

## **I. INFORMATION ON PRINCIPLES OF PREPARATION OF THE CONSOLIDATED QUARTERLY REPORT FOR 4Q 2004**

### **1. Format and general rules of preparation of the consolidated and unconsolidated balance sheet, consolidated and unconsolidated income statement, statement of changes in consolidated and unconsolidated shareholders' equity and consolidated and unconsolidated cash flow statement**

The condensed consolidated and unconsolidated quarterly financial statements presented in this consolidated quarterly report were prepared in compliance with the Polish Accounting Standards defined by the amended Accounting Act of 29 September 1994 (Journal of Law No 76, pos. 694, 2002 with further amendments of the "Accounting Act") and the Decree of the Council of Ministers of 16 October 2001 concerning the current and periodic information and dates of its publication by issuers of securities allowed to be traded publicly (Journal of Law No 139, pos. 1569 with its further changes) and cover the period from 1 January 2004 to 31 December 2004 and comparable period from 1 January 2003 to 31 December 2003.

The accounting rules applied by PKN ORLEN S.A. ("the Company", "the Dominant Company", "PKN ORLEN") and the Capital Group of Polski Koncern Naftowy ORLEN S.A. ("the Capital Group") in 4Q 2004, except for the changes described below in the point 2, were presented in published annual reports: unconsolidated and consolidated for the year 2003.

### **2. Applied accounting policies**

**2.1.** In the presented period the Company and the Capital Group did not introduce any significant changes in the applied accounting policies in comparison to policies applied by the Company and the Capital Group in year 2003 except for changes in translation of balance sheet items expressed in foreign currencies due to the change in the Polish Accounting Act. Since 1 January 2004 assets and liabilities as at the balance sheet date are translated using the same average exchange rate set by the National Bank of Poland ("NBP") for this date. The result of those changes was presented in these financial statements by the restatement of the comparable data.

	Consolidated net financial profit for the period from 1 January 2003 to 31 December 2003	Consolidated shareholders' equity 31 December 2003
As per published financial statements	1,013,649	9,129,889
Difference	12,214	26,097
Comparable data (restated)	1,025,863	9,155,986

**2.2.** Since 2004 the Company applies hedge accounting in relation to concluded hedge transactions fulfilling rules specified for hedge accounting. It results in disclosure of valuation of effective part of the hedge till its realization as revaluation reserve in the Company's balance sheet. This change does not require neither restatement of the 2004 opening balance nor restatement of comparable data for 2003.

### **3. Method of the preparation of the consolidated financial statement**

For the preparation of the consolidated and unconsolidated balance sheet, consolidated and unconsolidated income statement, statement of changes in consolidated and unconsolidated shareholders' equity and consolidated and unconsolidated cash flow statement, the same rules were applied as for the preparation of consolidated and unconsolidated financial statements for the year 2003, after taking into account changes described in the point 2.

The condensed consolidated financial statements of the Group and the condensed financial statements of the Company reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the consolidated results of operation, balance sheets and cash flows for each presented period.

**4. Principles of calculation of the financial selected data denominated in EUR**

Selected financial data has been recalculated to EUR according to the following principles:

- particular balance sheet items – using the average rate of NBP published as at 31 December 2004 - i.e. 4.0790 zloty/ EUR,
- particular income statement and cash flow items – using the exchange rate calculated as a simple average of the NBP average exchange rates published for the last day of each month during the period from 1 January 2004 to 31 December 2004 – i.e. 4.5182 zloty/ EUR.

## II. INFORMATION ON CHANGES IN BALANCES OF PROVISIONS AND FIXED ASSETS IMPAIRMENT LOSSES – CONSOLIDATED DATA

### 1. Impairment of assets

#### 1.1. Impairment of tangible fixed assets

##### 4Q 2004

Balance as at 1.10.2004	122,164
Increases during the period 1.10.2004 – 31.12.2004	106,306
Decreases during the period 1.10.2004 – 31.12.2004	(23,061)
Balance as at 31.12.2004	205,409

##### 4Q 2004 cumulative

Balance as at 1.01.2004	89,823
Increases during the period 1.01.2004 – 31.12.2004	156,202
Decreases during the period 1.01.2004 – 31.12.2004	(40,616)
Balance as at 31.12.2004	205,409

#### 1.2. Impairment of construction in progress

##### 4Q 2004

Balance as at 1.10.2004	47,762
Increases during the period 1.10.2004 – 31.12.2004	153
Decreases during the period 1.10.2004 – 31.12.2004	(1,236)
Balance as at 31.12.2004	46,679

##### 4Q 2004 cumulative

Balance as at 1.01.2004	37,636
Increases during the period 1.01.2004 – 31.12.2004	9,333
Decreases during the period 1.01.2004 – 31.12.2004	(290)
Balance as at 31.12.2004	46,679

#### 1.3 Impairment of intangible assets

##### 4Q 2004

Balance as at 1.10.2004	201
Increases during the period 1.10.2004 – 31.12.2004	15
Decreases during the period 1.10.2004 – 31.12.2004	(58)
Balance as at 31.12.2004	158

##### 4Q 2004 cumulative

Balance as at 1.01.2004	323
Increases during the period 1.01.2004 – 31.12.2004	20
Decreases during the period 1.01.2004 – 31.12.2004	(185)
Balance as at 31.12.2004	158

#### 1.4. Adjustments in the valuation of financial long-term assets and differences in the valuation of contribution in-kind

##### 1.4.1 Impairment of financial long-term assets

##### 4Q 2004

Balance as at 1.10.2004	76,902
Increases during the period 1.10.2004 – 31.12.2004	1,793
Decreases during the period 1.10.2004 – 31.12.2004	(325)
Balance as at 31.12.2004	78,370

**4Q 2004 cumulative**

Balance as at 1.01.2004	71,389
Increases during the period 1.01.2004 – 31.12.2004	7,941
Decreases during the period 1.01.2004 – 31.12.2004	(960)
Balance as at 31.12.2004	78,370

**1.4.2. Difference in valuation of contribution in-kind related to financial long-term assets****4Q 2004**

Balance as at 1.10.2004	3,048
Increases during the period 1.10.2004 – 31.12.2004	-
Decreases during the period 1.10.2004 – 31.12.2004	-
Balance as at 31.12.2004	3,048

**4Q 2004 cumulative**

Balance as at 1.01.2004	3,548
Increases during the period 1.01.2004 – 31.12.2004	1
Decreases during the period 1.01.2004 – 31.12.2004	(501)
Balance as at 31.12.2004	3,048

**1.5. Allowance for doubtful debts****4Q 2004**

Balance as at 1.10.2004	322,473
Increases during the period 1.10.2004 – 31.12.2004	193,127
Decreases during the period 1.10.2004 – 31.12.2004	(42,585)
Balance as at 31.12.2004	473,015

**4Q 2004 cumulative**

Balance as at 1.01.2004	316,863
Increases during the period 1.01.2004 – 31.12.2004	259,299
Decreases during the period 1.01.2004 – 31.12.2004	(103,147)
Balance as at 31.12.2004	473,015

**1.6. Impairment of inventories**

In 4Q 2004 the Capital Group increased the value of impairment of inventories by PLN 1,376 thousand. Respectively, the Capital Group made an impairment of inventory amounting to PLN 6,864 thousand for 4Q 2004 cumulatively.

