The decrease is connected with a PLN 1,285m decline in funds obtained under new loan agreements and proceeds from issue of debt securities. In addition, cash from financing activities in Q1 2008 was adversely affected by redemption of debt securities for PLN 366m, whereas in Q1 2007 no such event was recorded.

Q1 2008 Results of the ORLEN Group

The joint effect of the cash flows from all segments of the ORLEN Group's business was a PLN 67m increase in cash as at March 31st 2008 relative to end of 2007. Cash amounted to PLN 1,564m. To compare, as at March 31st 2007, it stood at PLN 2,394m.

Q1 2008 Results of the PKN ORLEN Group

Operating Data

POLSKI KONCERN NAFTOWY ORLEN S.A. PRODUCTION VOLUMES for 3 months ended March 31st 2008

Output (‘000 tonnes)	Q1 2007	Q1 2008	y-o-y change %	Q1 2008	% share	Q1 2008	% share	Q1 2008	% share
1	2	3	4=(3-2)/2	5	6=5/total for segment	7	8=7/ total for segment	9	10=9/ total for segment
Refining		ORLEN Group		PKN ORLEN S.A.		Unipetrol Group		Mazeikiu Group	
Crude oil throughput	5,768	6,501	12.7	3,421	-	1,027	-	1,984	-
Gasoline	1,179	1,493	26.6	665	24.9	177	17.7	652	32.9
Diesel fuel	1,848	2,237	21.0	1,096	41.0	423	42.3	717	36.2
Light fuel oil	291	294	1.0	251	9.4	12	1.2	0	0.0
A-1 jet fuel	122	171	40.2	79	3.0	14	1.4	78	3.9
Heavy fuel oil	756	779	3.0	307	11.5	45	4.5	431	21.8
LPG	128	131	2.3	56	2.1	20	2.0	81	4.1
Bitumens	68	78	14.7	0	0.0	27	2.7	0	0.0
Lubricants	77	74	-3.9	0	0.0	17	1.7	0	0.0
Other	208	51	-75.5	219	8.2	266	26.6	20	1.0
Total products	4,677	5,308	13.5	2,673	-	1,001	-	1,979	-
Total products		ORLEN Group		PKN ORLEN S.A.		Unipetrol/ Chemopetrol		BOP	
Polyethylene	124	138	11.3	0	0.0	86	15.1	52	51.0
Polypropylene	100	108	8.0	0	0.0	58	10.2	50	49.0
Ethylene	88	183	108.0	138	33.7	129	22.6	0	0.0
Propylene	58	117	101.7	98	23.9	69	12.1	0	0.0
Toluene	29	35	20.7	36	8.8	0	0.0	0	0.0
Benzene	40	77	92.5	32	7.8	46	8.1	0	0.0
Paraxylene	7	7	0.0	7	1.7	0	0.0	0	0.0
Ortoxylyene	6	7	16.7	7	1.7	0	0.0	0	0.0
Acetone	8	8	0.0	8	2.0	0	0.0	0	0.0
Butadiene	23	16	-30.4	16	3.9	0	0.0	0	0.0
Glycol	22	31	40.9	31	7.6	0	0.0	0	0.0
Ethylene oxide	4	4	0.0	4	1.0	0	0.0	0	0.0
Phenol	12	13	8.3	13	3.2	0	0.0	0	0.0
Other	163	203	24.5	20	4.9	183	32.0	0	0.0
Total products	684	947	38.5	410	-	571	-	102	-
Chemicals		ORLEN Group		PKN ORLEN S.A.		Unipetrol/Chemopetrol		Anwil Group	
PVC	92	101	9.8	-	-	0	0.0	101	22.2
PVC granulate	16	18	12.5	-	-	0	0.0	18	4.0
Canwil	111	123	10.8	-	-	0	0.0	123	27.0
Ammonium nitrate	164	192	17.1	-	-	55	100.0	137	30.1
Caprolactam	0	0	-	-	-	0	0.0	0	0.0
Other	71	76	7.0	-	-	0	0.0	76	16.7
Total products	454	510	12.3	0	-	55	-	455	-
Total output	5,815	6,765	16.3	3,083	-	-	-	-	-

