

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

Q3 2004 Results

Consolidated , IFRS basis

15 November 2004

Internal strengthening supports Q3 '04 results

- Increase in **wholesale volume** by **10.1%*** y-o-y
driven by long-term contracts with foreign companies
- **PLN 182 m savings** in Q3 '04
due to cost cutting programme
- **PLN 837 m - net profit**
the highest quarterly profit in the company's history
- **ROACE 18.3%** >> WACC 9.4%**

ROACE	After Q3 '04
PKN ORLEN - Group	18.3%
PKN ORLEN	22.9%
Production, Wholesale and Logistics***	32%
Retail	11%

* PKN ORLEN – light products (gasoline, diesel, jet, LHO) ***Refining, Wholesale, Logistic and Petrochemicals

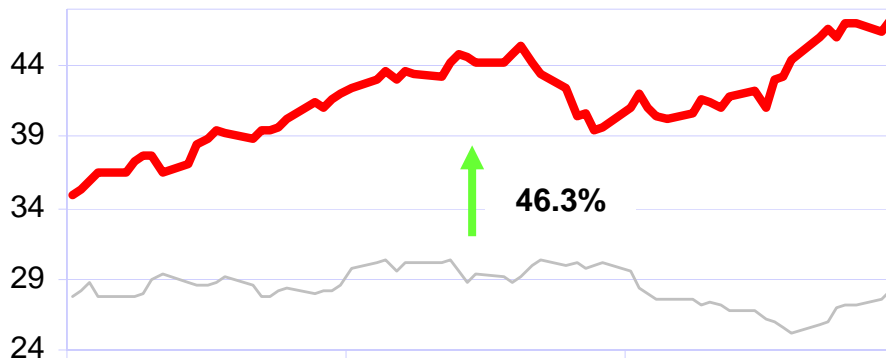
** ROACE calculated for PKN ORLEN Group, IFRS basis, after 9 months and annualized

Market environment in the oil & gas sector

Favourable conditions

Crude oil price, Brent (USD/b)

— Q3 '04 vs Q3 '03 —

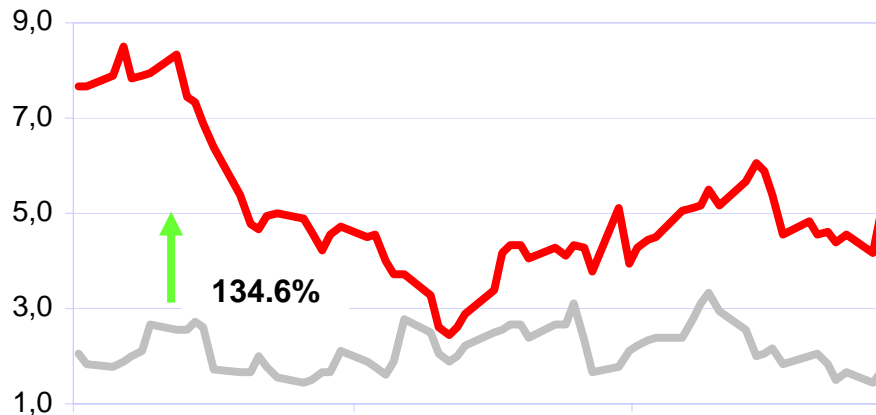


Crude oil
Average in quarter

↑ 46.3% (y-o-y)
to **41.57 USD/b**

Refinery margin *, Brent (USD/b)

— Q3 '04 vs Q3 '03 —



Refinery margin
Average in quarter

↑ 134.6% (y-o-y)
to **5.02 USD/b**

Ural/Brent differential
Average in quarter

↑ 246.8% (y-o-y)
to **4.30 USD/b**

Source: Platt's and PVM

*Calculated as: Products (88.36%) vs Brent Dtd (100%). Products contain Premium Unl (25.21%), EN590 (23.20%), Naphtha (16.51%), Gasoil .2 (15.31%), HSFO (5.44%) and Jet (2.69%) (all CIF NWE, only HSFO FOB ARA)

46% increase in crude oil price visible in 57% increase of refining* revenues

IFRS basis, PLN m	Q3 '03	Q2'04	Q3 '04	y/y	q/q
Refining	2 620	3 362	4 124	57%	23%
<i>Poland</i>	2 620	2 879	3 610	38%	25%
<i>Germany (without excise tax)</i>	-	194	231	-	19%
<i>excise tax - Germany</i>	-	289	283	-	-2%
Retail	3 112	3 030	3 120	0,3%	3%
<i>Poland</i>	1 200	1 237	1 379	15%	11%
<i>Germany (without excise tax)</i>	760	730	687	-10%	-6%
<i>excise tax - Germany</i>	1 152	1 063	1 054	-9%	-1%
Petrochemicals	744	869	1 050	41%	21%
Others	134	145	157	17%	8%
Revenues total	6 610	7 406	8 451	28%	14%

Total revenues increase y-o-y in Germany as a result of increase of sales volume

Crude oil price increase visible in petrochemical revenues increase

Operating costs

Visible cost cutting effect

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Raw materials and energy	2 774	2 939	3 541	27,6%	20,5%
Costs of goods for resale	2 222	2 651	2 771	24,7%	4,5%
External services	456	452	440	-3,5%	-2,7%
Staff costs	254	295	243	-4,3%	-17,6%
Depreciation and amortisation	301	313	305	1,3%	-2,6%
Taxes and charges	58	62	66	13,8%	6,5%
Other	267	29	173	-35,2%	496,6%
Total cost	6 332	6 741	7 539	19,1%	11,8%

Cost cutting visible in
3.5% reduction in
external costs

Headcount decrease
in PKN ORLEN
Group by **1 306**
employees during
last 12 months

