Consolidated financial results of PKN ORLEN S.A. Q1 2005 (IFRS)

Implementation of strategy initiatives progress

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Summary of financial results and macroeconomic environment

Strategy update

Financial results Q1'05

Supporting slides

Financial results Q1'05

Key financial data Q1'05 [1]

- **ROACE[2]** **20.5%**
- **EBITDA** **PLN 1,087 m**
- **Net profit[3]** **PLN 631 m**
- **Operating cash flow** **PLN 574 m**
- **Gearing[4]** **2.6%**

1) Refers to the Capital Group, IFRS numbers in the whole presentation if not otherwise stated
2) ROACE = operating profit after tax / average capital employed (equity + net debt)
3) Includes net profit of PKN ORLEN subsidiaries for Q1'05 of PLN 49 m IFRS based
4) Gearing = net debt / equity

Operating data Q1'05

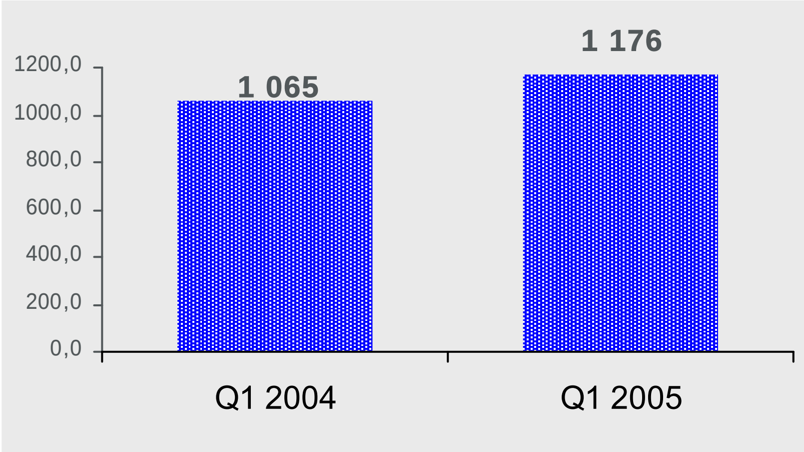
- **Cost cutting[5]** **PLN 216 m**
- **Wholesale volume sales[6]** **+ 5.7%**
  Q1'05/Q1'04
- **Retail volume sales[7]** **- 0.8%**
  Q1'05/Q1'04
- **Utilisation ratio[8]** **91.7%**

5) Additional net effect of Q1'05 vs. Q1'04 amounts to PLN 73 m (calculations referring to 2002 costs base). For further details please go to slides 19 and 28
6) Refers to PKN ORLEN Group sales (gasoline, diesel, Jet, LHO)
7) Refers to PKN ORLEN Group retail sales (gasoline, diesel, LPG)
8) Based on deep processing capacity of PKN ORLEN 13.5 m tonnes/year

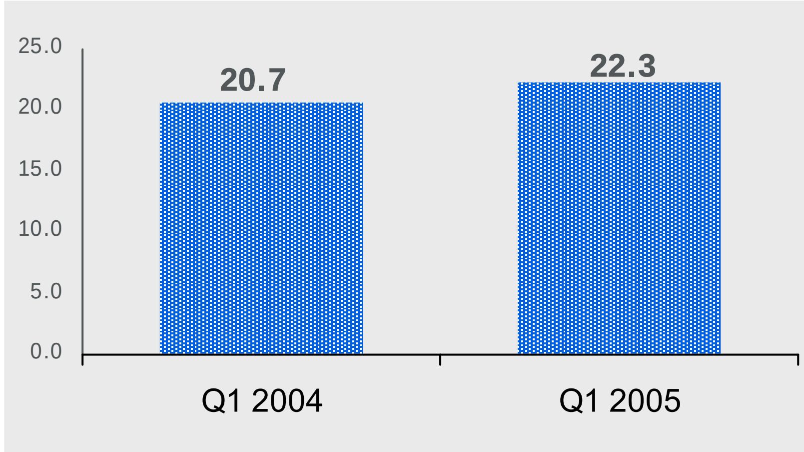
EBITDA and ROACE Q1'05 vs Q1'04

Comparison based on 2004[1] average market environment

EBITDA (m PLN)



