

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

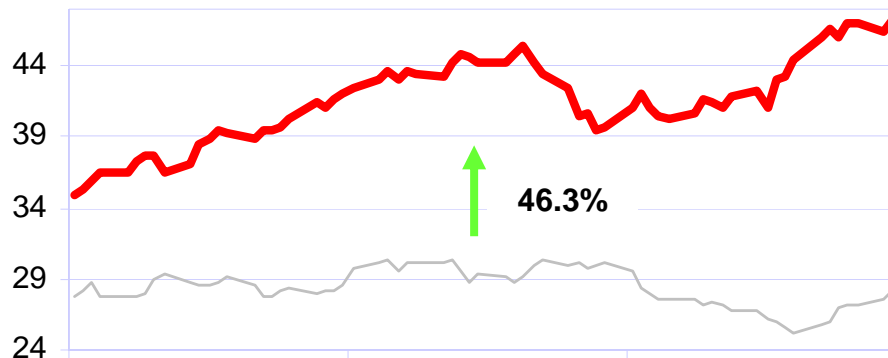
** ROACE calculated for PKN ORLEN Group, IFRS basis, after 9 months and annualized

Market environment in the oil & gas sector

Favourable conditions

Crude oil price, Brent (USD/b)

— Q3 '04 vs Q3 '03 —

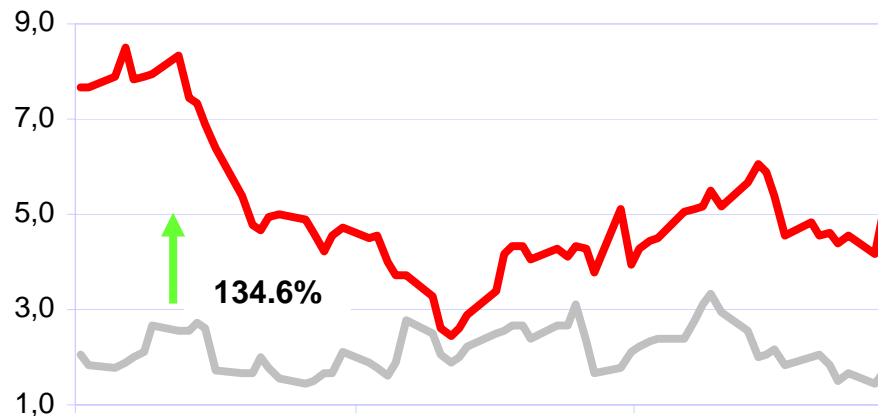


Crude oil
Average in quarter

↑ 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

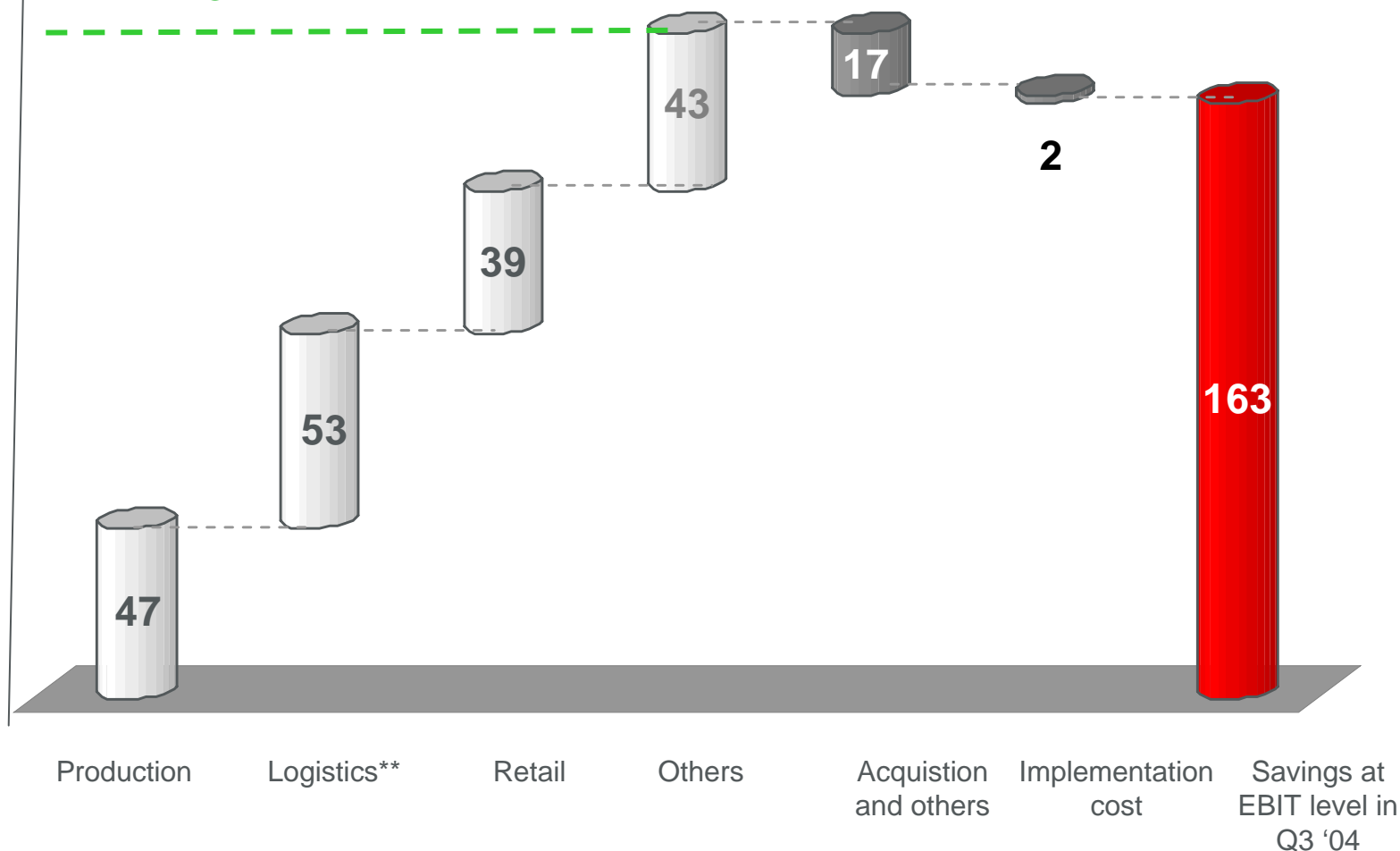
Change in inventories, deferred and
accrued costs and cost of products
and services for own use and others