POLSKI KONCERN NAFTOWY ORLEN S.A.
SALES OF KEY PRODUCTS
for 3 months ended March 31st 2008

Sales at the ORLEN Group	Q1 2007	Q1 2008	y-o-y change %
1	2	3	4=(3-2)/2
	'000 tonnes	'000 tonnes	%
Refining (Production and Wholesale)			
Gasoline	967	1,212	25.3
Diesel fuel	1,581	2,024	28.0
Light fuel oil	343	369	7.6
A-1 jet fuel	135	182	34.8
Heavy fuel oil	664	769	15.8
LPG	115	96	-16.5
Bitumens	63	63	0.0
Base oils	57	63	10.5
Other	170	204	20.0
Total products	4,095	4,982	21.7
Refining (Retail)			
Gasoline	513	518	1.0
Diesel fuel	480	564	17.5
LPG	59	65	10.2
Other	1	0	-100.0
Total products	1,053	1,147	8.9
Refining (Production and Wholesale + Retail)	5,148	6,129	19.1
Segment Petrochemicals			
Polyethylene	117	118	0.9
Polypropylene	100	95	-5.0
Ethylene	69	76	10.1
Propylene	67	61	-9.0
Toluene	29	36	24.1
Benzene	36	72	100.0
Paraxylene	8	6	-25.0
Ortoxylene	6	8	33.3
Acetone	9	9	0.0
Butadiene	23	16	-30.4
Glycol	23	32	39.1
Ethylene oxide	4	4	0.0
Phenol	12	13	8.3
Other	260	233	-10.4
Total products	763	779	2.1
Chemicals			
PVC	96	82	-14.6
PVC granulate	18	17	-5.6

Q1 2008 Results of the ORLEN Group

Canwil	119	132	10.9
Ammonium nitrate	138	152	10.1
Other	152	132	-13.2
Total products	523	515	-1.5
Petrochemicals and Chemicals	1,286	1,294	0.6
Other activities	42	25	-40.5
ORLEN Group – total	6,476	7,448	15.0

Q1 2008 Results of the PKN ORLEN Group

Information on the Effect of Inventories Valuation with the LIFO Method

The Management Board of PKN ORLEN S.A. hereby reports on the impact of the LIFO inventory valuation on PKN ORLEN's non-consolidated profit and the ORLEN Group's consolidated profit for Q1 2008. Profit before tax and net profit (i.e. including deferred tax), as estimated by the Company for PKN ORLEN and the ORLEN Group using the LIFO method, are as follows:

Profit, PLNm	Q1 2008		Q1 2007	
	Inventory valuation at the weighted average production or acquisition cost	LIFO valuation	Inventory valuation at the weighted average production or acquisition cost	LIFO valuation
Non-consolidated profit before tax	788	544	420	605
Non-consolidated net profit	665	467	390	540
Consolidated profit before tax	791	436	215	444
Consolidated net profit	644	351	140	324

PKN ORLEN S.A. and the ORLEN Group apply the inventory valuation method based on the weighted average production or acquisition cost. This method defers the recognition of oil price increase or decrease on the prices of final products. Therefore, the results benefit from increases in crude oil prices and suffer when the prices decline. The application of the LIFO inventory valuation method results in the current production being valued based on the current price of crude oil purchased by the Group. Accordingly, an upward trend in oil prices decreases, and a falling trend in oil prices increases the results relative to the results obtained when the weighted average method is applied.

Until Q4 2007, according to the LIFO method applied by the ORLEN Group, increase in inventory (new layers) was valued at the unit price of an inventory item from Q1 of a given year, whereas it should be valued at purchase prices of current period. The difference between the two prices multiplied by a change in inventories affected costs and, as a result, profits as well (effect of change in prices of new inventory layers). To ensure best possible comparability of the revenues and costs of a given period, in Q4 2007 the Group estimated the effect of change in prices of new inventory layers (from the Q1 figures to the current period figures), and from Q1 2008 onwards, new layers of inventory are valued at current prices.