**2. Provision for liabilities****2.1. Provision for the deferred income tax****4Q 2004**

Balance as at 1.10.2004	204,644
Increases during the period 1.10.2004 – 31.12.2004	94,729
Decreases during the period 1.10.2004 – 31.12.2004	(109,547)
Balance as at 31.12.2004	189,826

**4Q 2004 cumulative**

Balance as at 1.01.2004*	212,323
Increases during the period 1.01.2004 – 31.12.2004	176,830
Decreases during the period 1.01.2004 – 31.12.2004	(199,327)
Balance as at 31.12.2004	189,826

\* Including PLN 6,121 opening balance adjustment resulting from a change in accounting policies.

**2.2. Provision for jubilee and retirement bonuses****4Q 2004**

Balance as at 1.10.2004	170,087
Increases during the period 1.10.2004 – 31.12.2004	41,123
Decreases during the period 1.10.2004 – 31.12.2004	(16,682)
Balance as at 31.12.2004	194,528

**4Q 2004 cumulative**

Balance as at 1.01.2004	158,588
Increases during the period 1.01.2004 – 31.12.2004	71,151
Decreases during the period 1.01.2004 – 31.12.2004	(35,211)
Balance as at 31.12.2004	194,528

**2.3. Other provisions**

	Environmental provision	Provision for business risk	Other provisions
<b>4Q 2004</b>			
Balance as at 1.10.2004	428,735	80,952	28,837
Increases during the period 1.10.2004 – 31.12.2004	92,107	85,151	14,053
Decreases during the period 1.10.2004 – 31.12.2004	(38,191)	(8,122)	(1,097)
Balance as at 31.12.2004	482,651	157,981	41,793
	Environmental provision	Provision for business risk	Other provisions
<b>4Q 2004 cumulative</b>			
Balance as at 1.01.2004	406,792	21,812	29,200
Increases during the period 1.01.2004 – 31.12.2004	128,681	144,444	22,720
Decreases during the period 1.01.2004 – 31.12.2004	(52,822)	(8,275)	(10,127)
Balance as at 31.12.2004	482,651	157,981	41,793

**3. Goodwill from consolidation / Negative goodwill from consolidation****3.1. Goodwill from consolidation****4Q 2004**

Balance as at 1.10.2004	17,872
Increases during the period 1.10.2004 – 31.12.2004	-
Decreases during the period 1.10.2004 – 31.12.2004	(1,480)
Balance as at 31.12.2004	16,392

**4Q 2004 cumulative**

Balance as at 1.01.2004	20,856
Increases during the period 1.01.2004 – 31.12.2004	1,300
Decreases during the period 1.01.2004 – 31.12.2004	(5,764)
Balance as at 31.12.2004	16,392

**3.2. Negative goodwill from consolidation****4Q 2004**

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Balance as at 1.10.2004	274,459
Increases during the period 1.10.2004 – 31.12.2004	71,183
Decreases during the period 1.10.2004 – 31.12.2004*	(10,132)
Balance as at 31.12.2004	335,510

**4Q 2004 cumulative**

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Balance as at 1.01.2004	301,369
Increases during the period 1.01.2004 – 31.12.2004	71,603
Decreases during the period 1.01.2004 – 31.12.2004*	(37,462)
Balance as at 31.12.2004	335,510

\* including exchange rate gains/losses from recalculating of consolidated entities

### III. DESCRIPTION OF CAPITAL GROUP OPERATIONS IN 4 Q 2004 AND DETAILS OF FACTORS AND EVENTS HAVING A MATERIAL INFLUENCE ON THE FINANCIAL RESULT

At the end of 4Q 2004 PKN ORLEN S.A. owned directly or indirectly shares in following entities, which are controlled, jointly controlled or significantly influenced by PKN ORLEN S.A.:

- 84 subsidiaries,
- 3 companies joint ventures,
- 20 associates.

In comparison to the end of 4Q 2003 there was a decline in the total number of subsidiaries, joint ventures and associates from 122 to 107. There were 71 entities consolidated in 4Q 2004, whereas in 4Q 2003 the number of entities consolidated amounted to 84.

The most important factors having material influence on operating results of the Capital Group in 4Q 2004 in comparison to 4Q 2003 are as follows (change: 4Q 2004 to 4Q 2003 if not stated differently):

- an increase in refining margin ("crack") on quotations for gasoline from 68.00 to 92.26 USD/ton (by 35.7%), on quotations for diesel oil from 63.65 to 160.92 USD/ton (by 152.8%) and on quotations for Ekoterm from 45.94 to 108.93 USD/ton (by 137.1%),
- an increase in average price of Brent crude oil quotations from 29.46 to 43.88 USD/bbl (by 48.9%),
- an increase in discount of Ural crude oil quotations in relation to Brent crude oil quotations from /-1.65/ USD/bbl to /-6.13/ USD/bbl (by 271.5%),
- an increase in sales volume of Ekoterm by 16.6%,
- a decrease in sales volume of gasoline by 5.0%,
- a decrease in sales volume of diesel oil by 0.7%,
- a decrease in sales volume of LPG by 6.5%,
- a decrease in an average USD exchange rate from 3.89 to 3.27 PLN/USD (by 15.9%),
- a decrease in an average EUR exchange rate from 4.62 to 4.24 PLN/EUR (by 8.2%).

In 4Q 2004 the Capital Group's retail sales and wholesales of motor fuels (gasoline, diesel oil, LPG, Jet A-1) and light heating oil (Ekoterm) amounted to 2,826,722 tons and was higher than sales realized in the corresponding period of the previous year by 27,579 tons (by 1.0%). In the period of four quarters 2004 the sales of the products mentioned above amounted cumulatively to 10,461,640 tons and increased by 556,775 tons (i.e. by 5.6%) in comparison to the corresponding period of the previous year. The total sales of all products (refinery, chemical and other) in 4Q 2004 amounted to 4,041,145 tons and was lower than in 4Q of the previous year by 71,167 tons (by 1.7%). Total sales for 4Q 2004 amounted cumulatively to 14,949,062 tons and was higher than for 4Q 2003 cumulatively by 374,093 tons (i.e. by 2.6%). The retail sales of motor fuels (gasoline, diesel oil, LPG) in 4Q 2004 amounted to 852,283 tons and was lower than sales in the corresponding period of the previous year by 118,589 tons (by 12.2%); the total retail sales for 4Q 2004 cumulatively decreased by 7.7% to the level of 3,344,035 tons.

