

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Financial Highlights

ORLEN Group	12 months ended		3 months ended		12 months ended		3 months ended		% change		% change	
	Dec 31 2004 (unaudited data)		Dec 31 2004 (unaudited data)		Dec 31 2003 (unaudited data)		Dec 31 2003 (unaudited data)		12 months		3 months	
Results according to IFRS	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm
Sales revenue	30,535	8,369	8,313	2,544	24,412	6,276	6,908	1,777	25.1%	33.3%	20.3%	43.2%
EBITDA ²	4,011	1,099	901	276	2,503	643	478	123	60.2%	70.9%	88.5%	124.4%
Operating profit/(loss)	2,777	761	598	183	1,267	326	152	39	119.2%	133.4%	293.4%	369.2%
Financial expenses	256	70	168	51	377	97	55	14	-32.1%	-27.8%	205.5%	264.3%
Net profit (loss)	2,442	669	610	187	987	254	219	56	147.4%	163.4%	178.5%	233.9%
Net profit (loss) according to LIFO method	2,235	613	759	232	959	247	217	55	133.1%	148.2%	249.8%	321.8%
Operating cash flow	3,592	985	799	244	1,707	439	266	68	110.4%	124.4%	200.4%	258.8%

(1) The following average exchange rates were used for the conversion of the amounts denominated in USD: 12 months 2003 – PLN 3.8898, 12 months 2004 – PLN 3.6484, 3 months 2003 – PLN 3.8864, 3 months 2004 – PLN 3.2680.

(2) EBITDA = OPERATING PROFIT + AMORTISATION/DEPRECIATION

- **Refining (Production + Wholesale):** In Q4 2004, the segment's financial result gained PLN 302m year on year, chiefly as a result of such factors as higher crack margins on refinery products, a higher URAL/Brent differential, and lower operating expenses.
- **Refining (Retail):** A PLN 28m rise in the loss in Q4 2004 year on year, foremost due to a loss on the German operations.
- **Petrochemicals:** Q4 2004 saw the segment's financial result growing relative to the analogous quarter of 2003 (up by PLN 183m) on stronger demand for the key products of PKN ORLEN and Anwil SA.
- **Other Activities:** A 14.0% drop in revenue, accompanied by a 10.6% reduction of the segment's costs, had an adverse effect on its financial result. In Q4 2004, the segment posted a PLN 50m loss versus a PLN 39m loss in Q4 2003.
- **Inland Premium:** In Q4 2004, the inland premium rose by PLN 39m (36.1%) year on year.
- **Profit on Sales:** A 44.7% increase in the profit on sales in Q4 2004 in relation to Q4 2003, attributable mainly to positive market trends in Refining (Production and Wholesale) and Petrochemicals, as well as efficiency-improvement measures.
- **Net Profit:** The Q4 2004 net profit stood at PLN 610m, an improvement of PLN 391m on Q4 2003, driven mainly by the high profit on sales.
- **Net Operating Cash Flow:** A PLN 533m increase in cash generated in Q4 2004 year on year, following mainly from the improvement of the net profit and a lower level of accounts receivable and stocks.
- **CAPEX (expenditure on tangible and intangible fixed assets):** A PLN 49m reduction of CAPEX in Q4 2004 over Q4 2003, following from the scale-down of investment projects, mainly in Petrochemicals and Other Activities.
- **Operating Expenses Reduction Programme:** In Q4 2004, the implementation of the Programme led to PLN 149m cost savings, relative to PLN 95m in Q4 2003.

“The year 2004 was a time of many significant events, both for PKN Orlen and for Poland’s economy as a whole. The Company’s macroeconomic environment was influenced by the conditions prevailing in the industry, including the high level of crack margins, oil prices and the Ural/Brent differential. In addition, Poland’s accession to the European Union on May 1st 2004 was accompanied by an acceleration of its economic growth. The second half of 2004 saw a number of material changes in the composition and the organisational structure of PKN Orlen’s governing bodies, introduced with a view to fostering efficiency and transparency in management. The changes were made in a very efficient manner, and now it can be stated that they have met with a positive reaction of the investors, who have placed much confidence in the new management. One manifestation of this trust is the rising price of the PKN Orlen stock on the Warsaw Stock Exchange.

In the fourth quarter of 2004, the Company was already managed by the new Executive Board. Not only did the new management team undertake to accelerate the efficiency improvement programmes launched earlier and to introduce new ones, but they also began to develop a new strategy for PKN Orlen, designed to achieve a long-term growth of shareholder value, and foster the Company’s position as the industry leader in the region.

In the fourth quarter of 2004, the above mentioned favourable economic trends seen in the oil industry in the earlier part of the year continued, and pushed PKN Orlen SA’s financial performance to a record breaking level. The prices of crude oil remained high (Q4 2004: USD 44/ bbl on average), supported by a large demand for energy resources in the global economy, in particular the dynamic development of China, and a continued lack of stability in Iraq and the Middle East. The high prices on global exchanges were accompanied by a high Ural/Brent differential, which in the fourth quarter of 2004 was USD 6.13/bbl, and in 2004 as a whole amounted to USD 4.12/bbl on average. 2004 saw also a rise in refining margins on gasoline (up by 41.5%, to USD 114.06 per tonne) and on diesel oil (up by 66.1%, to USD 102.76 per tonne) as compared with 2003.