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

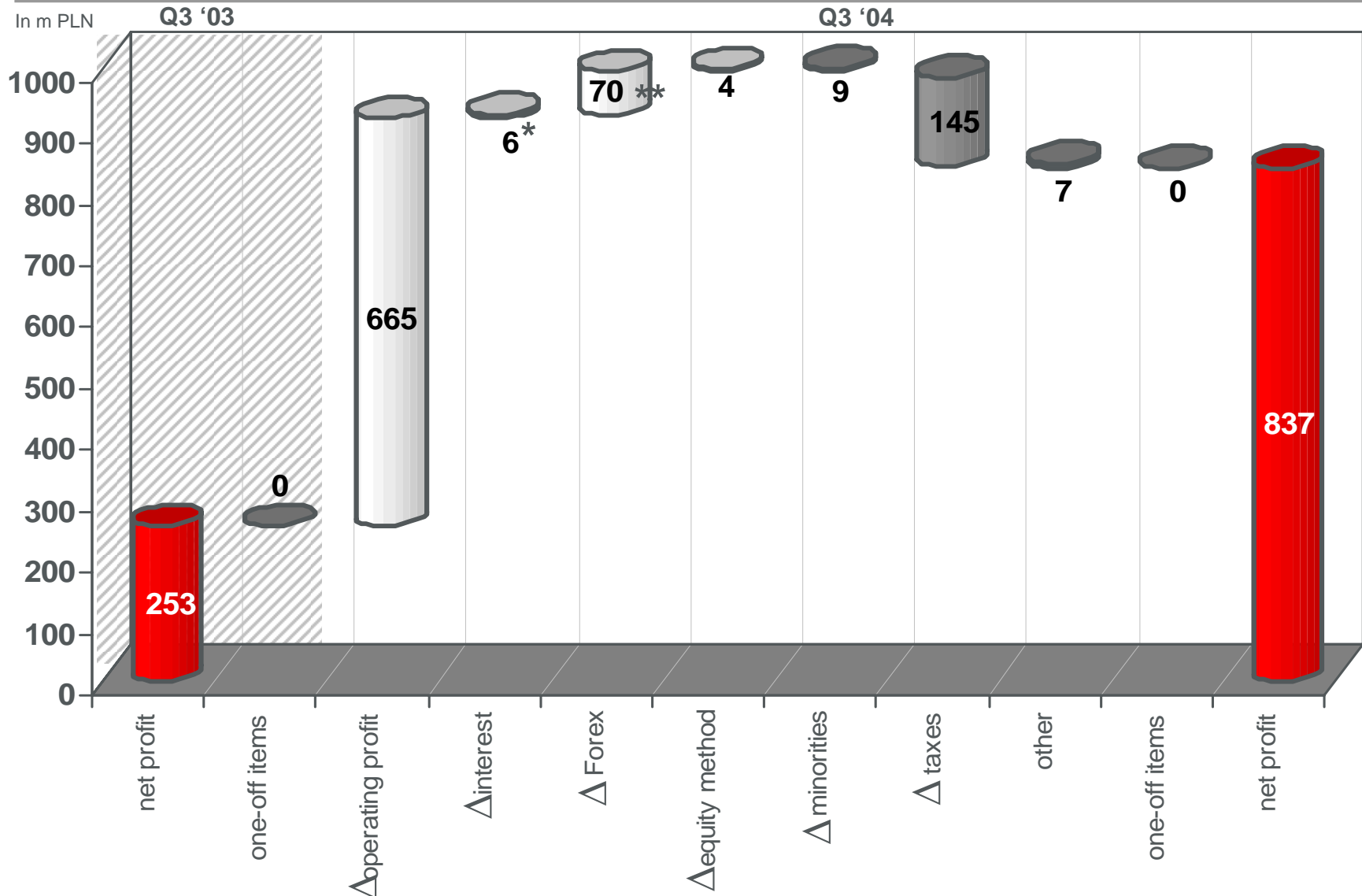
Favourable external conditions, cost
reduction and volume increase led to
146% increase of operating profit in the
Production & Wholesale segment