ROACE (%)



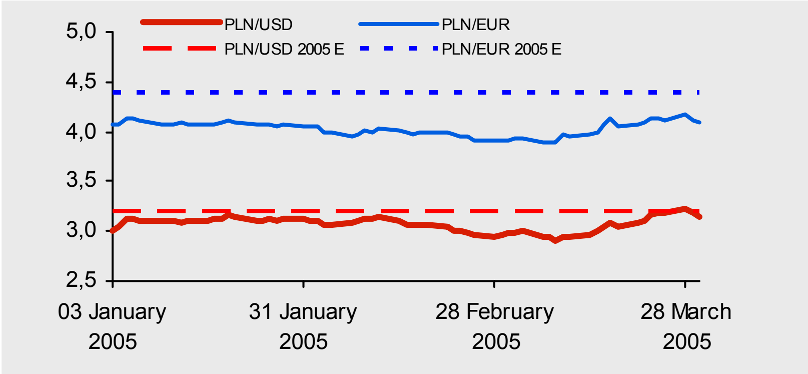
Financial assumptions for 2005 - delivery on track

Item	Delivery after Q1'05
EBITDA	>10.4%
Personnel costs	Below the level of 2004[2]
CAPEX	PLN 387 m

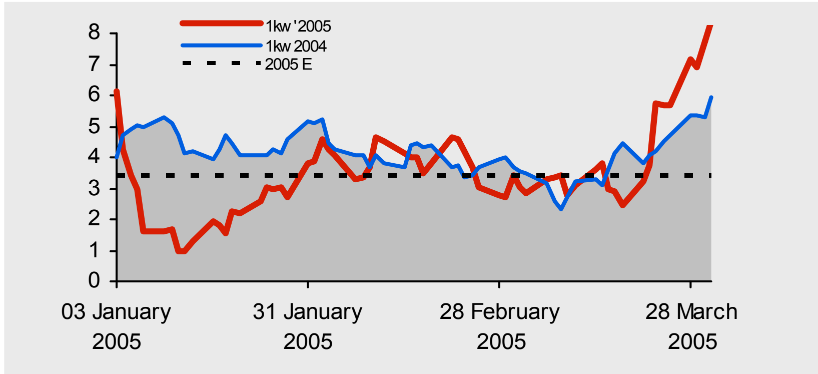
1) Q1'05 and Q1'04 calculated on the same market conditions – average 2004:
crude oil Brent 38,3$/b,Brent/Ural differential 4,1$/b, refinery margin 5,6 $/b, PLN/EUR 4,52; PLN/USD 3,65; 2) Refers to PKN ORLEN
3) Refers to PKN ORLEN Group 4) Refers to net profit of parent company PKN ORLEN for 2004