The opportunities offered by the favourable macroeconomic environment were fully harnessed by PKN Orlen SA. In terms of financial performance, 2004 was the best year ever for the Company. Its annual revenues grew by over 25% year on year, to over PLN 30bn. At the same time the net profit rose to PLN 2.4bn, which means a 147% increase as compared with the result reported at the end of 2003, and translates into a ROE of 19.0%. To compare, in 2003 ROE was 8.2%.

However, the very good financial performance of PKN Orlen in 2004 was not only fuelled by the good market situation and the favourable general economic conditions. It was also due to the intense efforts of the Company’s employees, manifest in such achievements as the larger amount of processed oil, a successful implementation of the policy designed to adjust the prices of the Company’s fuels to the market trends, and a reduction of the operating expenses, which has improved the Company’s competitiveness. The average prices over the twelve months of 2004 were kept slightly below the import parity, in order to halt the falling trend in retail sales of fuels and to reinforce the Company’s position on the wholesale market. In addition, the consistent implementation of the Operating Expenses Reduction Programme resulted in savings of approx. PLN 378m, which are reflected in EBIT.

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

In the fourth quarter of 2004 intense efforts continued to finalise the acquisition of shares in Unipetrol. In October 2004 one of the material conditions precedent stipulated in the Share Purchase Agreement concerning Unipetrol was satisfied, namely none of the existing shareholders of Ceska Rafinerska a.s. (Eni International B.V., ConocoPhilips and Central Europe Holdings B.V., and Shell Overseas Investments B.V.) exercised their pre-emptive right to acquire the shares in connection with PKN Orlen's acquisition of control over Unipetrol. Work also continued to gather all the necessary documents for the European Commission, which, following Poland's and the Czech Republic's accession to the EU, is the authority competent to take a position on the transaction's impact on the Common Market.

It should be noted that the day-to day operations of PKN Orlen remained unaffected by the conflict between the government of the Russian Federation and Yukos, which is a source of a portion of PKN Orlen's supplies of crude oil in 2004. Monitoring the conflict, the Company's Executive Board secured alternative supply sources for PKN Orlen.

The year 2004, which was undoubtedly a year of record high financial results, has given us a strong position to achieve our priorities as defined in the development strategy for 2005–2009, adopted on February 2nd 2004. However, it also poses a challenge for the management to leverage the Company's potential in the best way possible. All efforts will be oriented towards building the Company value, which translates into shareholder value. We will focus first and foremost on improving the efficiency of our activities and investments. We will also seek to strengthen the Company's core operations on our home markets and will actively monitor the opportunities to expand into new ones."

Financials by Area of Activity

Market Overview

In the fourth quarter of 2004, the average price of Brent oil stood at USD 43.88/bbl, having gone up by USD 14.22/bbl (48.9%) year on year. The rise went hand in hand with a higher URAL/Brent differential, which moved from USD 1.65/bbl in Q4 2003 to USD 6.13/bbl in Q4 2004. During the fourth quarter of 2004, the average market price of gasoline was USD 424.88/t (a USD 134.46, or 46.3%, increase over Q4 2003). In the same period, an even more material rise was recorded in the market prices of diesel fuel and Ekoterm, by USD 207.45/t and USD 173.18/t, respectively (or by 72.5% and 64.5%). Year on year, the crack margins for gasoline increased by 35.7%, and those for diesel fuel and gas oil increased substantially, by 152.8% and 137.1%, respectively. The U.S. dollar and the euro weakened against the Polish currency, by 15.9% and 8.4%, respectively (from PLN 3.8864/USD 1 in Q4 2003 to PLN 3.2680/USD 1 in Q4 2004, and from PLN 4.6219/EUR 1 in Q4 2003 to PLN 4.2350/EUR 1 in Q4 2004).

According to GUS (National Statistics Office) data, favourable economic conditions prevailed on the Polish market in 2004, which bore fruit in the form of a stable rate of high economic growth. Industrial production rose by 12.3% as compared with the analogous twelve months of 2003.

In addition, based on GUS data, in Q4 2004 consumer prices went up by 0.9%, while in the analogous period of 2003 they grew by 1.1%. Similarly, the average growth of consumer prices strengthened over the whole year 2004 (4.4% rise December to December, vs. 1.5% in 2003). Transport prices in the period January – December 2004 were up by 9.6% (December on December), chiefly due to an increase in the prices of fuels (17.0%).

Based on market data provided by Samar, approx. 318,000 new automobiles were sold in Poland over the twelve months of 2004, which means a 10.1% drop on 2003. There were a number of reasons – as earlier forecast by analysts – for this decrease, including VAT changes, new auto price hikes and high fuel prices. The opening of the borders for privately imported vehicles was yet another factor detrimental to the new automobile market: 811.8 thousand used vehicles have been brought to Poland since May 2004.

PKN Orlen's estimated share in the domestic consumption of liquid fuels in the twelve months of 2004 was 61.8% for gasoline, 48.0% for diesel fuel, and 60.1% for Ekoterm.

