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

Selected consolidated financial data

'000 PLN

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

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

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

2. INTERNAL FACTORS – with positive impact on the results

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