Macroeconomic environment in Q1'05

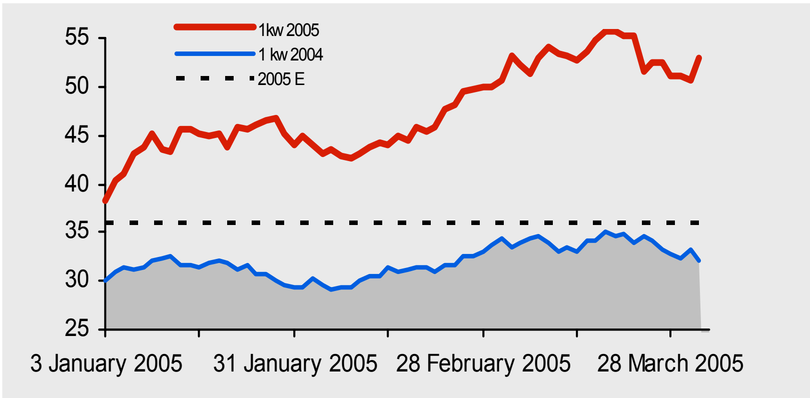
Exchange rates average in Q1'05



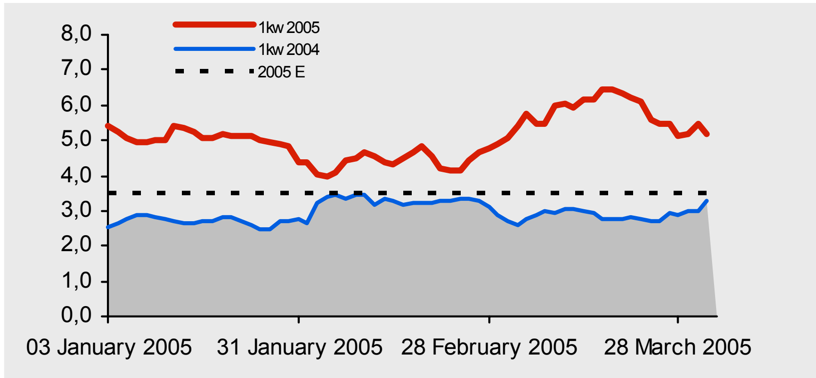
Refinery margin $3.6/b average in Q1'05
Decrease of 14% Q1'05/Q1'04



Brent $47.7/b average in Q1'05
Increase of 49% Q1'05/Q1'04



Brent/Ural differential $5.1/b average in Q1'05
Increase of 72% Q1'05/Q1'04



1) Source: NBP(Polish National Bank)
2) Calculated as: Products (88.36%) vs. Brent Dtd (100%). Products contain Premium Unl (25.21%), EN590 (23.20%), Naphtha (16.51%), LOO (15.31%), HSFO (5.44%) i Jet (2.69%) (source: CIF NWE quotations, except HSFO FOB ARA)

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Strategy update: Unipetrol

Unipetrol acquisition and integration with PKN ORLEN

Schedule

20 April 2005	• European Commission approval of PKN ORLEN taking control of Unipetrol
20 – 30 May 2005	• Closing of the transaction – payment to the Czech Government for the assets, and registration of the shares (CZK 13 bn plus receivables): • price: c.a. CZK 13 bn for equity and receivables • payment: c.a. 90% internal funds, the rest financed with debt
Maximum 3 days after closing of the transaction	• Send Unipetrol MTO information to the Czech Securities Commission, (concerning Unipetrol, Spolana and Paramo). MTO announcement in 60 days
Beginning of June 2005	• Corporate takeover of Czech holding (Supervisory Board and Management Board of Unipetrol) • Initiate "Partnership" Programme
Third quarter 2005	• Presentation of financial model of Unipetrol with integration plan and possible synergies as well as initiatives already conducted, after 100 days from the formal closing of transaction.

Actions

- Preparation and delivery of MTO[1] process in accordance with Czech capital market requirements
- Management of integration by Project Management Office –specialists to create framework of organisational structure for integration with Unipetrol Group project:
  - Detailed plan for the first 100 days of the integration process from the day the formal closing of the transaction was prepared
  - Elaboration of management model and organisational structure after Unipetrol Group acquisition was prepared and finalization of the selection plan for applicants for key posts
  - Creation of "Partnership" Programme, by which Czech – Polish management teams will be created, working together on integration activities and concepts (value-creation teams)

[1] MTO – Mandatory Tender Offer

Strategy update: Unipetrol

Intellectual capital dedicated to the Unipetrol project

Nearly 150 specialists are dedicated to the Unipetrol integration process. Over 60% of the team consists of PKN ORLEN employees, the remaining are legal and financial advisors as well as PR specialists.