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Refining (Production + Wholesale)

Refining (Production + Wholesale)	12 months ended Dec 31 2004 (unaudited data)		3 months ended Dec 31 2004 (unaudited data)		12 months ended Dec 31 2003 (unaudited data)		3 months ended Dec 31 2003 (unaudited data)		% change 12 months		% change 3 months	
	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm
Results according to IFRS												
Revenue, including:	21,197	5,810	5,933	1,815	15,798	4,061	4,372	1,125	34.2%	43.1%	35.7%	61.3%
Revenue on sales to third parties	14,337	3,930	4,127	1,263	10,066	2,588	2,890	744	42.4%	51.9%	42.8%	69.8%
Intra-company revenue *	6,860	1,880	1,806	552	5,732	1,473	1,482	381	19.7%	27.6%	21.9%	44.9%
Costs and expenses	18,905	5,182	5,392	1,649	14,585	3,750	4,133	1,064	29.6%	38.2%	30.5%	55.0%
Result **	2,292	628	541	166	1,213	312	239	61	89.0%	101.3%	126.4%	172.1%
Sales to third parties (thousand tonnes)***	9,143		2,519		8,416		2,473		8.6%		1.9%	
Sales of products to third parties (thousand tonnes)	9,143		2,519		8,419		2,473		8.6%		1.9%	

*) Revenue includes transfers to the retail segment in the amount of: 12 months 2003 – PLN 2,413m, 12 months 2004 – PLN 2,575m, 3 months 2003 – PLN 216m, 3 months 2004 – PLN 588m.

**) The segment's operating result, net of the costs not attributed to any of the segments, incurred at the Group's level.

***) Products including materials, such as crude oil.

The Q4 2004 result in refining totalled PLN 541m, rising from PLN 239m in Q4 2003. The increase was driven by higher revenue (up by 35.7%), while the total costs and expenses of the segment grew by only 30.5%. The revenue and costs of the segment were largely affected by the inclusion in the segment in Q4 2004 of some of the German operations (approximately PLN 548m in both revenue and costs) and Orlen Petrocentrum Sp. z o.o. (approximately PLN 400m in both revenue and costs). In the previous year, these companies were entirely included under Refining (Retail). The decision to split operations followed from a higher share of wholesale in these companies' total sales.

In Q4 2004, implementation of the comprehensive Operating Expenses Reduction Programme ushered in savings of PLN 63.9m for the segment, that is 2m more than in the analogous period of 2003.

The segment's result was positively affected by an increase in prices of gasoline, diesel and gas oil in Q4 2004 year on year. The jump in prices was accompanied by increases in crack margins on these products and in the URAL/Brent differential.

In Q4 2004, the volume of diesel fuel and gasoline sold to third parties grew by 7.6% and 3.0%, respectively, in comparison with Q4 2003. In the period, growth was also seen in Ekoterm sales (up by 36.7% year on year). The volume of light product sales was up by 13.8% in aggregate. The growth in the fuel sales volume was caused, among other factors, by the inclusion of some of the German operations and Orlen Petrocentrum Sp. z o.o. in the segment in Q4 2004 and the stronger fuel consumption in Poland over Q4 2003.

As at the end of December 2004, the segment's result was PLN 2,292m, representing a PLN 1,079m increase on 2003.

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Refining (Retail)

Refining (Retail)	12 months ended		3 months ended		12 months ended		3 months ended		% change		% change	
	Dec 31 2004 (unaudited data)		Dec 31 2004 (unaudited data)		Dec 31 2003 (unaudited data)		Dec 31 2003 (unaudited data)		12 months		3 months	
Results according to IFRS	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm
Revenue, including:	11,584	3,175	2,937	899	11,091	2,851	3,174	817	4.4%	11.4%	-7.5%	10.0%
Revenue on sales to third parties	11,548	3,165	2,925	895	10,651	2,738	3,043	783	8.4%	15.6%	-3.9%	14.3%
Intra-company revenue	36	10	12	4	440	113	131	34	-91.8%	-91.2%	-90.8%	-88.2%
Costs and expenses	11,535	3,162	3,003	919	11,053	2,841	3,212	827	4.4%	11.3%	-6.5%	11.1%
Result*	49	13	-66	-20	38	10	-38	-10	28.9%	30.0%		
Sales to third parties (thousand tonnes)	3,346		852		3,864		1,049		-13.4%		-18.8%	

*) The segment's operating result, net of the costs not attributed to any of the segments, incurred at the Group's level.

In Q4 2004, the domestic retail sales rose 98.6% year on year, and their growth dynamics for the four quarters of 2004 was 98.5% relative to the four quarters of 2003. In Q4 2004, the non-fuel margin rose by 13.9% over the corresponding period of 2003. The Group companies' sales revenue on non-fuel goods stood at PLN 213m in Q4 2004, representing a 2.4% increase on the analogous period of 2003.

A further rise (by 19.3% in Q4 2004 relative to Q4 2003) was seen in the volume of retail fuel sales under the FLOTA loyalty programme, attributable to a range of promotional activities organised by PKN Orlen. At the same time, the share of fuel sales under the VITAY programme in the total retail sales shrank by 3.9 pp.

In the fourth quarter of 2004 the segment's revenues and costs decreased by PLN 237m (7.5%) and PLN 209m (6.5%), respectively, year on year. The fact that the Group's revenues were decreasing at a faster rate than the costs was caused mainly by the results of the German operations, whose revenue included in the segment in Q4 2004 was lower by PLN 248m in comparison with Q4 3003, and stood at PLN 1,694, while its costs had dropped only by PLN 190m, to PLN 1,768. Accordingly, the German operations attributable to the segment resulted in a loss of PLN 74m (PLN 16m loss in Q4 2003). In Q4 2004, sales volume of the German operations was partially included in Refining (Production + Wholesale), while in Q4 2003 all of the German operations were disclosed under Refinery (Retail). The lower sales revenue went hand in hand with a drop in sales volume (18.7%), partially as a result of a change in the policy of presentation of segments' results.