* other operating revenues and cost

** Production & Wholesale

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

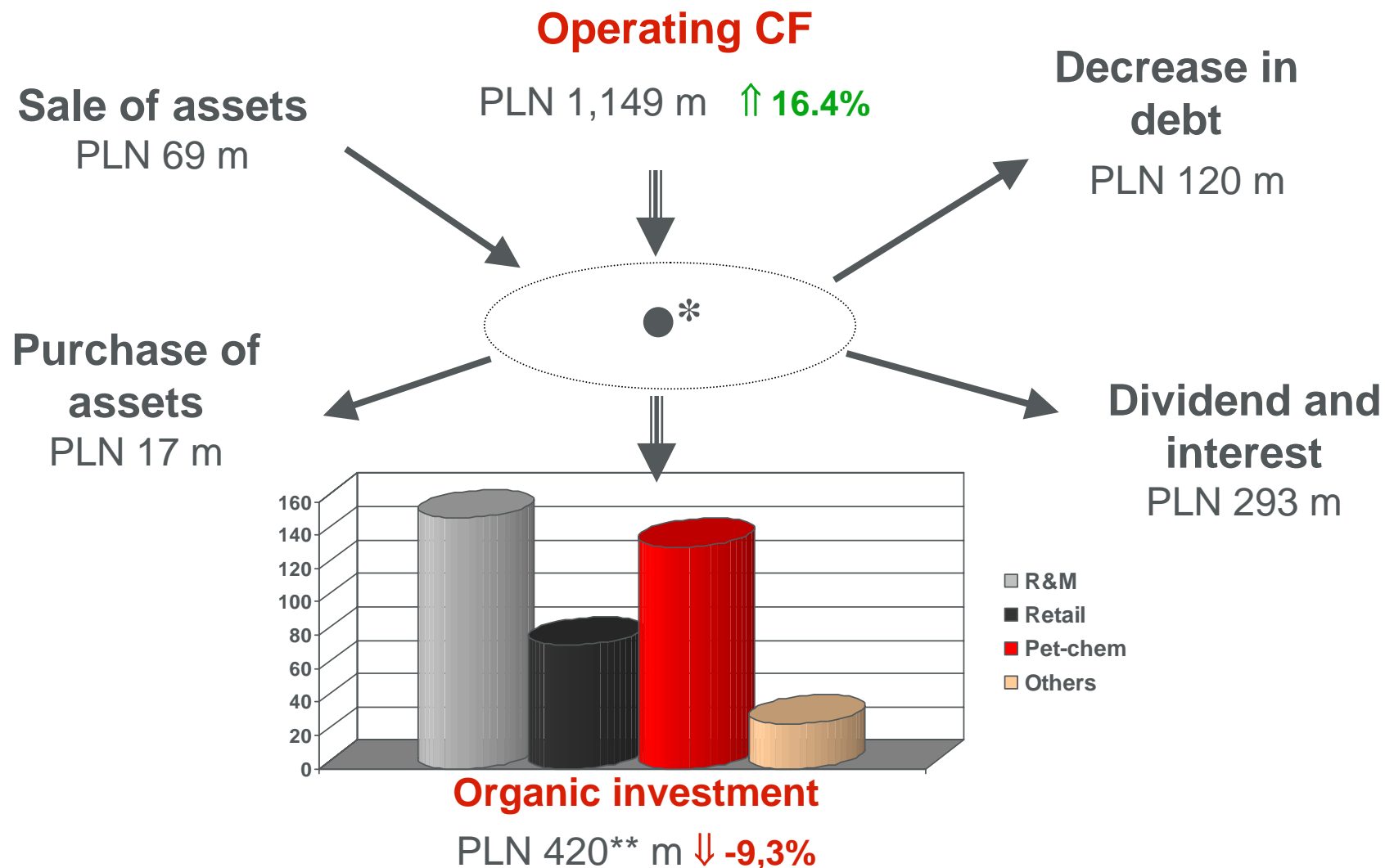
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* Net interest : PLN -6m in Q3'04 , PLN -12m in Q3'03