PKN ORLEN employees

- Three teams dedicated to the Unipetrol integration process :
  - Project Management Officers
  - Core members of the integration team
  - Cooperation staff
- Each particular group is devoted to an individual business segment of PKN ORLEN (retail, production, capital investments, cost-cutting, finance, HR, back-office, environmental protection and others)

Consultants and advisors – areas of activity

- Integration programme and value generating processes
- Integration-related legal advisory (Poland and Czech Republic)
- Mandatory tender offer for the minority shareholders of Unipetrol, Spolana i Paramo
  - Cooperation with the experts responsible for the valuation of the Unipetrol Group
  - Communication with the Czech SEC

Strategy update: Efficiency Improvement

Efficiency improvement in the Capital Group – new procurement programme

- Cost optimisation through purchase process centralisation
- New procurement structure supports the preparation of the new cost-cutting programme
- New Procurement Office in control of programme objectives

Procurement system – current situation

No procurement staff involved	Most purchases made „for yesterday”	Very complicated procedure	Inefficient realisation process	Laborious process	Lack of activity
Requirement	**Conducting procurement strategy**	**Selection of suppliers**	**Procurement process**	**Execution of payment**	**Post transaction Follow-up**
Support in planning process	Periodic cooperation plan between Internal Customers and the Procurement Department	The team evaluating Internal Customer and Procurement Department Representatives	Professional support	Capable realisation of the transaction (order + confirmation of service + invoice	Managing suppliers, efficiency ratios, reporting

Procurement Department – the intended model

Strategy update: Management by Objectives

Management by Objectives (MBO) Programme Implementation

Basic information about the project

- System MBO[1] was prepared implementation, starting from 1 July 2005, in the whole company as a part of the PKN ORLEN Capital Group's integration.
- The new motivating system for the Management Board and managers of PKN ORLEN and its Capital Group will support the realisation of the value creation strategy.
- The system is aimed at the creation of measures and awards encouraging employees to realise the goals accepted in our strategy.
- The system is aimed at encouraging employees to cooperate in order to achieve the best results
- The implementation of the system is aimed at increasing control of efficiency and expenses.
- The new system will become a central part of the organisational culture aimed at achieving results
- The new motivating system concerns:
  - Management Board
  - PKN ORLEN management within the VBM Project.
  - Management Boards and key strategic posts of the Capital Group's subsidiaries abroad

Programme assumptions

- Personnel are, in accordance with the new system, rewarded for realisation of:
  - Individual tasks
  - Solidarity goals (SVA)
- Realisation of the solidarity goals is influenced strongly by the level of the individual. The higher the post the higher the impact of the factor.
- People belonging to the new system are evaluated on the basis of 4-6 individual tasks.
- At least 70% of those tasks should be countable; the goals coming directly from the financial plan.
- Bonuses for people belonging to the new system are calculated annually
- The motivation for goal achievement flows from higher levels of management to the lower.
- Individual tasks have different weightings.
- Total individual tasks realisation is awarded only above 80 points. There are additional rewards for exceeding the plan.

[1] MBO - Management by Objectives

Strategy update: Restructuring of regional corporate structure

Key restructuring goals include improved efficiency of back-office, decentralisation of sales management, and centralisation of back-office.