A significant impact on volume of retail sales had the change in the rules of presentation of financial results in this segment. Starting from 2004 activities of companies located in Germany and activities of ORLEN Petrocentrum are presented proportionally to their activity in the refining segments (production + wholesales and retail sales). This decision was the consequence of increase in the share of wholesales in those companies. In 2003 the companies' activities were wholly presented in the refining segment (retail sales).

The trends connected with sales of the Company's core products are presented in the following table:

Sales volume of light products In the Capital Group of PKN ORLEN S.A.	4Q 2003		4Q 2004		Dynamics (%)
					4Q 2004/ 4Q 2003
<b>Wholesale of main light products, including:</b>	<b>1,699,573</b>		<b>1,934,763</b>		<b>113.8</b>
- gasoline (tons)	440,697		453,941		103.0
- diesel oil (tons)	703,894		757,599		107.6
- Ekoterm (tons)	449,697		614,724		136.7
<b>Retail sales of motor fuels, including:</b>	<b>1,243,872</b>	<b>970,872</b>	<b>1,098,416</b>	<b>852,283</b>	<b>87.8 *)</b>
- gasoline (thousands litres) / (tons)	740,539	559,107	656,581	495,719	88.7
- diesel oil (thousands litres) / (tons)	455,449	384,854	382,520	323,229	84.0
- LPG (thousands litres) / (tons)	47,884	26,911	59,315	33,335	123.9
<b>Total sales of fuels (tons)</b>	<b>2,799,143</b>		<b>2,826,722</b>		<b>101.0</b>
- including motor fuels (tons)	2,271,829		2,211,909		97.4

\*) The lack of comparability is due to the differences in qualification of the wholesales in Germany. The dynamics of the retail sales in Poland in 4Q 2004 in comparison to 4Q 2003 amounted to 98.6%.

Sales volume of light products In the Capital Group of PKN ORLEN S.A.	4Q 2003 cumulatively		4Q 2004 Cumulatively		Dynamics (%)
					4Q 2004/ 4Q 2003 cumulatively
<b>Wholesale of main light products, including:</b>	<b>5,823,067</b>		<b>6,944,236</b>		<b>119.3</b>
- gasoline (tons)	1,595,829		1,819,073		114.0
- diesel oil (tons)	2,373,872		2,795,401		117.8
- Ekoterm (tons)	1,544,936		1,957,195		126.7
<b>Retail sales of motor fuels, including:</b>	<b>4,641,091</b>	<b>3,623,038</b>	<b>4,307,286</b>	<b>3,344,035</b>	<b>92.3**)</b>
- gasoline (thousands litres) / (tons)	2,750,738	2,076,807	2,573,469	1,942,969	93.6
- diesel oil (thousands litres) / (tons)	1,709,727	1,444,719	1,507,637	1,273,953	88.2
- LPG (thousands litres) / (tons)	180,626	101,512	226,180	127,113	125.2
<b>Total sales of fuels (tons)</b>	<b>9,904,865</b>		<b>10,461,640</b>		<b>105.6</b>
- including motor fuels (tons)	8,119,041		8,504,011		104.7

\*\*) The lack of comparability is due to inclusion of activities in Germany in consolidation since 1 March 2003 and due to differences in recognition of wholesales in Germany. The dynamics of retail sale in Poland in 4Q 2004 cumulatively in comparison to 4Q 2003 cumulatively amounted to 98.5%.

High level of refining margins (cracks) on quotations of basic refining products sustained in 2004, high differentiation of quotations between Brent and Ural crude oil and measurable results of the undertaken actions aimed at operating costs reduction (by PLN 149m in 4Q 2004 and PLN 637m in 4Q 2004 cumulatively) and restructuring caused a considerable increase in operating profit of the Dominant Company and the Capital Group in comparison to the corresponding period of previous year.



The results of the Dominant Company compared with the Capital Group were as follows:

in thousands PLN

Items	4Q 2003		PKN's share in the Group	4Q 2004		PKN's share in the Group
	Group	PKN		Group	PKN	
Crude oil processing ('000 tons)	3,153	3,001	95.2	3,327	3,240	97.4
Net sales revenue	9,364,266	6,723,121	71.8	11,034,277	7,963,482	72.2
Profit on sales	241,561	210,277	87.0	864,784	815,505	94.3
Operating profit	156,982	136,780	87.1	609,167	675,118	110.8
Profit before taxation	174,477	155,283	89.0	762,055	726,406	95.3
Net profit	213,851	214,472	100.3	659,611	583,186	88.4

in thousands PLN

Items	4Q 2003 cumulatively		PKN's share in the Group	4Q 2004 cumulatively		PKN's share in the Group
	Group	PKN		Group	PKN	
Crude oil processing ('000 tons)	12,272	11,724	95.5	12,654	12,194	96.4
Net sales revenue	33,720,934	24,629,963	73.0	40,810,810	28,966,439	71.0
Profit on sales	1,300,232	1,071,860	82.4	3,193,299	2,862,318	89.6
Operating profit	1,303,849	1,172,163	89.9	2,817,200	2,656,986	94.3
Profit before taxation	1,254,301	1,148,241	91.5	3,114,903	2,874,447	92.3
Net profit	1,025,863	947,265	92.3	2,569,712	2,315,864	90.1

During 4Q 2004 the companies of the Capital Group processed 3,327 thousand tons of crude oil and during 4Q 2004 cumulatively 12,654 thousand tons. The achieved level of processing in 4Q 2004 is by 5.5% higher than in the corresponding period of the previous year, however, the processing of 4Q 2004 cumulatively is higher by 3.1% than in 4Q 2003 cumulatively.

In 4Q 2004 the profit on sales of the Capital Group reached the level of PLN 865m, whereas it amounted to PLN 242m in the corresponding period of the previous year. In 4Q 2004 cumulatively the profit on sales amounted to PLN 3,193m and was higher than in 4Q 2003 by 145.6%. While applying LIFO method of inventory valuation, an estimated profit on sales in 4Q 2004 amounted to PLN 1,049m comparing to PLN 239m in the corresponding period of previous year. In 4Q 2004 cumulatively an estimated profit on sales calculated using LIFO method amounted to PLN 2,936m comparing to PLN 1,262m in previous year. In 4Q 2004 there was a decreasing trend in crude oil prices, which resulted in decline of financial results of the Capital Group for 4Q 2004 calculated using the statutory, i.e. a weighted average method for inventory valuation by PLN 184m in comparison to amounts estimated using LIFO method.

In 4Q 2004 net profit of the Capital Group reached the level of PLN 660m and was higher by 208.4% than the profit gained in the corresponding period of the previous year. In 4Q 2004 cumulatively net profit amounted to PLN 2,570m and was higher than in 4Q 2003 cumulatively by 150.5%. While applying LIFO method, an estimated net profit in 4Q 2004 amounted to PLN 809m comparing to PLN 212m in 4Q 2003. In 4Q 2004 cumulatively an estimated net profit calculated with LIFO method amounted to PLN 2,363m comparing to PLN 998m in the comparable period of previous year.