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

Company generates positive free cash flow

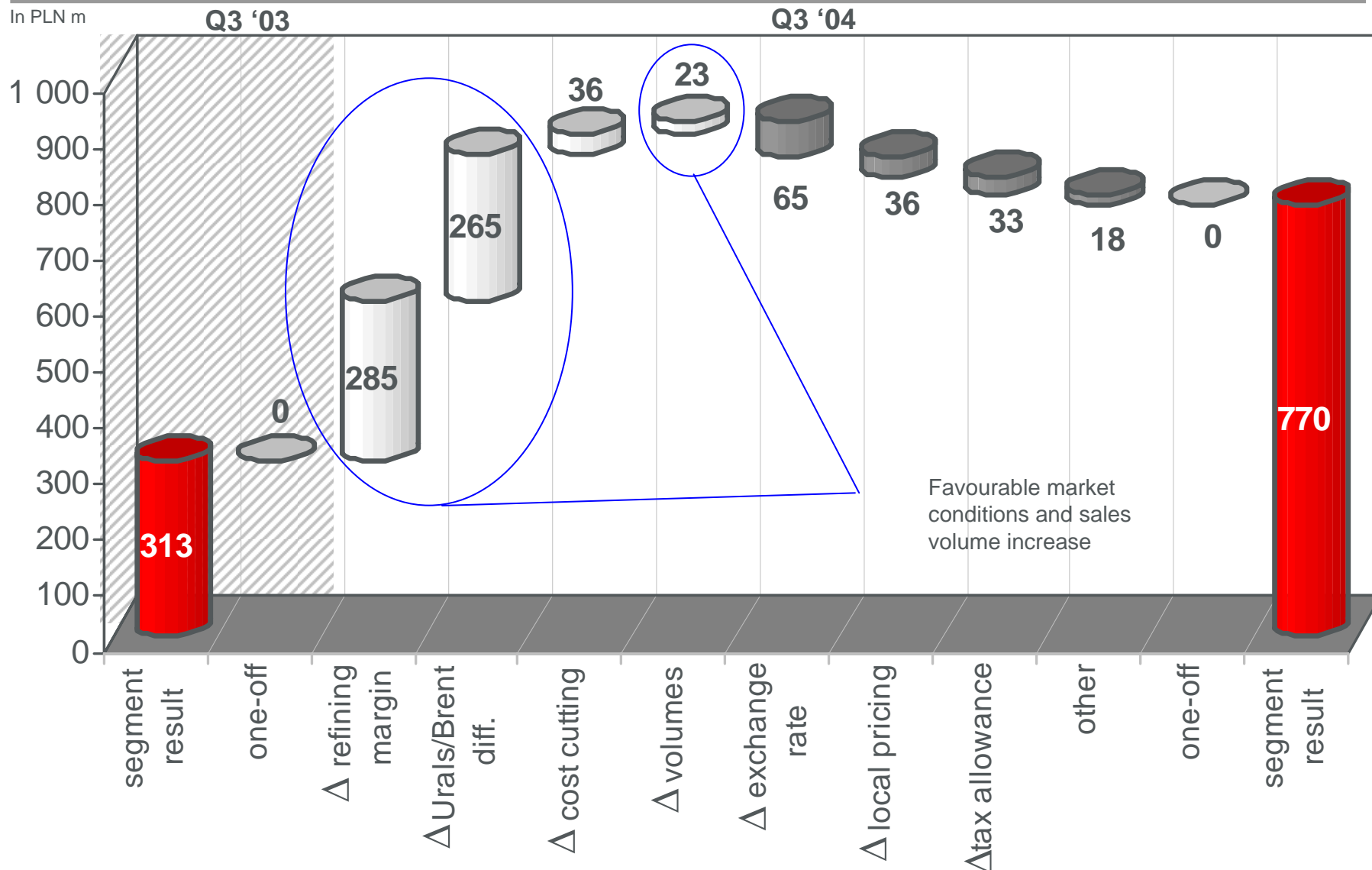


* others -> PLN 368m

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

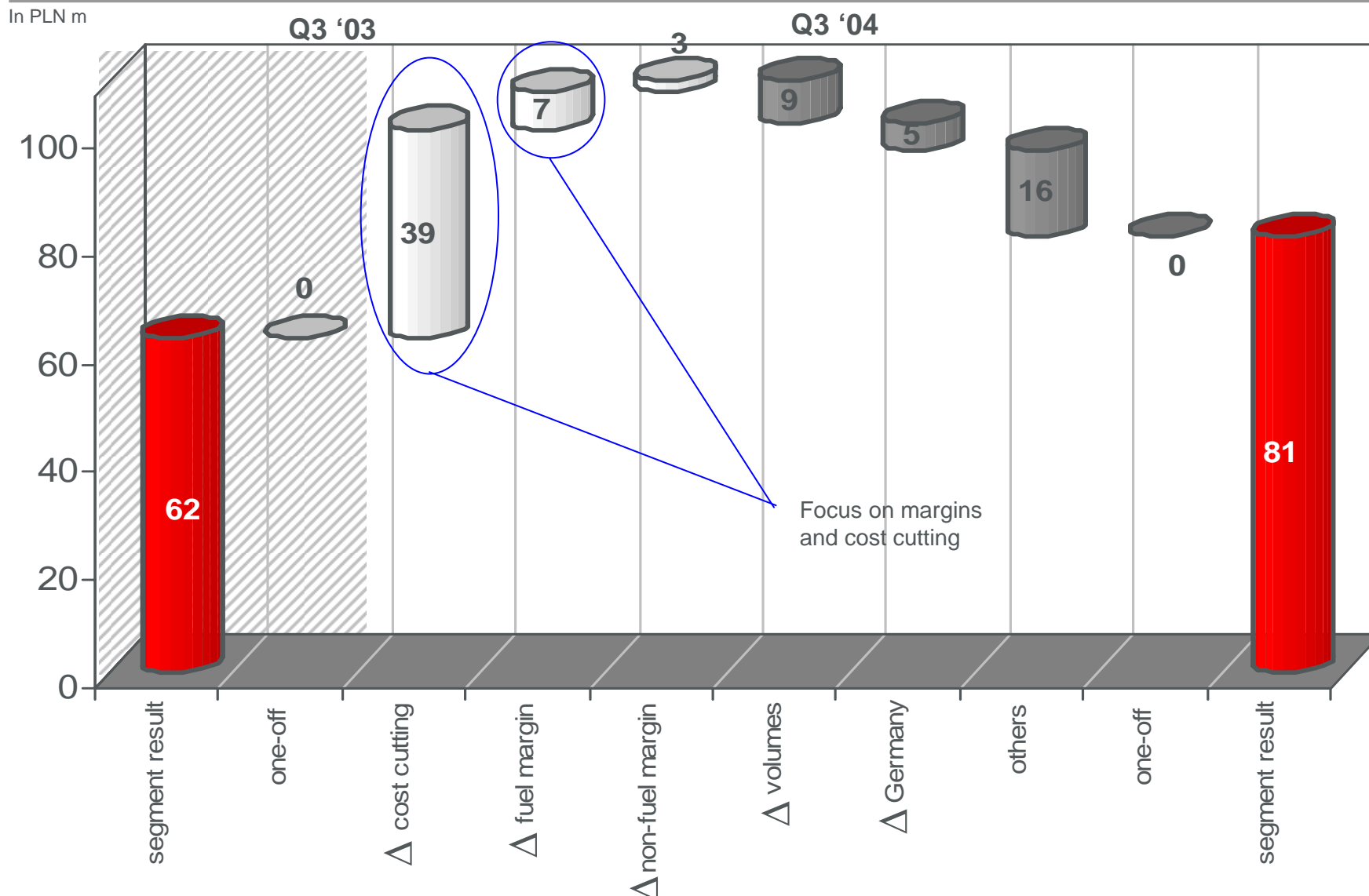