Restructuring programme - rationale	Actions to be taken
Retail	**Retail**
• Shrinking of the market share of PKN ORLEN in the retail market • Delay in realization of some capital investment projects • Lack of uniform management of retail distribution channels (CODO, DOFO, DODO) • Low operational efficiency (price management, network planning, investments, procurement	• Decrease in the number of management centres from 11 to 3 • Decentralization of the sales management processes • Headquarters in Płock/Warsaw will take over operational responsibility • Centralization of procurement processes (products-and non-fuel) • Increased range of responsibilities of Micromanagement • Uniform management of CODO, DOFO, DODO stations, including their expansion plans
Wholesale	**Wholesale**
• Lack of uniform management within the Capital Group • Replication of the activity increases costs • Inefficient organizational structure	• Compression of the organizational structure, and number of regions • Creation of 5 Regional Wholesale Operators on the grounds of wholesale activity
Logistics	**Logistics**
• High infrastructure costs per unit • Necessity to rationalize the modernization costs of storage depots • Risk of losing competitive position • Non-optimal securing of storage depot space for retail and wholesale activity	• Decrease in the number of storage depots to 13 • Reduction of train transportation expenses due to the smaller number of storage depots
Finance	**Finance**
• Decentralization of finance and accounting staff • Non-optimised level of costs • Necessity to adjust the structure to new organizational structure	• Decrease in the number of regional finance-accounting offices to 3 as well as stock-taking and service station controllers. This is aimed at improving operational efficiency and to fit with to the new regional organizational structure
Back office	**Back office**
• Necessity to adjust the organizational structure of the back office to fit with other regional departments	• Adjust activities as a consequence of changes in retail and wholesale

Strategy update: Restructuring of regional corporate structure

Voluntary Retirement Programme

Offer and the regulations

1. Finalization of employment agreement (nr 2 – 4 not included)

2. Employment in PKN ORLEN subsidiary

3. Employment in a company other than the PKN ORLEN Capital Group

4. Self-employment in a company with the status of employee company

The amount of one-time remuneration term included in The Agreement depends on the duration of employment at a PKN ORLEN company and the timing of the rendering of the declaration by the employee

Professional Employment Package - possibilities

- Acquisition of a service station by the employee
- Self-employment – Authorised Distributor of Heating Oil products
- Managing a service station under the ORLEN brand
- Investment initiatives conducted by PPP-T[1] and associated with the construction of the Technological and Industrial Park infrastructure
- Outplacement associated with the guidance on the employment market
- Assistance of the company in the organization of professional training eg. insurance agent, leasing agent
- Administration and brokerage of real estate
- Cooperation in the lease and sales of LPG modules
- Employment as a travel agent with ORBIS TRAVEL.

Relocation Package

- **Cash bonus – the grant**
- **Return of removal expenses (cantonment grant)**
- **Return of real estate agency remuneration when renting or purchasing an apartment**
- **Return of rent expenses for a 6 month period**

Training Package

- Proprietorship basics training, accounting basics, how to find employment training
- Future service station manager training
- Others –training with a value of up to a stated limit– training organized by PKN ORLEN S.A.

  The location of training depends on the needs of the staff in particular regions.

1) PPP-T The Płock Technological and Industrial Park

*The restructuring process will be performed in accordance with the Restructuring Cooperation Agreement signed in 2002 and in conjunction with the Protection Package. The company will provide considerable help to any employees deciding to change their employer or to become self-employed.

Agenda

Summary of Q1'05 financial results and macroeconomic environment

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Financial results Q1'05

Supporting slides

Revenues by segment

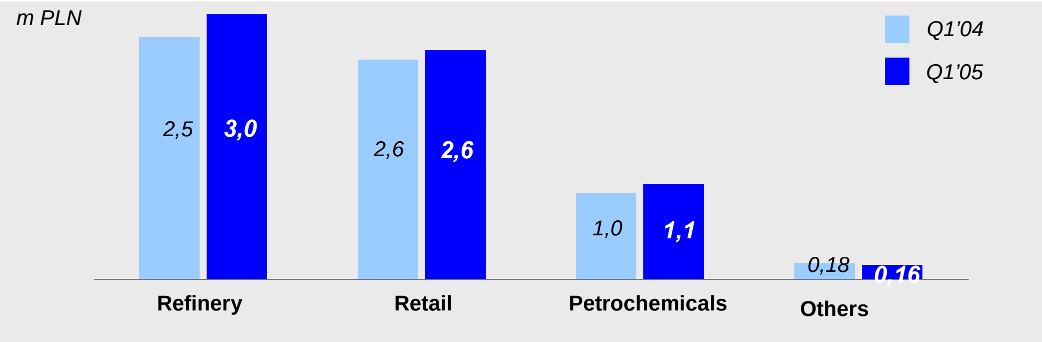
Dynamic increase has continued – refinery and petrochemicals are the leaders of improvement