In 4Q 2004 share of the Dominant Company in the profit on sales of the Capital Group increased from 87.0% to 94.3% in comparison to 4Q 2003. Above mentioned trends resulted from favourable economic factors in 2004, that had first of all the impact on the improvement of financial results of the Dominant Company.

Financial data with segment information of the Capital Group is presented below:

in million PLN

Items	4Q 2003				4Q 2004			
	Refining	Chemicals	Other operations	Total	Refining	Chemicals	Other operations	Total
Segment result	215	61	-38	238	479	259	-46	692
Unallocated corporate income				3				6
Unallocated corporate expense				-84				-89
Operating profit				157				609

in million PLN

Items	4Q 2003 cumulatively				4Q 2004 cumulatively			
	Refining	Chemicals	Other operations	Total	Refining	Chemicals	Other operations	Total
Segment result	1,317	378	16	1,711	2,366	819	29	3,214
Unallocated corporate income				19				34
Unallocated corporate expense				-426				-431
Operating profit				1,304				2,817

In 4Q 2004 the segment total operating profit increased by 287.9% in comparison to the corresponding period of the previous year. That increase was mostly influenced by a significant increase of the results of the refining segment by 122.8% (sustained very high margin levels on quotations for refining products) and chemical segment, which reported a 324.6% increase (prosperity on the market of petrochemical products during the year 2004, resulting mainly from the high demand for polyvinyl chloride and fertilizers). In 4Q 2004 in comparison to the corresponding period of previous year there was a significant decline in the stake of refining segment in the total result of segments. On the other hand, there was an increase in the stake of chemicals segment. Change in the structure of stakes in profit is the result of better prosperity for chemical products in comparison to refining products.

During 4 Q of 2004 in comparison to the corresponding period of the previous year there was an increase in the total operating profit of the segments by 116.0%. It was a consequence of an increase in the financial result of the refining segment by 79.7% (high level of margins in 2004) and increase in the result of the chemical segment by 116.7%. Taking into account the fact that financial results of the chemical segment in 2003 reflect the consequence of contribution of an organized part of the company to Basell Orlen Polyolefins Sp. z o.o. valued at the amount of PLN 112m (the difference between the net book value of the contributed assets and liabilities and the fair value of the stake gained) the operating profit of the chemical segment showed an increase after exclusion of the before mentioned effect by 207.9%.

In 4 Q of 2004 the Dominant Company did not issue securities under Bonds Issuance Program.

**IV. UNUSUAL ITEMS AND EVENTS HAVING A MATERIAL INFLUENCE ON THE ACHIEVED FINANCIAL RESULTS**

In the 12 month period ended 31 December 2004 there were no significant events affecting the amounts presented in this financial statement.

**V. SEGMENT DATA**

	Refining and Marketing				Chemicals				Other operations				Eliminations				Consolidated			
	for the period				for the period				for the period				for the period				for the period			
	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months
	ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003	
<b>Revenues</b>																				
External sales	36,095,552	9,755,705	29,971,350	8,386,736	3,976,287	1,075,712	3,165,168	790,023	677,620	180,384	584,416	187,507	-	-	-	-	40,749,459	11,011,801	33,720,934	9,364,266
<b>Inter-segment sales</b>	4,347,525	1,236,802	3,792,787	1,404,331	1,480,130	406,760	1,399,295	368,437	783,348	210,365	1,102,746	263,894	(6,611,003)	(1,853,927)	(6,294,828)	(2,036,662)	-	-	-	-
Value of hedge transactions					61,351	22,476											61,351	22,476		
<b>Total revenue</b>	40,443,077	10,992,507	33,764,137	9,791,067	5,517,768	1,504,948	4,564,463	1,158,460	1,460,968	390,749	1,687,162	451,401	(6,611,003)	(1,853,927)	(6,294,828)	(2,036,662)	40,810,810	11,034,277	33,720,934	9,364,266
<b>Costs</b>	(37,785,720)	(10,343,555)	(32,395,611)	(9,530,270)	(4,658,201)	(1,208,625)	(4,283,971)	(1,085,720)	(1,386,372)	(411,495)	(1,639,427)	(467,668)	6,611,338	1,854,137	6,295,637	2,036,531	(37,218,955)	(10,109,538)	(32,023,372)	(9,047,127)
Other operating income	205,901	120,100	183,797	81,249	32,372	11,080	132,708	4,649	54,036	13,724	41,066	9,069					292,309	144,904	357,571	94,967
Other operating cost	(497,300)	(290,258)	(235,837)	(126,379)	(73,109)	(48,610)	(35,469)	(16,466)	(100,110)	(39,313)	(73,256)	(30,959)					(670,519)	(378,181)	(344,562)	(173,804)
<b>Result</b>																				
Segment result	2,365,958	478,794	1,316,486	215,667	818,830	258,793	377,731	60,923	28,522	(46,335)	15,545	(38,157)	335	210	809	(131)	3,213,645	691,462	1,710,571	238,302
Unallocated corporate income																	34,056	6,578	19,066	2,685
Unallocated corporate expenses																	(430,501)	(88,873)	(425,788)	(84,005)
<b>Profit from operations</b>																	<b>2,817,200</b>	<b>609,167</b>	<b>1,303,849</b>	<b>156,982</b>
Financial income																	561,838	331,618	279,237	43,284
Financial expenses																	(299,915)	(182,819)	(361,583)	(36,835)
Loss on disposal of all or part of shares in subordinated entities																	13,837	516	243	(184)
<b>Gross profit</b>																	<b>3,092,960</b>	<b>758,482</b>	<b>1,221,746</b>	<b>163,247</b>
Extraordinary gains																	62	44	973	79
Extraordinary losses																	(64)	(22)	(537)	274
Write-off of goodwill from consolidation	(4,927)	(1,271)	(4,698)	(1,251)	-	-	-	-	(838)	(210)	(837)	(209)					(5,765)	(1,481)	(5,535)	(1,460)
Write off of negative goodwill from consolidation	5,846	1,379	12,836	5,971	21,815	3,637	24,237	6,059	49	16	581	307					27,710	5,032	37,654	12,337
<b>Profit before taxation</b>																	<b>3,114,903</b>	<b>762,055</b>	<b>1,254,301</b>	<b>174,477</b>

	Refining and Marketing				Chemicals				Other operations				Eliminations				Consolidated			
	for the period				for the period				for the period				for the period				for the period			
	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months
	ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		Ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003	
Income taxes																	(579,301)	(115,689)	(250,978)	33,777
Other obligatory charges on profit (increase of loss)																	-	-	-	-
Share in profit (losses) of subordinated entities accounted for using equity method	358	107	452	32	77,309	24,605	44,613	9,095	11,304	1,122	11,166	2,418					88,971	25,834	56,231	11,545
Minority interests																	(54,861)	(12,589)	(33,691)	(5,948)
<b>Net profit</b>																	<b>2,569,712</b>	<b>659,611</b>	<b>1,025,863</b>	<b>213,851</b>