The implementation of the comprehensive Operating Expenses Reduction Programme yielded PLN 42.1m in savings to the segment in Q4 2004 (Q4 2003: PLN 23.5m).

All of the above factors increased the segment's Q4 2004 loss by PLN 28m (to PLN 66m), as compared with Q4 2003 (loss of PLN 38m).

As at the end of December 2004, the segment's result was PLN 49m, as compared with a PLN 38m profit in 2003.

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Petrochemicals

Petrochemicals	12 months ended		3 months ended		12 months ended		3 months ended		% change		% change	
	Dec 31 2004 (unaudited data)		Dec 31 2004 (unaudited data)		Dec 31 2003 (unaudited data)		Dec 31 2003 (unaudited data)		12 months		3 months	
Results according to IFRS	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm
Revenue, including:	5,481	1,502	1,496	458	4,545	1,168	1,164	300	20.6%	28.6%	28.5%	52.7%
Revenue on sales to third parties	3,939	1,080	1,067	326	3,145	809	795	205	25.2%	33.5%	34.2%	59.0%
Intra-company revenue	1,481	405	407	125	1,400	359	369	95	5.8%	12.8%	10.3%	31.6%
Settlement of hedging transactions.	61	17	22	7								
Costs and expenses	4,671	1,280	1,241	380	4,127	1,061	1,092	281	13.2%	20.6%	13.6%	35.2%
Result*	810	222	255	78	418	107	72	19	93.8%	107.5%	254.2%	310.5%
Sales to third parties (thousand tonnes)	2,217		569		2,204		563		0.6%		1.1%	

*) The segment's operating result, net of the costs not attributed to any of the segments, incurred at the Group's level.

The segment's result for Q4 2004 amounted to PLN 255m, while in the corresponding quarter of 2003 it had totalled PLN 72m. The revenue on petrochemicals was higher by PLN 332m (up by 28.5%) with a slight improvement in the volume of sales to external customers (by 1.1%), which was attributable to a stronger demand for petrochemicals, chiefly for the products of PKN Orlen and Anwil SA. In Q4 2004, sales value for the main products of the two companies increased: ethylene – 28.6%, propylene – 53.8%, benzene – 165.5%, ammonium nitrate – 21.0%, polyvinyl chloride – 14.2%, and CANWIL – 8.3%. The Q4 2004 operating profit of PKN Orlen and Anwil SA attributable to the segment stood at PLN 218m and PLN 64m, respectively, while in the fourth quarter of 2003 the profit earned was PLN 29m and PLN 55m, respectively. The crack margins were USD 579.8/ t for ethylene and USD 478.8/ t for propylene, which means an increase by 58.1% and 69.4%, respectively, over Q4 2003.

The implementation of the comprehensive Operating Expenses Reduction Programme ushered in PLN 5.5m in savings for the segment, on a par with Q4 2003.

As at the end of December 2004, the segment's results stood at PLN 810m, having risen by 93.8% from the figure recorded in the same period of 2003.

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Other Activities

Other activities	12 months ended		3 months ended		12 months ended		3 months ended		% change		% change	
	Dec 31 2004 (unaudited data)		Dec 31 2004 (unaudited data)		Dec 31 2003 (unaudited data)		Dec 31 2003 (unaudited data)		12 months		3 months	
Results according to IFRS	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm	PLNm	USDm
Revenue, including:	1,433	393	382	117	1,653	425	444	114	-13.3%	-7.5%	-14.0%	2.6%
Revenue on sales to third parties	650	178	172	53	550	141	180	46	18.2%	26.2%	-4.4%	15.2%
Intra-company revenue	783	215	210	64	1,103	284	264	68	-29.0%	-24.3%	-20.5%	-5.9%
Costs and expenses	1,411	387	432	132	1,647	423	483	124	-14.3%	-8.5%	-10.6%	6.5%
Result*	22	6	-50	-15	6	2	-39	-10	266.7%	200.0%	28.2%	50.0%
Sales to third parties (thousand tonnes)	244		100		93		29		162.4%		244.8%	

*) The segment's operating result, net of the costs not attributed to any of the segments, incurred at the Group's level.

In addition to the companies involved in the production of energy and provision of services to PKN Orlen, the "other activities" segment includes a number of undertakings which were spun off, mainly as part of the Group restructuring.

In Q4 2004, the segment sustained a loss of PLN 50m. To compare, the loss incurred in Q4 2003 amounted to PLN 39m.

In the period under analysis, the implementation of the comprehensive Operating Expenses Reduction Programme ushered in PLN 37.6m in savings for the segment, relative to PLN 4.1m in Q4 2003.

As at the end of December 2004, the segment's profit was PLN 22m as compared with the PLN 6m in profit generated in 2003.