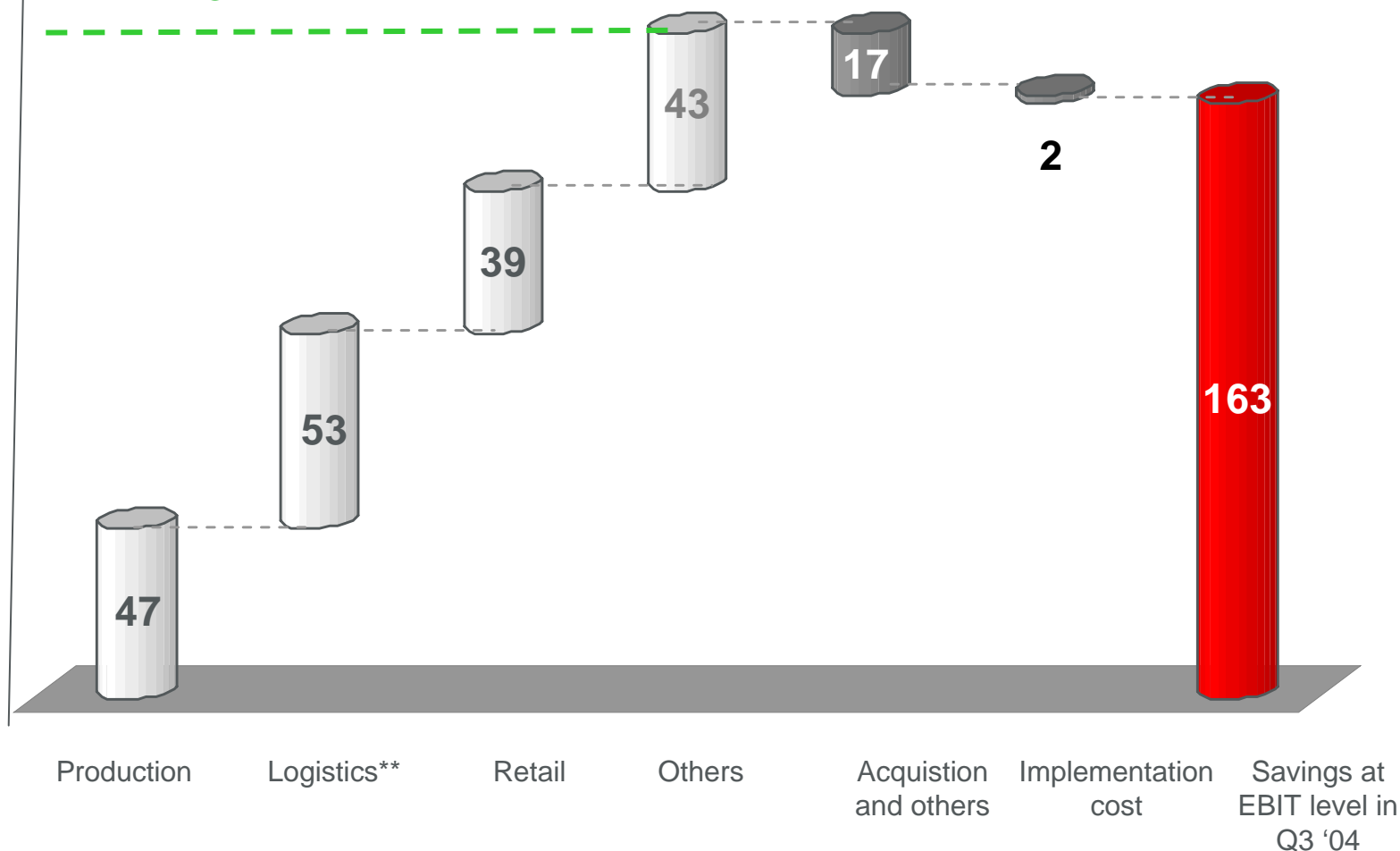
Change in inventories, deferred and
accrued costs and cost of products
and services for own use and others

Higher increase of total revenues
28% (y-o-y) and 14% (q-o-q)
compared to increase in total costs

Positive influence of cost cutting programme on Q3 '04 results

In m PLN

PLN 182 m*



* Reduction costs vs 2002 costs base

** Reduction costs in secondary logistics is attributed to the retail segment in our report

Cost cutting visible in higher operating profit

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Profit on sales	1 122	1 523	1 735	55%	14%
GA expenses	(232)	(235)	(202)	-13%	-14%
Selling cost	(569)	(525)	(528)	-7%	1%
Others*	29	(26)	10	-66%	na
Operating profit	350	737	1 015	190%	38%
Refining**	313	654	770	146%	18%
Retail	62	53	81	31%	53%
Petrochemical	54	117	216	300%	85%
Others*	31	27	13	-58%	-52%
Non attributable	(110)	(114)	(65)	-41%	-43%