	Refining and Marketing				Chemicals				Other operations				Consolidated			
	for the period				for the period				for the period				for the period			
	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months
	ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003	
Property, plant, equipment and intangible assets expenditures	711,190	220,609	692,505	206,447	722,074	239,822	527,852	176,795	70,150	21,420	127,867	39,125	1,503,414	481,851	1,348,224	422,367
Property, plant, equipment and intangible assets expenditures unallocated to segments													34,455	10,390	34,939	8,338
<b>Total property, plant, equipment and intangible assets expenditure</b>													<b>1,537,869</b>	<b>492,241</b>	<b>1,383,163</b>	<b>430,705</b>
Segment depreciation	766,087	179,288	723,427	187,990	171,723	42,274	188,670	45,245	144,523	35,808	161,900	38,868	1,082,233	257,370	1,073,997	272,103
Unallocated assets depreciation													31,597	7,256	34,607	9,037
<b>Total depreciation</b>													<b>1,113,930</b>	<b>264,626</b>	<b>1,108,604</b>	<b>281,140</b>
<b>Non-cash expenses other than depreciation</b>	<b>338,439</b>	<b>218,767</b>	<b>148,550</b>	<b>75,278</b>	<b>26,065</b>	<b>12,966</b>	<b>18,432</b>	<b>6,566</b>	<b>77,439</b>	<b>32,204</b>	<b>40,498</b>	<b>6,446</b>	<b>441,943</b>	<b>263,937</b>	<b>207,480</b>	<b>88,290</b>

### Geographical segments

In connection with purchasing long-term financial assets in Germany, beginning from 1 March 2003 the Group operates in Poland and Germany. The following table presents consolidated sales of the Group by geographical market segmentation for the 12 and 3 month periods ended 31 December 2004 and 31 December 2003.

	Refining and Marketing				Chemicals				Other operations				Consolidated			
	for the period				for the period				for the period				for the period			
	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months	12 months	3 months
	ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003		ended 31 December 2004		ended 31 December 2003	
Export sales	1.137.266	296.684	770.772	230.408	912.034	236.856	790.741	191.345	21.491	3.909	17.773	4.731	2.070.791	537.449	1.579.286	426.484
Domestic sales:	<b>34.958.286</b>	<b>9.459.021</b>	<b>29.200.578</b>	<b>8.156.328</b>	<b>3.125.604</b>	<b>861.332</b>	<b>2.374.427</b>	<b>598.678</b>	<b>656.129</b>	<b>176.475</b>	<b>566.643</b>	<b>182.776</b>	<b>38.740.019</b>	<b>10.496.828</b>	<b>32.141.648</b>	<b>8.937.782</b>
- sales in Poland	26.324.652	7.239.832	22.931.015	6.239.227	3.064.253	838.856	2.374.427	598.678	656.129	176.475	566.643	182.776	30.045.034	8.255.163	25.872.085	7.020.681
- sales in Germany	8.633.634	2.219.189	6.269.563	1.917.101	-	-	-	-	-	-	-	-	8.633.634	2.219.189	6.269.563	1.917.101
- valuation of hedge transactions					61.351	22.476							61.351	22.476		
<b>Total external revenue</b>	<b>36.095.552</b>	<b>9.755.705</b>	<b>29.971.350</b>	<b>8.386.736</b>	<b>4.037.638</b>	<b>1.098.188</b>	<b>3.165.168</b>	<b>790.023</b>	<b>677.620</b>	<b>180.384</b>	<b>584.416</b>	<b>187.507</b>	<b>40.810.810</b>	<b>11.034.277</b>	<b>33.720.934</b>	<b>9.364.266</b>

**VI. IMPORTANT EVENTS THAT WERE SUBJECT OF CURRENT REPORTS SINCE 1 OCTOBER 2004 AND UNTIL THE DAY OF FINANCIAL STATEMENTS APPROVAL**

1. On 4 October 2004, the Management Board of Polski Koncern Naftowy ORLEN S.A. acknowledged the fulfillment of one of the conditions precedent provided for in the conditional agreement to acquire 114,224,038 bearer shares of Unipetrol a.s. ("Unipetrol"), each having the nominal value of CZK 100, and representing approximately 62.99% of all the issued and outstanding shares of Unipetrol. The agreement was signed on 4 June 2004 between the National Property Fund of the Czech Republic ("NPF") and the Company ("Unipetrol Share Purchase Agreement"). Pursuant to the provisions of the Unipetrol Share Purchase Agreement, one of the conditions precedent were preemptive rights to be executed with respect to the shares held by Unipetrol in Ceska rafinerska, a.s., or lapse of the time limit provided for the execution of such preemptive rights in connection with the change of control of Unipetrol, with such rights being granted to each IOC member (Eni International B.V., ConocoPhillips Central and Eastern Europe Holdings B.V. and Shell Overseas Investments B.V., being the shareholders of Ceska rafinerska, a.s.). According to the NPF notification received by the Company, the above mentioned condition precedent has been fulfilled as the NPF was informed by Unipetrol about lapse of the time period provided for the execution of the mentioned above preemptive rights since none of the IOC members had executed them within the prescribed time limits.
2. On 18 October 2004 the Supervisory Board of PKN ORLEN S.A. changed composition of the Management Board. It was connected with a planned change of the structure of the Management Board, which is oriented on its effective and transparent management.  
The changes were made in accordance to the previously agreed procedure, among others after individual evaluations carried through by the consulting company Korn/Ferry International.  
The Supervisory Board accepted resignations submitted on 18 October 2004 by:
  - Krzysztof Kluzek from the position of the Member of the Management Board of PKN ORLEN effective from 18 October 2004,
  - Sławomir Golonka and Jacek Strzelecki from the position of Vice-President of the Management Board of PKN ORLEN effective from 31 October 2004.Simultaneously the Supervisory Board of PKN ORLEN appointed to the Management Board the following persons:
  - Wojciech Heydel as the Vice-President of the Management Board effective from 1 November 2004,
  - Jana Maciejewicz as the Vice-President of the Management Board effective from 1 December 2004,
  - Cezary Smorszczewski as the Vice-President of the Management Board effective from 1 November 2004,
  - Paweł Szymanski as the Member of the Management Board effective from 18 October 2004.
3. On 3 November 2004, the Management Board of PKN ORLEN received the notice from Warsaw-based Kulczyk Holding S.A. informing PKN ORLEN that, according to article 147 of The Act on Public Trading in Securities, Euro Agro Centrum S.A., an affiliate of Kulczyk Holding, sold 945,000 bearer shares of PKN ORLEN on 27 October 2004, representing 0.221% of the initial capital and the same number of votes at the general meeting of PKN ORLEN. The transaction was settled on 2 November 2004. In the light of the above transactions Kulczyk Holding SA and its affiliates are in possession of 20,443,377 bearer shares of PKN ORLEN, an amount that accounts for 4.78% of the initial capital and ensures 20,443,377 votes at the general meeting of shareholders representing 4.78% of votes at the general meeting of shareholders of PKN ORLEN.
4. The Management Board of PKN ORLEN informed that according to the notification received by PKN ORLEN on December 16, 2004 from the National Property Fund of the Czech Republic ("NPF") that the European Commission had confirmed that its acquisition of 114,224,038 bearer shares in Unipetrol contains no public aid elements. This fulfills one of the conditions regarding PKN ORLEN's conditional agreement to purchase the shares in Unipetrol a.s.. The abovementioned decision of the European Commission was issued on December 1, 2004 and received by NPF on December 7, 2004.
5. On 23 December 2004, PKN ORLEN concluded an agreement with Deutschland AG on the short-term loan for the amount of EUR 60m concerning the period from 27 December 2004 to 28 February 2005. The aim of the loan is to secure the settlement of the tax liabilities by ORLEN Deutschland AG

resulting from its trade in fuels. PKN ORLEN owns 100% of the share capital of ORLEN Deutschland AG.