Refining & Wholesale

Margin and differential drives segment profit



Retail

Cost cutting drives segment profit



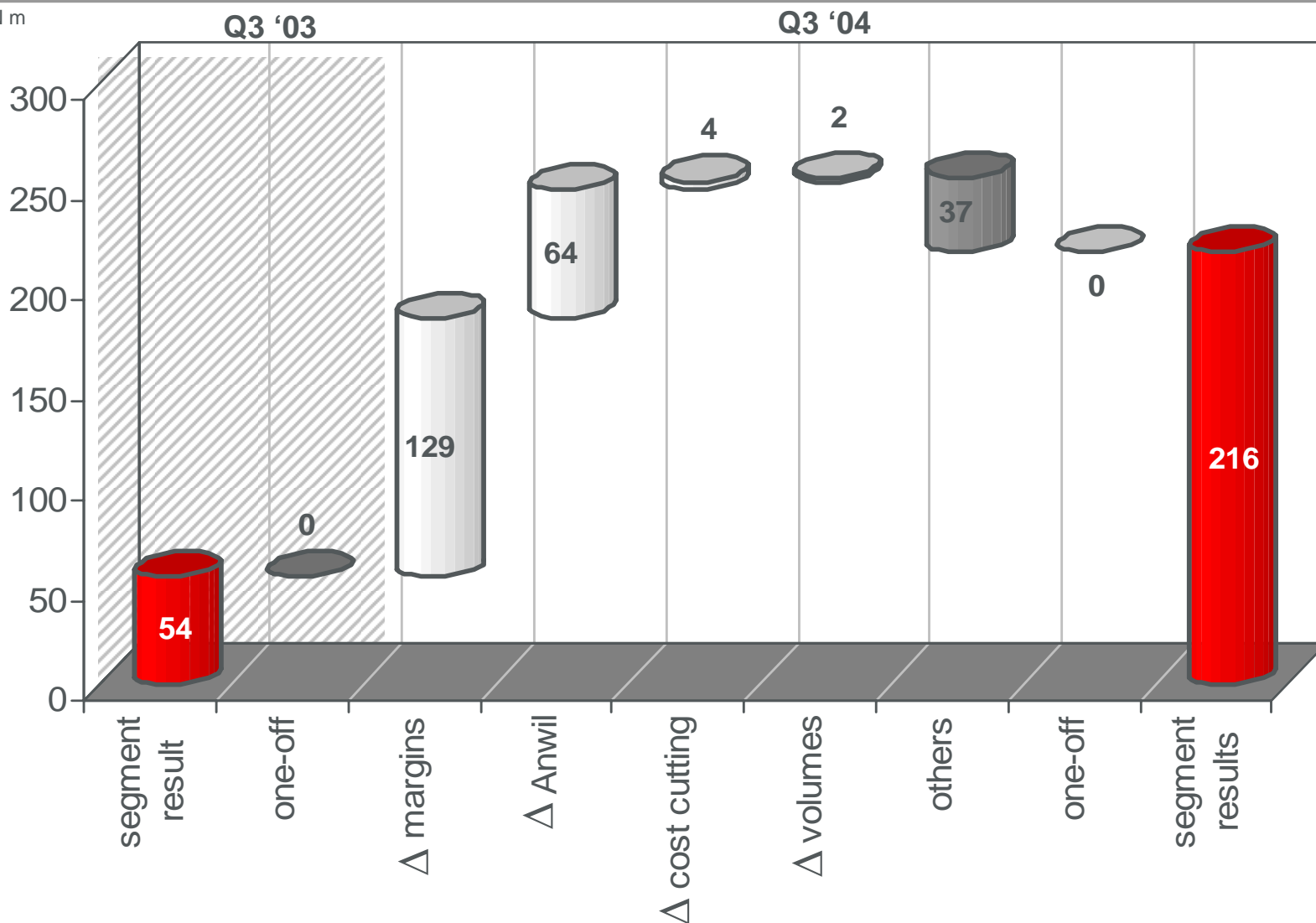
Petrochemical

Margin main drivers of segment profit

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In PLN m