Cost cutting visible in
13% GA cost
reduction

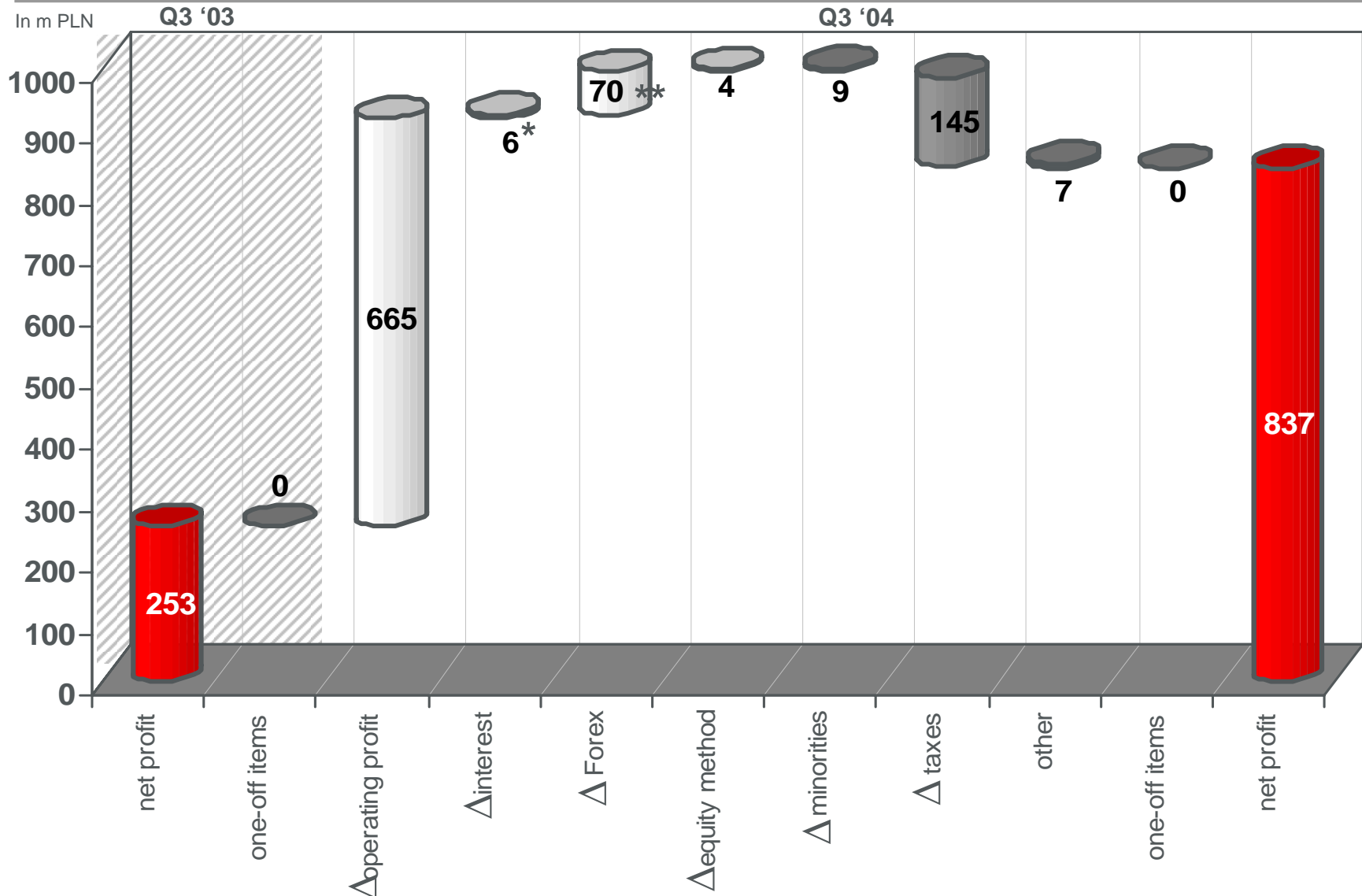
Good performance of Anwil
and margin increase led to a
300% increase in operating
profit

Favourable external conditions, cost
reduction and volume increase led to
146% increase of operating profit in the
Production & Wholesale segment

* other operating revenues and cost

** Production & Wholesale

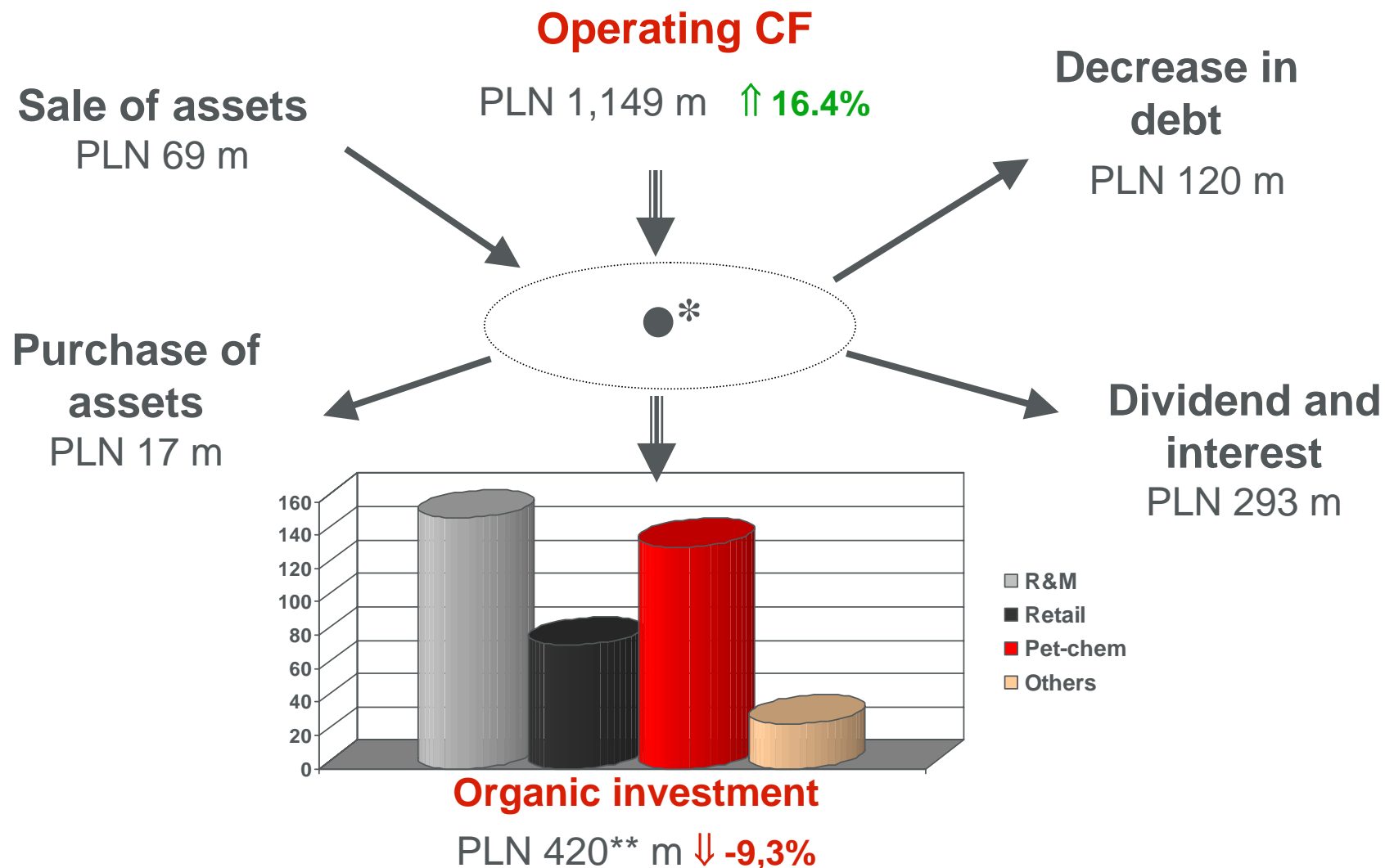
Net profit – cost-cutting and utilisation of favourable market conditions drives profit