6. On 3 January 2005, PKN ORLEN concluded a wholesale agreement with SHELL Polska Spolka z o.o. for the sale of gasoline and diesel oil with an estimate gross value of PLN 1,905m for delivery during 2005.
7. On 3 January 2005, PKN ORLEN concluded a wholesale agreement with Orlen PetroCentrum Sp. z o.o. for the sale of gasoline and diesel oil with an estimate gross value of PLN 1,173m for delivery during 2005.
8. On 3 January 2005, PKN ORLEN concluded a wholesale agreement with BP Polska Spolka z o.o. for the sale of gasoline and diesel oil with an estimated gross value of PLN 2,377m for delivery during 2005.
9. On 3 January 2005, ORLEN Deutschland AG signed an agreement with Shell Deutschland Oil GmbH, Hamburg for the delivery of fuels for PKN ORLEN's stations in Germany during 2005 with an estimated value of EUR 600m (PLN 2,443m).
10. On 3 January 2005, in the District Court in Opole, the merger of Zaklad Urzadzen Dystrybucyjnych Sp. z o.o., headquartered in Opole (transferee company), with the following companies (offeree companies) was completed:
  - Serwis Katowice Sp. z o.o., located in Katowice,
  - Serwis Kedzierzyn - Kozle Sp. z o.o., located in Kedzierzyn - Kozle,
  - Serwis Kielce Sp. z o.o., located in Kielce,
  - Serwis Lodz Sp. z o.o., located in Lodz,
  - Serwis Rzeszow Sp. z o.o., located in Rzeszow.The merger was effected through the take-over of the total assets of the offeree companies by Zaklad Urzadzen Dystrybucyjnych Sp. z o.o. (merger by take-over).  
In accordance with the above, the articles of associations Zaklad Urzadzen Dystrybucyjnych concerning the initial capital of the company were changed; initial capital was increased by PLN 222,700, from PLN 6,536,500 to PLN 6,759,200 shares in the increased capital, with a nominal value of PLN 50 each, were taken by the shareholders of the offeree companies.  
As a result of this increase of the initial capital in Zaklad Urzadzen Dystrybucyjnych Sp. z o.o. PKN ORLEN's stake decreased from 99.94% to 96.65%.  
After the registration of the merger and the increase of initial capital, the total number of shareholder votes of Zaklad Urzadzen Dystrybucyjnych Sp. z o.o. amounts to 135,184. The registration of the merger of Zaklad Urzadzen Dystrybucyjnych Sp. z o.o. with the companies: Serwis Katowice Sp. z o.o., Serwis Kedzierzyn - Kozle Sp. z o.o., Serwis Kielce Sp. z o.o., Serwis Lodz Sp. z o.o., Serwis Rzeszow Sp. z o.o., results in the cancellation of those companies from the registry.
11. On 4 January 2005, PKN ORLEN issued parent company guarantees to Holborn European Marketing Company Ltd, Deutsche BP Aktiengesellschaft, Shell Deutschland Oil GmbH for the total amounts of EUR 64m and USD 56m and a letter of guarantee to insurance institution Zurich Versicherung AG for the amount of EUR 25m to secure the liabilities of its subsidiary in Germany ORLEN Deutschland AG resulting from ORLEN Deutschland's fuel trading operations (totaling to PLN 533m). The guarantees came into force on 1 February 2005 and extend the period of validity of the currently binding guarantees that had been valid until 31 January 2005 (see regulatory announcements dated *28 January 2004*, *12 February 2004*, *20 February 2004*, *2 August 2004*). The guarantees given to Shell Deutschland Oil GmbH are valid till 30 June 2005 whereas the guarantees given to Holborn European Marketing Company Ltd, Deutsche BP Aktiengesellschaft and Zurich Versicherung AG are valid till 31 December 2005. PKN ORLEN holds a 100% stake in ORLEN Deutschland AG.
12. On 6 January 2005, ORLEN Deutschland AG signed a wholesale agreement with Deutsche BP Aktiengesellschaft for the purchase of gasoline and diesel oil during 2005 with an estimated value of approximately EUR 700m (approximately PLN 2,852.5m). The above mentioned agreement is a "significant agreement" according to the decree of the Council of the Ministers from 16 October 2002 concerning current and periodical information given by the securities issuers, in connection with the



fact that the value of the company exceeds 10% of the equity of PKN ORLEN. ORLEN Deutschland AG is wholly owned by PKN ORLEN.

13. On 12 January 2005, PKN ORLEN concluded a yearly agreement with Rafineria Trzebinia S.A. concerning the sale of gasoline and engine oil to this company in the year 2005. An estimated value of the transaction amounts to about PLN 343m (gross). PKN ORLEN owns 77.1 % of the share capital of the company Rafineria Trzebinia S.A.
14. On 13 January 2005, PKN ORLEN informed that it signed an agreement with Rafineria Trzebinia S.A. The subject of the agreement is the sale of gasoline for thermal decomposition purposes. The agreement is valid in the period between 11 January and 31 December 2005. The estimated value of the transaction amounts to USD 1,084,257 (about PLN 3,369,763). PKN ORLEN owns 77.1% of the share capital of Rafineria Trzebinia S.A.
15. On 19 January 2005, PKN ORLEN received a notice from PETROVAL S.A. stating that PETROVAL was halting the implementation of a forward contract to supply crude oil (dated December 21, 2002) due to a force majeure event which impeded the contract's performance. According to the notice delivered by PETROVAL S.A., the event that qualifies as a force majeure event and justifies interruption of the contract's performance is Yukos' inability to deliver crude oil. It is currently impossible to assess how long this situation will persist. The Management Board of PKN ORLEN has declared that the above described situation does not impede supply crude oil continuity thanks to previously undertaken contingencies. Crude oil deliveries are expected to be executed according to plan, thanks to term and supplementary crude oil delivery spot contracts.
16. PKN ORLEN's Supervisory Board, the body authorized on the basis of §8 passage 11 p. 5 of the Company's Articles of Association and the Accounting Act (article 66 passage 4), following its meetings on 21 January 2005, has appointed KPMG Audyt Sp. z o.o. based in Warsaw, Chlodna Street 51, to audit PKN ORLEN's financial statements, and the Capital Group's consolidated financial statements for 2005, 2006 and 2007 according to the International Accounting Standards. In addition, KPMG will review PKN ORLEN and its Capital Group's unconsolidated and consolidated quarterly and half year financial statements starting from 2Q 2005 till 4Q 2007.
17. On 27 January 2005, PKN ORLEN revealed the information about the dates of publishing of the quarterly and half-year reports in 2005.
18. On 3 February 2005, PKN ORLEN announced that on February 2nd 2005, the Company's Supervisory Board approved a new strategy for PKN ORLEN.