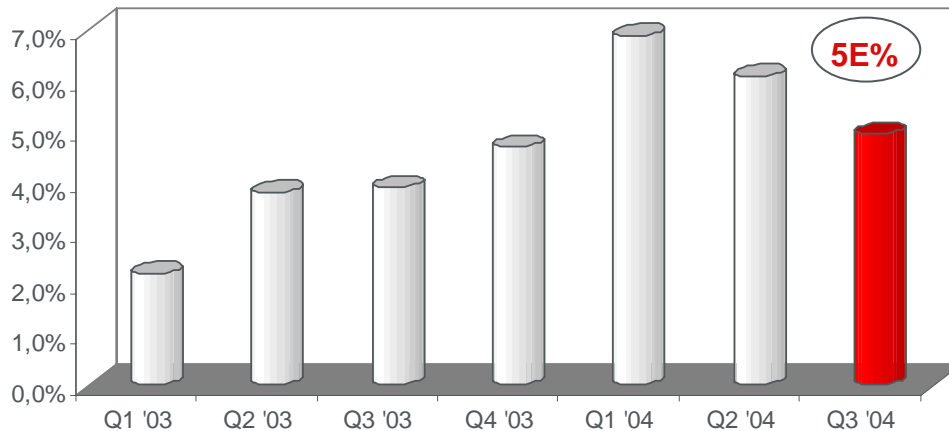
Supporting slides

Market environment

Market environment – Poland

Noticeable recovery in the economy

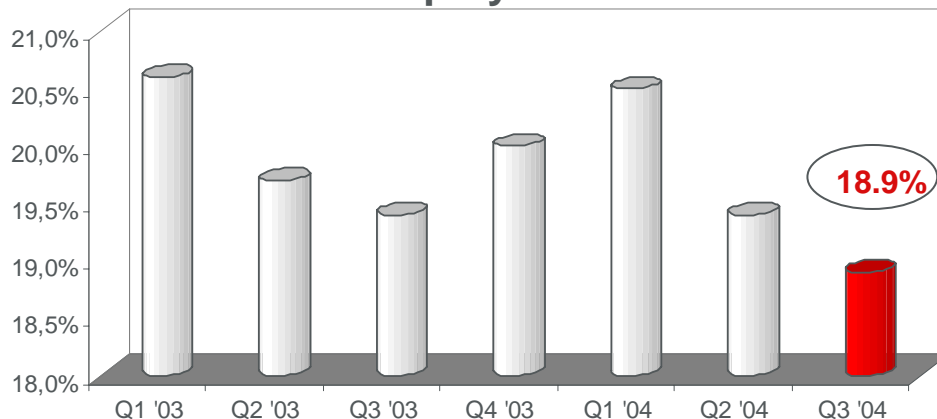
Real GDP growth