* Net interest : PLN -6m in Q3'04 , PLN -12m in Q3'03

** Forex: PLN 23m in Q3'04, PLN -47m in 3Q'03

Company generates positive free cash flow



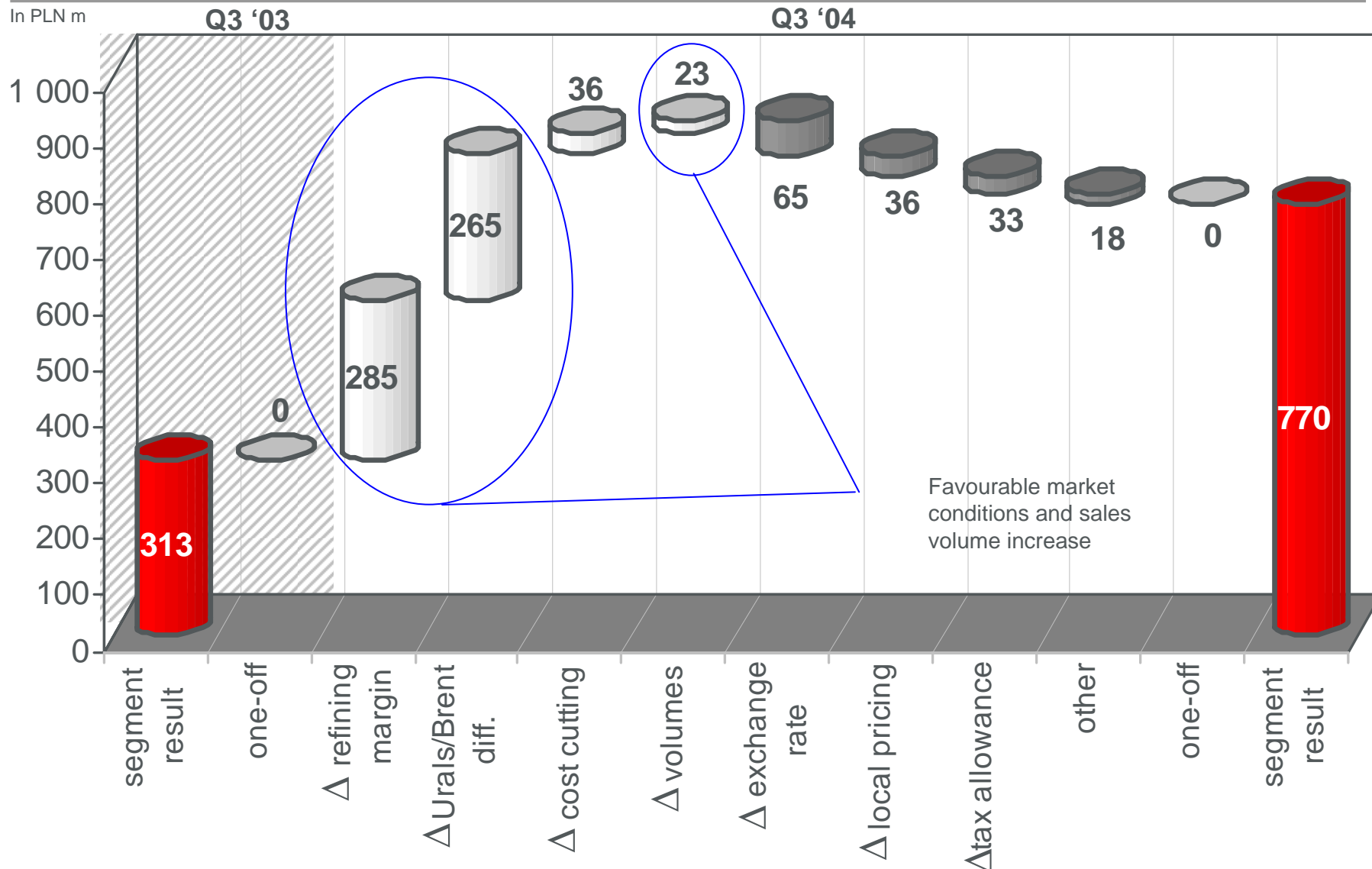
* others -> PLN 368m