Financial Review

Profit and Loss Account

The profit on sales for Q4 2004 totalled PLN 1,639m, rising by PLN 506m (44.7%) from the result reported for Q4 2003. The improvement comes from the stronger sales revenue (an increase of PLN 1,405m), which was greater than the corresponding rise in cost of sales (an increase of PLN 899m). The value of the Group's external sales increased in Refining (Production + Wholesale), where it grew by PLN 1,237m (42.8%), and in Petrochemicals, where it was higher by PLN 272m (34.2%). The rise in the value of sales to third parties was accompanied by an increase in the sales volume, by 1.9% and 1.1%, respectively. The amount of revenue derived from Refining (Production + Wholesale) was influenced mainly by higher market prices of fuel, and a change in the manner in which the revenue was attributed to the segment.

The Q4 2004 sales of our German operations stood at PLN 2,219m, while in Q4 2003, they had amounted to PLN 1,918m.

In the fourth quarter of 2004, the selling costs shrank by PLN 79m (11.9%) relative to Q4 2003, to amount to PLN 585m. In the same period, the general administrative expenses fell by PLN 38m (15.6%) on Q4 2003, to PLN 205m.

In Q4 2004, a loss of PLN 251m was recorded on other operating activities. To a significant extent the loss amount was attributable to certain actions which took place at PKN Orlen, namely creation of a provision for the cost of land reclamation and contamination removal (PLN 77m), a provision for general economic risk (PLN 64m) and the revaluation write-offs on accounts receivable (PLN 40m). Financial income in the fourth quarter of 2004 was PLN 251m, having moved up by PLN 208m on the Q4 2003 figure, chiefly as a result of a favourable foreign exchange environment (foreign exchange gains). At the same time, the Group's financial expenses rose by PLN 113m relative to Q4 2003, which was attributable to a provision created for accounts receivable in connection with the sale of shares in NOM Sp. z o.o. (PLN 111m). Consequently, the profit of this segment totalled PLN 83m in the fourth quarter of 2004, while in the analogous period of 2003, the Group had posted a loss of PLN 12m.

The share of undertakings consolidated with the equity method in the financial result amounted to PLN 29m in Q4 2004, relative to PLN 8m of Q4 2003.

As a result of a higher pre-tax profit and a change of the tax rate applicable to the deferred tax in 2003, the Q4 2004 income tax was PLN 88m, which represents a PLN 166m increase year on year, and .

The above factors produced a net profit of PLN 610m for Q4 2004, up by PLN 391m on Q4 2003.

For the four quarters of 2004, the net profit totalled PLN 2,442m, thus rising by PLN 1,455m (or 147.4%) year on year.

Balance Sheet

As at the end of the fourth quarter of 2004, the total assets amounted to PLN 18,946m, up by 10.5% from December 31st 2003. The value of fixed assets fell by PLN 99m (0.9%) from the December 31st 2003 figure, and amounted to PLN 10,616m, chiefly upon a PLN 175m drop in tangible fixed assets in relation to their value as at December 31st 2003. As at the end of Q4 2004, current assets grew from PLN 6,434m (as at December 31st 2003) to PLN 8,330m mainly due to an increase in short-term securities and cash, trade debtors and other accounts receivable, as well as stocks: by PLN 1,202m, PLN 446m and PLN 215m, respectively.

Shareholders' equity stood at PLN 11,657m as at the end of Q4 2004, up by PLN 2,147m (22.6%) in relation to the end of 2003. The main contributing item was a higher retained profit (up by PLN 2,164m). Long-term liabilities amounted to PLN 2,855m, rising by PLN 110m in comparison with the end of 2003 in connection with an increase in provisions (PLN 189m) accompanied by a drop in liabilities under loans and borrowings (down by PLN 79m). Short-term liabilities decreased from PLN 4,467m as at December 31st 2003 to PLN 4,055m as at December 31st 2004. As for short-term liabilities are concerned, loans and borrowings dropped significantly in value (by PLN 953m), while the liabilities and accruals and deferred income grew by PLN 514m. The Group's total debt (loans, borrowings, and securities) reached PLN 1,999m as at December 31st 2004, which means a drop of PLN 1,032m as compared with the end of 2003.

Cash Flow

The Q4 2004 net operating cash flow stood at PLN 799m, having increased by PLN 533m relative to the analogous quarter of 2003, which was attributable mainly to the net profit being higher by PLN 391m and a positive trend in stocks and accounts receivable (in Q4 2004 they dropped by PLN 534m while in Q4 2003 they had decreased by PLN 69m). As compared with Q4 2003, the Group's liabilities, accruals and deferred income deteriorated (in Q4 2004 they went down by PLN 572m; to compare, in Q4 2003 they had decreased by PLN 237m).

Investment cash outflow amounted to PLN 1,049m in Q4 2004, up by PLN 819m on the corresponding quarter of 2003. The improvement was achieved foremost thanks to the acquisition of short-term securities. In Q4 2004, the Group made such purchases on the secondary markets (treasury bills and bonds as well as commercial papers) as a means of investing the Group's short-term financial surplus. As was true of the analogous period of 2003, at the end of the fourth quarter of 2004, the Group recorded a negative balance of financing cash flow of PLN 69m (Q4 2003: negative balance of PLN 123m). Such an outflow was caused by repayment of the Group's debt under loans and borrowings and debt securities. In the fourth quarter of 2004, the net outflow on contracted and repaid loans and borrowings and debt securities stood at PLN 54m, while in Q4 2003 the corresponding outflow had amounted to PLN 103m.