IFRS basis, PLN m	Q1' 04	Q1'05	y/y
Revenue total of which	6 340	**6 806**	*7%*
Refining1)2)	2 724	**2 990**	*10%*
Poland	2 273	**2 546**	*12%*
Germany (without excise tax)	180	**224**	*24%*
excise tax (Germany)	*271*	***220***	*-19%*
Retail2)	2 473	**2 579**	*4%*
Poland	998	1 179	*18%*
Germany (without excise tax)	538	**572**	*6%*
excise tax (Germany)	*937*	***828***	*-12%*
Petrochemicals	968	**1 074**	*11%*
Others	175	**163**	*-7%*

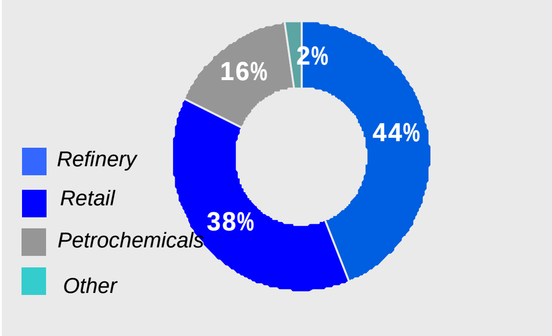
Comment

- **Higher revenue was driven by growing product prices and increase in sales volume**
- **The increase in refining revenues was supported by the increase in the volume of light product sales of 5.7%**
- **Result of good market conditions for PKN ORLEN and Anwil products**

Comparison of revenues by segment Q1'05 vs. Q1'04



Segment revenue structure Q1' 05



1) Production, Wholesale and Logistics segment

Expenses

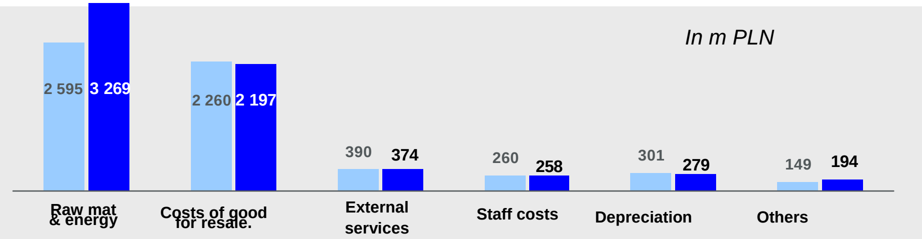
Operating costs grew by less than revenues

IFRS basis, PLN m	Q1'04	Q1'05	y/y
Raw materials and energy	2 595	**3 269**	*26,0%*
Costs of goods for resale	2 260	**2 197**	*-2,8%*
External services	390	**370**	*-5,1%*
Staff costs	260	**257**	*-1,2%*
Depreciation and amortisation	301	**279**	*-7,3%*
Taxes and charges	84	**92**	*9,5%*
Others	35	**41**	*17,1%*
Total	5 925	**6 505**	***9,8%***
Variable costs	4 946	**5 567**	*12,6%*
Fixed costs	979	**938**	*-4,2%*
Other operating costs	30	**64**	*113,3%*
Change in inventories	-102	**-492**	*382,4%*
Total operating costs	5 853	**6 077**	***3,8%***