** Assuming memorial accounting principle - the total investment in Q3 '04 amounted to PLN 384m

Refining & Wholesale

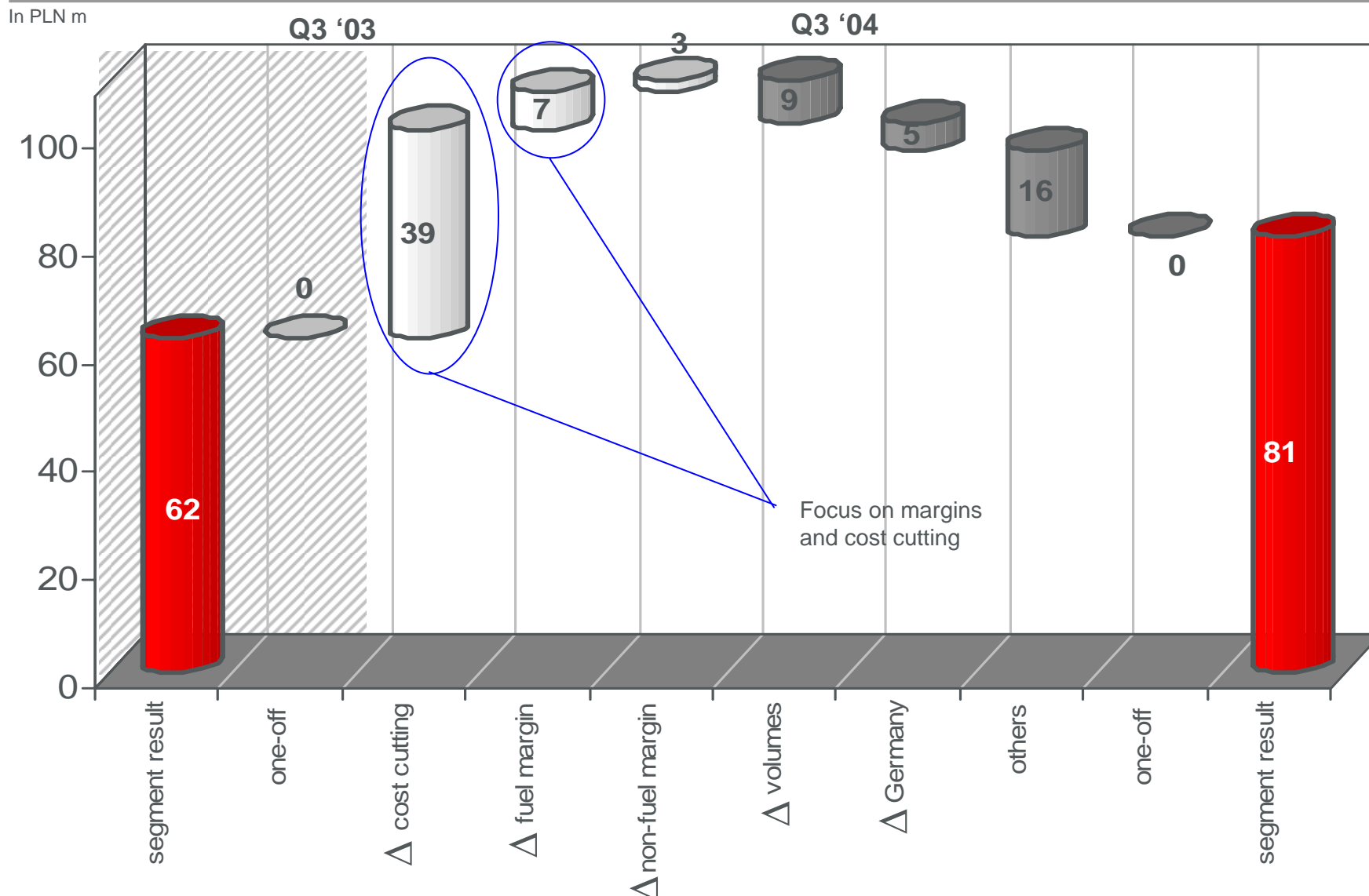
Margin and differential drives segment profit