As at the end of December 2004, operating cash flows amounted to PLN 3,592m, rising by PLN 1,885m from the amount recorded in the analogous period of 2003.

Investing cash outflow of PLN 2,382m as at the end of Q4 2004 results chiefly from CAPEX on tangible fixed assets (PLN 1,497m) and the acquisition of short-term securities (PLN 1,232m); at the end of Q4 2003, it had totalled PLN 1,381m, comprising mainly investments in tangible fixed assets (PLN 1,337m) and the acquisition of operations in Germany (PLN 279m).

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A decrease in short- and long-term loans and borrowings as well as dividend payments to shareholders led to a negative net financing cash flow, which as at the end of Q4 2004 totalled PLN 1,065m.

Net cash at the end of Q4 2004 totalled PLN 707m, rising by PLN 145m on 2003. The increase is the by-product of the Group's good operating result. The Group's financial surplus is by and large short-term in nature; the Group plans to use it mainly to finance the acquisition of Unipetrol.

APPENDIX I

PKN ORLEN
SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for the periods of 12 and 3 months
ended December 31st 2004 and December 31st 2003

(PLNm)

ITEM	12 months ended Dec 31 2004 (unaudited data)	3 months ended Dec 31 2004 (unaudited data)	12 months ended Dec 31 2003 (unaudited data)	3 months ended Dec 31 2003 (unaudited data)	% change 12 months	% change 3 months
Sales revenue	30,535	8,313	24,412	6,908	25.1%	20.3%
Cost of sales	24,403	6,674	19,986	5,775	22.1%	15.6%
Profit (loss) on sales	6,132	1,639	4,426	1,133	38.5%	44.7%
Other operating income	370	161	422	112	-12.3%	43.8%
Selling costs	2,180	585	2,259	664	-3.5%	-11.9%
General and administrative expenses	826	205	934	243	-11.6%	-15.6%
Other operating expenses	719	412	388	186	85.3%	121.5%
Operating profit (loss)	2,777	598	1,267	152	119.2%	293.4%
Financial income	400	251	279	43	43.4%	483.7%
Financial expenses	256	168	377	55	-32.1%	-205.5%
Share in profit (loss) of undertakings consolidated with equity method	100	29	50	8	100.0%	262.5%
Pre-tax profit (loss)	3,021	710	1,219	148	147.8%	379.7%
Corporate income tax	524	88	198	-78	164.6%	-212.8%
Net profit (loss)	2,497	622	1,021	226	144.6%	175.2%
Profit (loss) attributable to minority interests	55	12	34	7	61.8%	71.4%
Net profit (loss)	2,442	610	987	219	147.4%	178.5%

APPENDIX II

PKN ORLEN SUMMARY CONSOLIDATED BALANCE SHEETS as at December 31st 2004 and December 31st 2003 (PLNm)

ITEM	Dec 31 2004 (unaudited data)	Dec 31 2003	% change
ASSETS			
Fixed assets			
Tangible fixed assets	9,632	9,807	-1.8%
(Negative) goodwill	-307	-273	12.5%
Intangible fixed assets	119	121	-1.7%
Financial assets	538	534	0.7%
Shares and equity interests in undertakings consolidated with equity method	549	493	11.4%
Deferred tax assets	76	15	406.7%
Other fixed assets	9	18	-50.0%
Total fixed assets	10,616	10,715	-0.9%
Current assets			
Stocks	3,273	3,058	7.0%
Trade debtors and other accounts receivable	2,959	2,513	17.7%
Taxes receivable	21	65	-67.7%
Short-term securities	1,124	67	1577.6%
Prepayments	92	80	15.0%
Cash and cash equivalents	707	562	25.8%
Other financial assets	154	89	73.0%
Total current assets	8,330	6,434	29.5%
Total assets	18,946	17,149	10.5%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	534	534	0.0%
Reserve funds	1,359	1,359	0.0%
Hedging accounting – cash flows	56		
Revaluation capital reserve	855	856	-0.1%
Currency-translation differences on subsidiary undertakings	-10	62	-116.1%
(Accumulated loss)/retained profit brought forward	8,863	6,699	32.3%
Total shareholders' equity	11,657	9,510	22.6%
Minority interests	379	427	-11.2%
Long-term liabilities			
Loans and borrowings	1,757	1,836	-4.3%
Provisions	877	616	42.4%
Deferred income tax provisions	221	293	-24.6%
Total long-term liabilities	2,855	2,745	4.0%
Short-term liabilities			
Liabilities and accrued expenses	3,745	3,231	15.9%
Corporate income tax payable	1		
Loans and borrowings	242	1,195	-79.7%
Deferred income	46	14	228.6%
Other financial liabilities	21	27	-22.2%
Total short-term liabilities	4,055	4,467	-9.2%

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Total shareholders' equity and liabilities	18,946	17,149	10.5%
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APPENDIX III

PKN ORLEN
SUMMARY CONSOLIDATED CASH FLOW STATEMENTS
for the periods of 12 and 3 months
ended December 31st 2004 and December 31st 2003

(PLNm)