The PKN ORLEN strategy derives from the Company's new mission statement:

*"Aiming to become the regional leader we ensure long-term value creation for our shareholders by offering our customers products and services of the highest quality. As a transparent company, all our operations adhere to 'best practice' principles of corporate governance and social responsibility, with a focus on care for our employees and the natural environment".*

PKN ORLEN will build its firm value primarily by harnessing its existing potential to a maximum extent. In line with the new strategy, we will continue to implement improvements in efficiency and invest in selective projects offering high returns. As part of PKN ORLEN's focus on its core businesses, we will strengthen the Company's presence in its key business areas in the relevant markets, while continuing to restructure our asset portfolio.

The presentation of the new strategy was placed on PKN ORLEN website: [www.orlen.pl](http://www.orlen.pl)

**VII. SHAREHOLDERS POSSESSING DIRECTLY OR INDIRECTLY THROUGH DEPENDENT ENTITIES AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT DATE OF ISSUE OF QUARTERLY REPORT**

Shareholder	Share in number of votes at the GM as at the day of previous quarterly report publication, in %*	Number of shares as at the day of previous quarterly report publication*	% change in the period 29.10.2004 - 15.02.2005	Share in number of votes in % at the GM as at the day of issue of this report**	Number of shares as at the day of issue of this report**
Nafta Polska S.A.	17.32%	74,076,299	-	17.32%	74,076,299
State Treasury	10.20%	43,633,897	-	10.20%	43,633,897
The Bank of New York (GDR owner)	10.82%	46,254,946	1.33	12.15%	51,953,172
Other	61.66%	263,743,919	(1.33)	60.33%	258,045,693
	-----	-----	-----	-----	-----
Total	100%	427,709,061	-	100%	427,709,061
	=====	=====	=====	=====	=====

\* Data as at 29 October 2004

\*\* Data as at 15 February 2005

On 4 July 2003 the Company was informed by Commercial Union Mutual Pension Fund BPH CU WBK located in Warsaw that Commercial Union Mutual Pension Fund BPH CU WBK possessed on 1 July 2003 21,533,539 shares of PKN ORLEN, which constituted 5.04% of the total number of votes at the General Meeting of Shareholders.

Stake of the above shareholders (in %) in the share capital of the Company is consistent with proportion in the number of votes at the General Meeting of Shareholders as at the day of issue of this report.

**VIII. CHANGES IN THE COMPANY'S SHARES POSSESSED BY THE MANAGEMENT BOARD AND BY THE SUPERVISORY BOARD, ACCORDING TO INFORMATION POSSESSED BY THE COMPANY**

**The Company shares possessed by the Management Board and by the Supervisory Board in 4Q 2004:**

	Number of shares as at the day of last quarterly report publication*	Acquired	Disposed	Increases due to changes in the Management Board	Decreases due to changes in the Management Board	Number of shares as at the day of publication of this report**
Management Board	-	-	-	-	-	-
Supervisory Board	2,950	-	-	-	-	2,950

\* Data as at 25 October 2004

\*\* Data as at 15 February 2005

**IX. INFORMATION ON MATERIAL PROCEEDINGS BEFORE COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS, BODY OF PUBLIC ADMINISTRATION AND OTHER RISKS CONCERNING THE COMPANY OR ITS DEPENDENT ENTITIES**

1. As at the date of these financial statements Rafineria Trzebinia S.A., the Company's subsidiary, has no overdue budget liabilities related to the excise tax or VAT.  
The overdue VAT liabilities were cancelled by the decision of the Head of Tax Office of Malopolska region dated 30 April 2004. Liabilities related to the excise tax resulting from the decision of the Head of Customs Office I were cancelled on 19 April 2004. The restructuring process of overdue tax liabilities of Rafineria Trzebinia S.A. for years 1999-2001 was completed by the decision of the Head of Tax Office in Chrzanow dated 12 March 2004, Rafineria Trzebinia S.A. obtained appropriate expertise confirming correct classification of produced goods being subject to the excise duty.
2. In accordance with the Agreement signed on 20 December 2002, Tankpol Sp z o.o. ("Tankpol") transferred to PKN ORLEN due to cession 40% of shares held in ORLEN PetroTank Sp z o.o. ("PetroTank") in exchange for receivables from Tankpol. On 30 October 2003, a legal case was filed against PKN ORLEN as compensation for PLN 69.898 thousand or return of the ceded shares. On 26 January 2004, Tankpol modified its claim for repayment of PLN 36,383 thousand or return of the ceded shares. Together with the claim Tankpol presented a new valuation of PetroTank amounting to PLN 232,147 thousand. On 22 January 2004, Tankpol approached the Company with a compromise offer stating that the claim will be revoked if PKN ORLEN pays PLN 32,745 thousand. On 18 February 2004, during the first hearing the court suspended the legal proceeding for the period of three months in order to allow parties to reach a compromise. On 7 September 2004 the legal proceedings were suspended for another 3 months at both sides request. However in spite of the negotiations there was no agreement concluded between both sides. On 8 December 2004 Tankpol applied in front of the court to take the suspended legal action. According to the Management Board of the Company, based on the independent legal opinion the final result of the case should not influence significantly the presented financial results and the balances of the receivables and liabilities.
3. Due to the public information in relation to PKN ORLEN's purchase transactions, the Supervisory Board had taken actions including requests to audit firms to perform specific test procedures, which were aimed at verifying the above information, including an analysis of the specified procurement transactions. The resulting reports on these procedures were presented to the Supervisory Board for further analyses. Simultaneously the Management Board filed notifications to the Public Prosecutor's Office regarding a suspicion of a commitment of crimes connected with:
  - disclosure of confidential information included in auditors' reports.
  - violation of the Company's purchase procedures.

The final outcome of the above notifications is not known as at the date of the preparation of these financial statements. However, in the Management's opinion, there are no circumstances indicating that the above mentioned matters may materially impact the true and fair presentation of the accompanying consolidated and unconsolidated condensed financial statements for the 12 month period ended 31 December 2004.