Polski Koncern Naftowy ORLEN
Spółka Akcyjna



Retail

Cost cutting drives segment profit



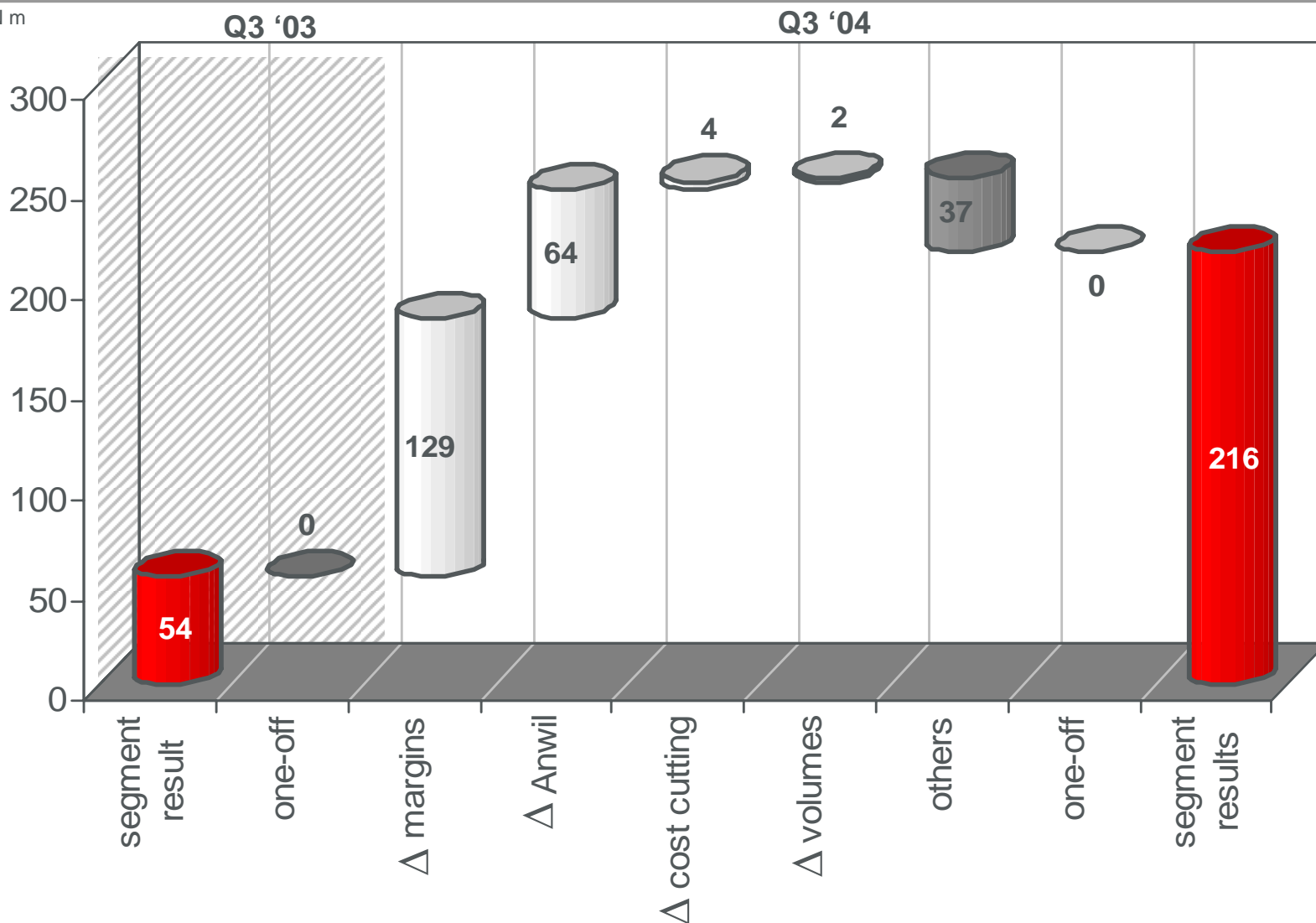
Petrochemical

Margin main drivers of segment profit

Polski Koncern Naftowy ORLEN
Spółka Akcyjna



In PLN m



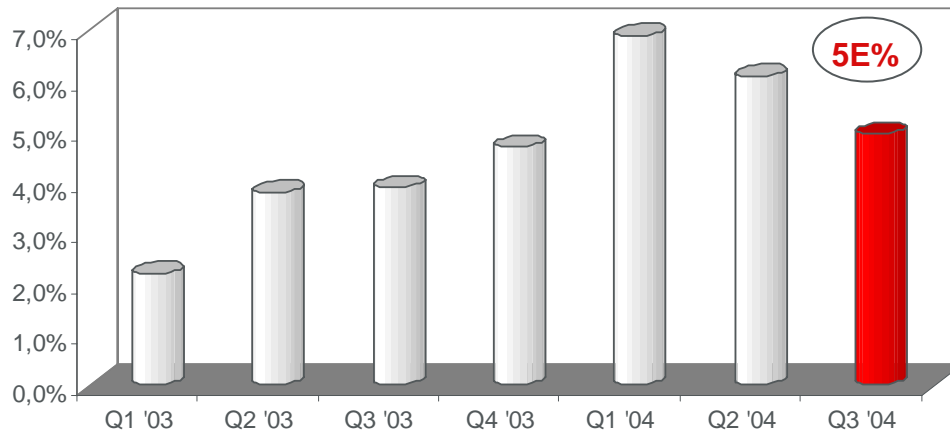
Supporting slides

Market environment

Market environment – Poland

Noticeable recovery in the economy

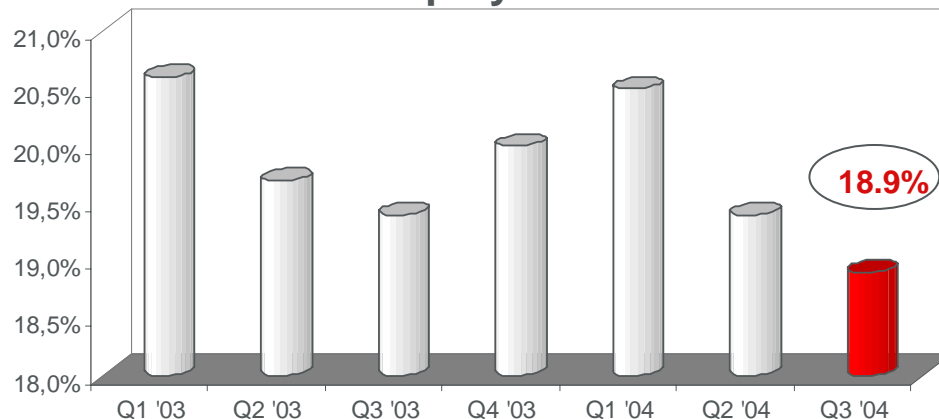
Real GDP growth



- Visible increase of GDP proves stable economic recovery. High unemployment rate continues—**18.9%** (y-o-y)

- Estimated increase in new car sales by **0.5%** (y-o-y)

Unemployment rate



- Estimated increase of domestic fuel consumption (gasoline, diesel and LHO) by over **3%E** (y-o-y)

- Decrease in PLN/USD exchange rate from 3.93 to **3.62** (y-o-y).