ITEM	12 months ended Dec 31 2004 (unaudited data)	3 months ended Dec 31 2004 (unaudited data)	12 months ended Dec 31 2003 (unaudited data)	3 months ended Dec 31 2003 (unaudited data)	% change 12 months	% change 3 months
Net operating cash flow						
Net profit (loss)	2,442	610	987	219	1,455	391
Total adjustments:				0		
Profit (loss) attributable to minority interests	55	12	34	7	21	5
Share in profit (loss) of undertakings consolidated with equity method	-100	-29	-50	-8	-50	-21
Depreciation and amortisation	1,205	298	1,207	317	-2	-19
Net dividends and interest	-53	-12	29	0	-82	-12
Corporate income tax as disclosed in profit and loss account	524	88	198	-78	326	166
(Profit) loss on investment activities	96	62	59	61	37	1
Decrease / (increase) in accounts receivable	-537	335	-114	114	-423	221
Decrease / (increase) in stocks	-250	199	-158	-45	-92	244
(Decrease) / increase in liabilities and accrued expenses	663	-572	-111	-237	774	-335
(Decrease) / increase in provisions	300	200	25	55	275	145
Other adjustments	-137	-111	14	29	-151	-140
Corporate income tax paid	-616	-281	-413	-168	-203	-113
Net operating cash	3,592	799	1,707	266	1,885	533
Investing cash flow						
Acquisition of intangible and tangible fixed assets	-1,497	-440	-1,337	-408	-160	-32
Disposal of tangible fixed assets	63	12	40	17	23	-5
Disposal of assets available for sale	46	6	17	11	29	-5
Acquisition of assets available for sale	-49	-5	-56	-16	7	11
Acquisition of businesses in Germany less total acquired cash and cash equivalents	0	0	-279	13	279	-13
Purchase of short-term securities	-1,232	-728	-62	-20	-1,170	-708
Disposal of short-term securities	130	40	55	31	75	9
Dividends and interest received	105	17	85	14	20	3
Loans granted/repaid	7	7	83	83	-76	-76
Other	45	42	73	45	-28	-3
Net investing cash outflow	-2,382	-1,049	-1,381	-230	-1,001	-819

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Financing cash flow						
Increase in long- and short-term loans and borrowings	864	80	4,452	876	-3,588	-796
Decrease in long- and short-term loans and borrowings	-1,582	-134	-4,207	-979	2,625	845
Interest paid	-57	-11	-116	-14	59	3
Dividend payments to shareholders	-278	0	-59	0	-219	0
Other	-12	-4	-12	-6	0	2
Net financing cash inflow/(outflow)	-1,065	-69	58	-123	-1,123	54
Change in net cash						
Change in net cash	145	-319	384	-87	-239	-232
Cash at beginning of period	562	1,026	178	649	384	377
Cash at end of period	707	707	562	562	145	145

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

APPENDIX IV

PKN ORLEN
KEY FINANCIAL DATA BY BUSINESS SEGMENT
for the periods of 12 and 3 months
ended December 31st 2004 and December 31st 2003
(PLNm)

ITEM	12 months ended Dec 31 2004 (unaudited data)	3 months ended Dec 31 2004 (unaudited data)	12 months ended Dec 31 2003 (unaudited data)	3 months ended Dec 31 2003 (unaudited data)	% change 12 months	% change 3 months
REVENUE ON SALES TO THIRD PARTIES¹						
Refining (production + wholesale)	14,337	4,127	10,066	2,890	42.4%	42.8%
Refining (retail)	11,548	2,925	10,651	3,043	8.4%	-3.9%
Petrochemicals	4,000	1,089	3,145	795	27.2%	37.0%
Other activities	650	172	550	180	18.2%	-4.4%
TOTAL	30,535	8,313	24,412	6,908	25.1%	20.3%
FINANCIAL RESULT²						
Refining (production + wholesale)	2,292	541	1,213	239	89.0%	126.4%
Refining (retail)	49	-66	38	-38	28.9%	73.7%
Petrochemicals	810	255	418	72	93.8%	254.2%
Other activities	22	-50	6	-39	266.7%	28.2%
Exclusions			-1	-1		
Total of non-attributed items	-396	-82	-407	-81		
TOTAL	2,777	598	1,267	152	119.2%	293.4%
EXPENDITURE ON FIXED ASSETS						
Refining (production + wholesale)	401	111	486	90	-17.5%	23.3%
Refining (retail)	300	111	270	116	11.1%	-4.3%
Petrochemicals	536	130	534	176	0.4%	-26.1%
Other activities	67	19	128	39	-47.7%	-51.3%
Total of non-attributed items	32	9	35	8	-8.6%	12.5%
TOTAL	1,336	380	1,453	429	-8.1%	-11.4%
DEPRECIATION AND AMORTISATION						
Refining (production + wholesale)	594	139	658	177	-9.7%	-21.5%
Refining (retail)	238	67	176	51	35.2%	31.4%
Petrochemicals	225	55	198	48	13.6%	14.6%
Other activities	145	35	168	41	-13.7%	-14.6%
Total of non-attributed items	32	7	36	9	-11.1%	-22.2%
TOTAL	1,234	303	1,236	326	-0.2%	-7.1%

1. Revenue on sales to third parties represents exclusively sales to undertakings outside of the Orlen Group.

2. Financial result comprises revenue on sales to third parties and transfer to other segments.

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

APPENDIX V
**PKN ORLEN
KEY OPERATING DATA**
**for the periods of 12 and 3 months
ended December 31st 2004 and December 31st 2003**
(tonnes)