4. On 20 May 2003 the Management Board of the Company submitted a put option execution declaration for all Niezalezny Operator Miedzystrefowy Sp. z o.o. ("NOM") shares owned by PKN to Polskie Sieci Energetyczne S.A. ("PSE"). The "put" price amounted to PLN 111.5m and was calculated as a sum of a par value of the shares sold and a cumulative investment premium calculated according to the Agreement dated 8 June 2000 regulating the cooperation between the NOM shareholders.  
On 20 October 2003, PSE filed a suit to the Court of Arbitration of the Polish Chamber of Commerce in Warsaw, regarding the determination of the validity of the shares sales agreement. In the opinion of the Management Board of the Company based on independent legal analyses the Company executed its put option and sold NOM shares to PSE. Consequently in year 2003, the Company recognised on the transaction profit amounting to PLN 27.5m (difference between purchase price of the stakes and the sales price resulting from the put option).  
On 23 September 2004 during the first hearing in the Court of Arbitration initial presentation of both sides' positions took place. The Court took also decision about hearing of witnesses of both sides. On 7 October

2004, there was a hearing, during which the called witnesses were examined. The hearing was postponed to 28 October 2004. As a consequence of the absence of one of the witnesses the date of the next hearing was set for 19 November 2004. The hearing did not take place however due to the illness of the chairman of judging body. During the next hearing on 17 December 2004 the both sides were requested to present additional explanations and opinions. Depending on the official stands concerning statements of the opposite side and potential claims. The Arbitration Court will make a decision either about the potential sentence or the once more recognition of the case.

Due to the prolonged arbitration proceeding the Company provided for receivable balance from PSE in full (PLN 111.5m). In the Management's opinion there is a significant risk that the receivable would not be collected.

5. The Decree of Ministry of Economy dated 14 December 2000 relating to detailed methods of determination and computation of tariffs and electricity settlement regulations (Journal of Law No. 1 dated 15 January 2001), according to the paragraph 36 the method of calculation of system fee, constituting an element of a power transfer fee has been changed. According to paragraph 37 of the Decree a different method of power transfer fee settlement has been allowed. Following the decision of the Chairman of the Electricity Regulation Office the electricity sale agreement between Zakład Energetyczny Plock S.A. ("ZEP S.A.") and PKN ORLEN was signed. The agreement did not determine contentious issues concerning transfer 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 a compromise agreement, and the District Court in Warsaw called PKN ORLEN as a co-defendant in a court case Polskie Sieci Energetyczne against ZEP S.A. The Company's Management estimated the claim and set up in 2002 an accrual for liability to ZEP S.A. in the amount of PLN 8,272 thousand, and provided for it in the amount of PLN 9,781 thousand. As a consequence of the negative decision of the court PKN ORLEN was obliged to pay a liability due to the above mentioned system fee to ZEP S.A. in the amount of PLN 46,232 thousand. As a result the provision for business risks increased by PLN 28,179 thousand to cover the whole judged amount.
6. On 18 August 2004 the Management Board of PKN ORLEN S.A. informed that on 11 August 2004 the Register Court in Krakow registered an increase in the share capital of the company ORLEN Oil. The share capital was increased from PLN 44m by the amount of PLN 31m, up to PLN 75m. The stake in the increased share capital was covered in whole by PKN ORLEN in the form of cash contribution. After the increase of the share capital of ORLEN Oil the stake of PKN ORLEN S.A. rose from 9% to 47.2%. Remaining shares are possessed by Rafineria Trzebinia S.A. (43.8%), Rafineria Jedlicze S.A. (4.5%), Rafineria Czechowice S.A. (4.5%). Each share gives the right to only one voice during the General Meeting of Shareholders. The purpose of the increase of the share capital is to acquire resources for partly financing of the acquisition of ORLEN Oil's assets being the element of the Oil Department of PKN ORLEN S.A. These tasks are connected with the strategy of consolidation of the oil assets of PKN ORLEN around ORLEN Oil in order to create the uniform centre managing the oil segment in PKN ORLEN S.A. The contributed assets constitute above 20% of current initial capital of ORLEN Oil and constitute financial assets of significant value in accordance with §2 Act 1 and 3 the Decree of the Council of Ministers dated on 16 October 2001 on current and periodic information published by issuers of securities.

**X. INFORMATION ON LEGAL ACTIONS CONCERNING THE COMPANY'S OR ITS DEPENDENT ENTITIES' LIABILITIES OR RECEIVABLES ACCOUNTING FOR 10% OR MORE OF THE COMPANY'S EQUITY**

During the period from 1 January 2004 to 31 December 2004 the Company was not involved in any legal actions concerning the Company's or its dependent entities' liabilities or receivables accounting for 10% or more of the Company's equity.

**XI. INFORMATION ON UNUSUAL TRANSACTIONS WITH RELATED ENTITIES**

During the period from 1 January 2004 to 31 December 2004 there were no unusual transactions with related entities in the Capital Group, where the value of the transaction would exceed EUR 500 thousand, apart from the short-term loan granted to ORLEN Deutschland on 23 December 2004 for the amount of EUR 60m. The loan was fully repaid on 14 February 2005.

Transactions concluded within the Capital Group were supply and services typical for the profile of activity of particular companies within the Group apart from enlargement of the share capital in the company ORLEN Oil and the sale of the Oil Department of PKN ORLEN to the company ORLEN Oil.

**XII. INFORMATION ON GUARANTEES OF LOANS GRANTED BY COMPANY OR ITS SUBSIDIARIES TO OTHER ENTITIES. WHERE THE AMOUNT OF GUARANTEE ACCOUNTS FOR 10% OR MORE OF THE COMPANY'S EQUITY**

Within the Capital Group of PKN ORLEN during the period from 1 January 2004 to 31 December 2004, the Dominant Company and its subsidiaries did not grant any sureties of loans, guarantees to any other entity or their subsidiaries, where the amount of surety or guarantee would account for 10% or more of the Company's equity, except for registered pledge established by PKN ORLEN pursuant to the registered share pledge agreement dated 19 December 2003, which provides a security for repayment by Basell ORLEN Polyolefins („BOP”) of present and future pecuniary claims of the pledgee under the Hedging Intercreditor Agreement between subjects granting finance for BOP up to the maximum security amount of EUR 750m.

**XIII. ADDITIONAL INFORMATION**

Rafineria Nafty Jedlicze, Rafineria Trzebinia and ORLEN Oil are subject of the project "Restructuring of the southern assets of the Capital Group PKN ORLEN". The project assumes optimization and consolidation of production and sale of fuel, engine oils, lubricants and paraffin in the Capital Group of PKN ORLEN S.A.

In 1Q 2005 the Management Board of PKN ORLEN will make a decision concerning the above mentioned restructuring of the southern assets.

As of the date of the above consolidated condensed financial statement preparation, no results of the potential restructuring activities, which may have material impact on the presented financial data of the Group as of 31 December 2004 are known to the Management Board.

**MANAGEMENT BOARD SIGNATURES**

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**President**  
Igor Chalupec

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**Vice President**  
Wojciech Heydel

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**Vice President**  
Andrzej Macenowicz

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**Vice President**  
Jan Maciejewicz

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**Vice President**  
Cezary Smorszczewski

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**Vice President**  
Janusz Wisniewski

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**Member**  
Pawel Szymanski

**Plock, 25 February 2005**