Supporting slides

Cost cutting programme

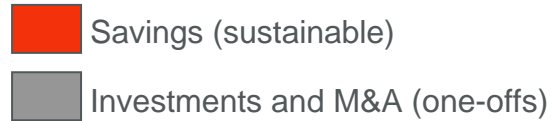
Operating cost reduction in PKN ORLEN

Fully realised plan for Q3 '04

Polski Koncern Naftowy ORLEN
Spółka Akcyjna



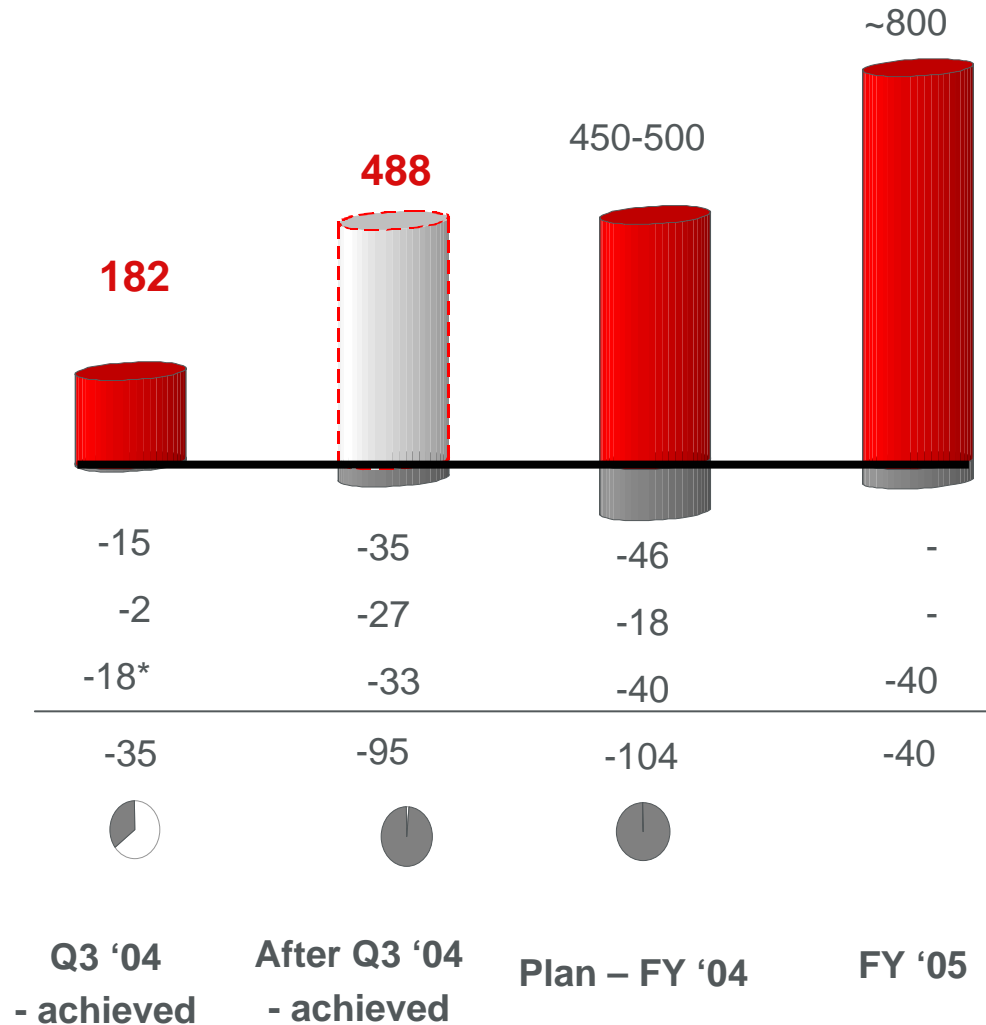
In m PLN



One-off
spending

- M&A
- Implementation cost
- Others

% of target
completed



* Of which PLN 16 m for investment

Supporting slides

ORLEN Deutschland

➤ Trends in Q3 '04 :

- Retail margin in July and August remained at a high level. In September there was a drastic decrease of retail margin (over **30%** compared to July). It has affected Q3 '04 financial results.
- Total volume of sales **increased by 7.7%**, due to substantial increase sales at STAR sites
 - STAR sites (B-Brand - low margin) - volume increased by 13.3%
 - ORLEN sites (A-Brand – high margin) - volume decreased by 12.3%

➤ Fuel consumption on German market in 1-3Q '04 estimates according to MWV*

- Gasoline - decrease by 3.1%
- Diesel - increase by 2.7%

ORLEN Deutschland

Financial highlights Q3 '04

Polski Koncern Naftowy ORLEN
Spółka Akcyjna



Balance sheet - selected items IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Property plant and equipment	680	767	741	9%	-3%
Inventories	123	131	123	0%	-6%
Trade and other receivables	357	308	316	-11%	3%
Cash and cash equivalents	384	384	421	10%	10%
Total assets	1 546	1 640	1 648	7%	0%
Equity	571	533	516	-10%	-3%
Long - term payables	134	112	102	-24%	-9%
Short - term payables	795	857	986	24%	15%
Total liabilities	1 546	1 640	1 648	7%	0%
Income statement - selected items	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenues	1 912	2 246	2 241	17%	-0,2%
Cost of Sales	- 1 812	- 2 142	- 2 147	18%	0,2%
Distribution and Admin. Expenses	- 115	- 105	- 105	-9%	-0,1%
Gross Profit/Loss	- 13	- 2	- 10	-23%	455%
Other operating costs / income	16	15	13	-19%	-15%
Operating profit/loss	9	13	3	-67%	-78%
Net profit/loss	3,4	12,9	2,8	-18%	-78%

Supporting slides

Other data

Operating highlights

Increase of utilisation and headcount reduction

IFRS basis, in m PLN	3Q '03	Q2 '04	3Q '04	y/y	q/q
Total sales, of which	4 034	3 548	4 053	0,5%	14,2%
- light product sales (tt) **	2 671	2 426	2 743	2,7%	13,1%
- other refinery product sales (tt)	765	587	675	-11,8%	15,0%
- pet-chem sales (tt)	575	493	579	0,7%	17,4%
- other product sales (tt)	23	42	56	143,5%	33,3%
Retail sales of motor fuels (tt)*	1 100	847	893	-18,8%	5,4%
Processed crude (tt)	2 971	2 902	3 256	9,6%	12,2%
Utilisation	90,7%	88,6%	99,4%	+8.7pp	+10.8pp
White product yield	77,8%	79,9%	80,3%	+2.5pp	+0.4pp
Fuel yield	65,8%	69,7%	67,5%	+1.7pp	-2.2pp
Headcount	15 497	14 398	14 191	-8,4%	-1,4%