- 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

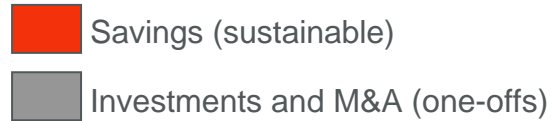
Operating cost reduction in PKN ORLEN

Fully realised plan for Q3 '04

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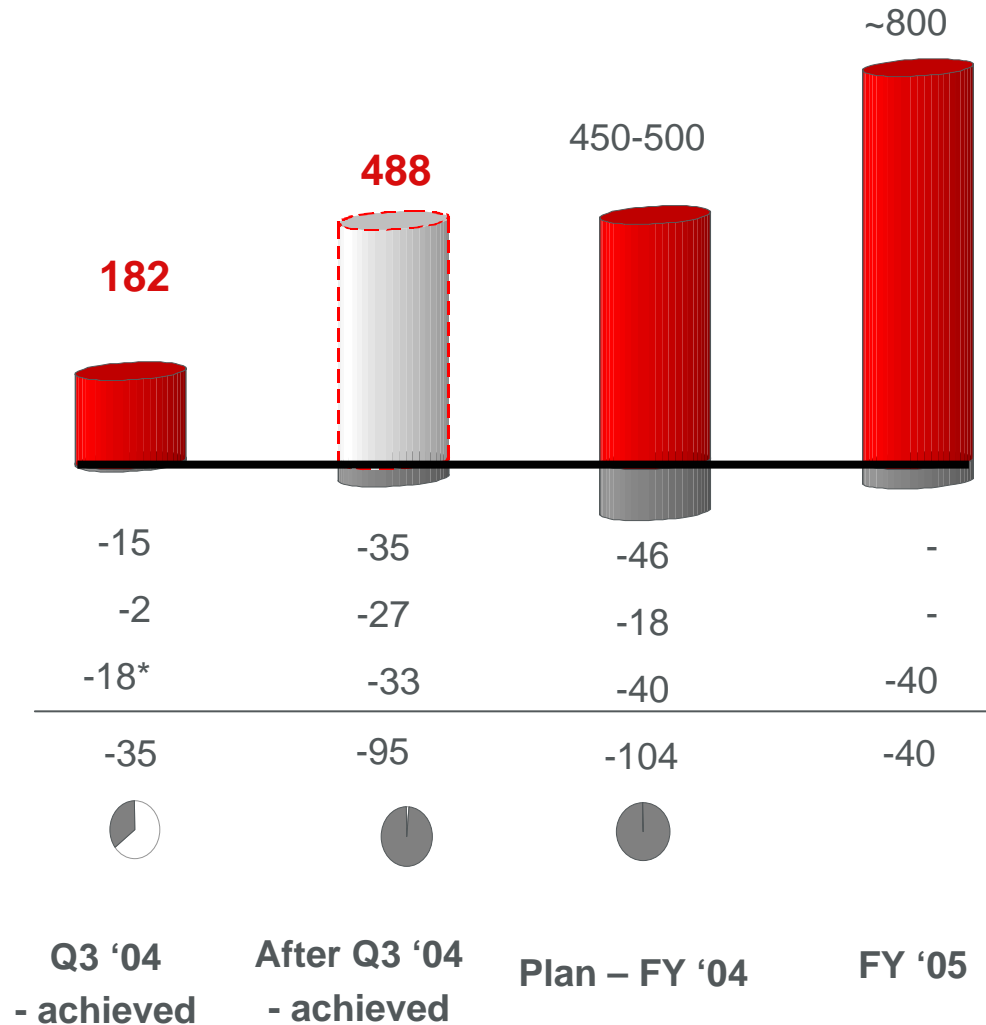
In m PLN