ITEM	12 months ended Dec 31 2004 (unaudited data)	3 months ended Dec 31 2004 (unaudited data)	12 months ended Dec 31 2003 (unaudited data)	3 months ended Dec 31 2003 (unaudited data)	% change 12 months	% change 3 months
CRUDE OIL THROUGHPUT (’000 tonnes)	12,654	3,327	12,272	3,153	3.1%	5.5%
REFINERY OUTPUT						
Gasoline	2,755,979	700,104	2,768,804	747,843	-0.5%	-6.4%
Diesel fuel	3,389,654	838,317	3,101,491	815,914	9.3%	2.7%
Fuel oil (III)	624,147	162,144	710,973	189,293	-12.2%	-14.3%
Ekoterm	1,706,830	538,292	1,531,261	430,115	11.5%	25.2%
Jet A-1	334,199	87,190	299,288	108,756	11.7%	-19.8%
LPG	200,710	54,430	211,476	53,624	-5.1%	1.5%
Other refining products	1,418,910	355,732	1,446,569	365,527	-1.9%	-2.7%
TOTAL	10,430,429	2,736,209	10,069,862	2,711,072	3.6%	0.9%
SALES OF REFINING PRODUCTS						
Gasoline	3,762,042	949,660	3,672,636	999,804	2.4%	-5.0%
Diesel fuel	4,069,354	1,080,828	3,818,591	1,088,748	6.6%	-0.7%
Fuel oil (III)	487,740	162,701	546,426	159,904	-10.7%	1.7%
Ekoterm	1,957,629	614,813	1,785,824	527,314	9.6%	16.6%
Jet A-1	372,567	108,499	308,430	105,285	20.8%	3.1%
LPG	300,048	72,922	319,384	77,992	-6.1%	-6.5%
Other refining products	1,538,763	382,396	1,829,333	562,873	-15.9%	-32.1%
TOTAL	12,488,143	3,371,819	12,280,624	3,521,920	1.7%	-4.3%
PETROCHEMICALS OUTPUT						
Polyethylene	0	0	26,868	0	-100.0%	-
Polypropylene	0	0	25,104	0	-100.0%	-
Ethylene	157,525	40,454	139,974	41,993	12.5%	-3.7%
Glycol	104,981	27,193	96,666	21,372	8.6%	27.2%
Propylene	217,658	58,637	201,000	56,943	8.3%	3.0%
Ammonium nitrate	492,079	120,540	435,561	119,906	13.0%	0.5%
CANWIL	338,288	103,009	332,715	98,920	1.7%	4.1%
Polyvinyl chloride (PVC)	221,178	54,123	216,940	53,589	2.0%	1.0%
Other petrochemical products	671,414	179,709	646,944	167,598	3.8%	7.2%
TOTAL	2,203,123	583,665	2,121,772	560,321	3.8%	4.2%
SALES OF PETROCHEMICAL PRODUCTS						
Polyethylene	18,601	2,267	48,128	5,980	-61.4%	-62.1%
Polypropylene	16,387	2,313	45,909	4,125	-64.3%	-43.9%
Ethylene	156,424	39,590	135,307	38,618	15.6%	2.5%
Glycol	105,240	25,943	95,045	19,585	10.7%	32.5%
Propylene	216,957	58,350	192,513	53,247	12.7%	9.6%
Ammonium nitrate	500,945	128,222	473,819	129,915	5.7%	-1.3%
CANWIL	336,043	97,674	338,888	104,721	-0.8%	-6.7%
Polyvinyl chloride (PVC)	210,422	41,699	210,701	46,334	-0.1%	-10.0%

Financial Results of the ORLEN Group for Q4 2004, according to IFRS

Other petrochemical products	655,829	172,949	663,390	160,658	-1.1%	7.7%
TOTAL	2,216,848	569,007	2,203,700	563,183	0.6%	1.0%

APPENDIX VI

**PKN ORLEN
SALES OF MAIN PRODUCTS**

**for the periods of 12 and 3 months
ended December 31st 2004 and December 31st 2003**

(tonnes)

Sales of light products in the Orlen Group (by volume)	12 months ended Dec 31 2004 (unaudited data)	3 months ended Dec 31 2004 (unaudited data)	12 months ended Dec 31 2003 (unaudited data)	3 months ended Dec 31 2003 (unaudited data)	% change 12 months	% change 3 months
Wholesale of main light products, including:	6,944,236	1,934,763	5,823,067	1,699,573	19.3%	13.8%
- Gasoline	1,819,073	453,941	1,595,829	440,697	14.0%	3.0%
- Diesel fuel	2,795,401	757,599	2,373,872	703,894	17.8%	7.6%
- Jet A-1	372,567	108,499	308,430	105,285	20.8%	3.1%
- Ekoterm	1,957,195	614,724	1,544,936	449,697	26.7%	36.7%
Retail sales of engine fuels, including:	3,344,035	852,283	3,623,038	970,872	-7.7%	-12.2%
- Gasoline	1,942,969	495,719	2,076,807	559,107	-6.4%	-11.3%
- Diesel fuel	1,273,953	323,229	1,444,719	384,854	-11.8%	-16.0%
- LPG	127,113	33,335	101,512	26,911	25.2%	23.9%
Total sales of fuels, including:	10,461,640	2,826,722	9,904,865	2,799,143	5.6%	1.0%
- Engine fuels	8,504,011	2,211,909	8,119,041	2,271,829	4.7%	-2.6%