Profit & loss account

Substantial cost reduction

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenues*	6 609	7 428	8 469	28,1%	14,0%
Cost of sales*	-5 487	-5 883	-6 734	22,7%	14,5%
Distribution costs	-569	-525	-528	-7,2%	0,6%
Administrative expenses	-232	-235	-202	-12,9%	-14,0%
Other	29	-126	10	-65,5%	na
Profit from operations	350	659	1 015	190,0%	54,0%
Profit before tax&minor. int.	323	733	1 061	228,5%	44,7%
Net profit	253	598	837	230,8%	40,0%
Net profit - LIFO	203	438	732	260,6%	67,1%
PLN	Q3 '03	1kw '04	Q3 '04	y/y	q/q
EPS	0,60	1,40	1,96	226,7%	40,0%

* Orlen Deutschland consolidation increases revenues by PLN 2,241 m and cost of sales by PLN 2,147 m

Balance sheet

Low gearing – future M&A payments fully secured

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Non current assets	10 704	10 621	10 617	-0,8%	0,0%
Current assets, of which	6 532	7 916	8 582	31,4%	8,4%
Inventories	3 002	3 365	3 496	16,5%	3,9%
Cash and cash equivalents*	711	1 135	1 502	111,3%	32,3%
Total assets	17 236	18 537	19 199	11,4%	3,6%
Shareholders' equity	9 082	10 219	11 045	21,6%	8,1%
Minority interests	422	437	453	7,3%	3,7%
Non current liabilities, of which	2 329	2 944	2 866	23,1%	-2,6%
Interest bearing borrowings	1 376	1 969	1 893	37,6%	-3,9%
Current liabilities, of which	5 403	4 937	4 835	-10,5%	-2,1%
Interest bearing borrowings	1 781	463	346	-80,6%	-25,3%
Total liabilities	17 236	18 537	19 199	11,4%	3,6%

* Item includes short term investment

Refining & Wholesale

Excellent segment performance

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenue	4 026	5 291	6 015	49%	14%
Segment costs - total	3 713	4 637	5 245	41%	13%
Profit	313	654	770	146%	18%
Sales (tt)	2 274	2 166	2 524	11%	17%

↑ **146%** y-o-y

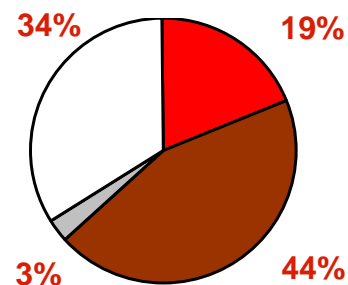
Increase in profit as a result of higher margin and higher volume sales

Structure of sales, by volume

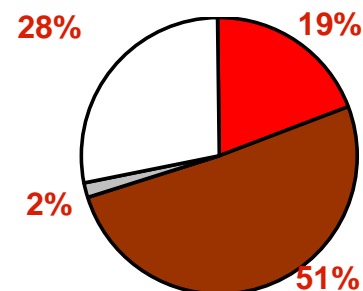
↑ **11%** y-o-y

Total volume increase due to higher sales to multinationals

3Q '03



3Q '04



IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenue	3 239	3 037	3 131	-3%	3%
Segment costs - total	3 177	2 984	3 050	-4%	2%
Profit	62	53	81	31%	53%
Sales (tt)	1 163	847	894	-23%	6%



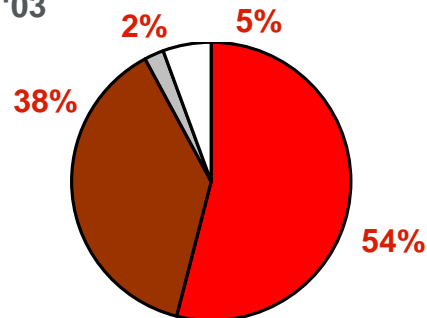
31%, y-o-y

Increase in segment profit as a result of cost reductions

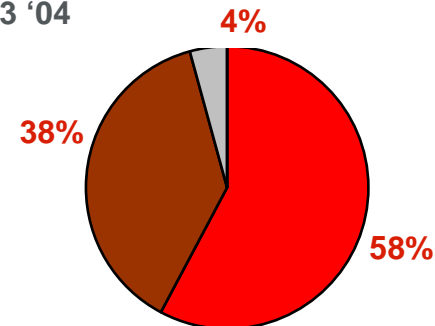
Structure of sales, by volume

Change in the volume and structure of sales as a result of excluding the wholesale volume from Germany since the beginning of 2004

Q3 '03



Q3 '04



Gasoline
Diesel

LPG
Others

Petrochemical segment

Dynamic profit growth

IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenue	1 085	1 220	1 474	36%	21%
Segment costs - total	1 031	1 103	1 258	22%	14%
Profit	54	117	216	300%	85%
Sales (tt)	575	493	579	0,8%	17%

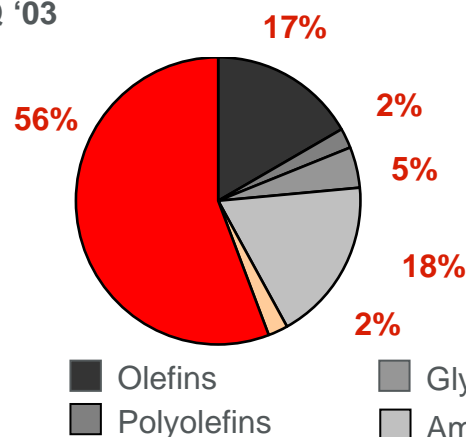
↑ **300%**, y-o-y

Increase in segment profit mainly due to the favourable market environment and the good performance of Anwil

Structure of sales, by volume

↑ **0.8%**, y-o-y
Increase in volume sales mainly due to sales increase of PVC and nitro-chalk (CANWIL)

3Q '03



3Q '04