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

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Balance sheet - selected items	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
IFRS basis, m PLN					
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

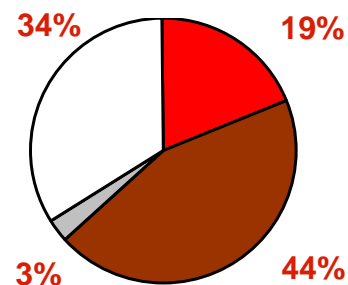
Increase in profit as a result of
higher margin and higher
volume sales

Structure of sales, by volume

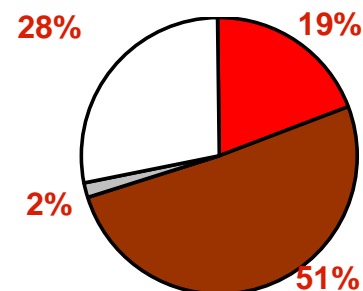
↑ **11%** y-o-y

Total volume increase due to
higher sales to multinationals

3Q '03



3Q '04

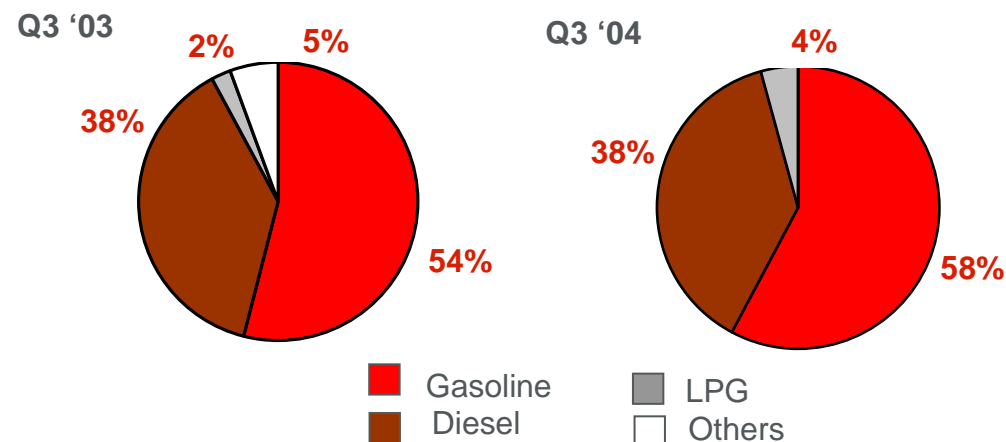


IFRS basis, m PLN	Q3 '03	Q2 '04	Q3 '04	y/y	q/q
Revenue	3 239	3 037	3 131	-3%	3%
Segment costs - total	3 177	2 984	3 050	-4%	2%
Profit	62	53	81	31%	53%
Sales (tt)	1 163	847	894	-23%	6%

↑↑ **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



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%

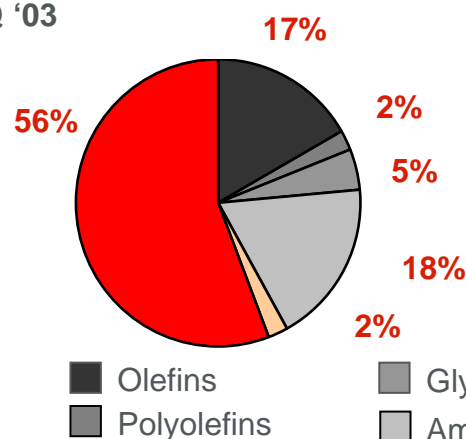
↑ **300%**, y-o-y

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