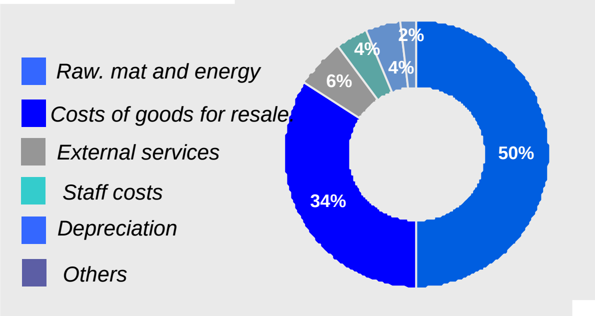
Comment

- **Increase in raw materials and energy of 26% due to higher crude oil prices, volume processed by 16%, and increase in volume of crude oil processed by 11%**
- **Cost reducing activities**
- **Decrease of fixed costs due to cost cutting programme**

Comparison of operating cost structure Q1'05 vs. Q1'04



Structure of operating costs Q1 '05

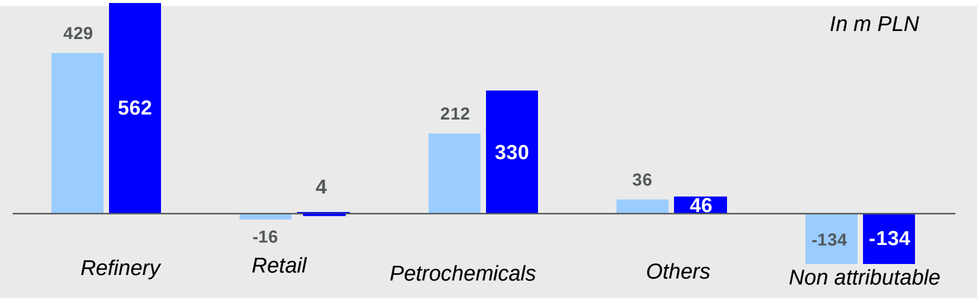


Operating profit by segment

Visible improvement in results across all segments

IFRS basis, PLN m	Q1'04	**Q1'05**	change
Operating profit	527	**808**	*53,3%*
of which:			
Refining[1]	429	**562**	*31,0%*
Retail	-16	**4**	*n.a.*
Petrochemicals	212	**330**	*55,7%*
Others[2]	36	**46**	*27,8%*
Non attributable[3]	-134	**-134**	*0,0%*

Comparison of operating profit structure Q1'05 vs. Q1' 04



Comment

- **The significant increase in operating profit was due to high refining margins, the Brent/Ural differential, and the result of efficiency activities**
- **Despite an operating loss at ORLEN Deutschland of PLN 36 m, the retail segment still achieved a positive result**
- **The good results in petrochemicals were supported by the encouraging achievements of Anwil and BOP as petrochemicals market conditions improved**

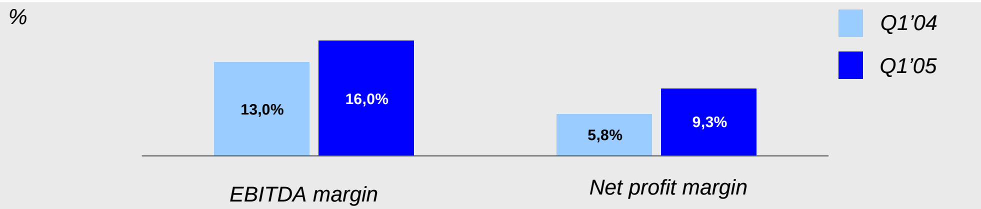
1) Production, Wholesale and Logistics
2) Departments responsible for energetic media and social activity and services subsidiaries of PKN ORLEN
3) Includes corporate centre of PKN and subsidiaries not mentioned in previous segments

Profit and loss account

Record net profit reflected in the ROACE of 21%

IFRS, PLN m	Q1'04	Q1'05	change
Revenues	6 340	**6 806**	*7,4%*
Cost of sales	-5 094	**-5 325**	*4,5%*
Distribution costs	-544	**-489**	*-10,1%*
Administrative expenses	-186	**-199**	*7,0%*
Others[1]	11	**15**	-
Operating profit	527	**808**	*53,3%*
Financial income	96	**46**	*-52,1%*
Financial expenses	-137	**-67**	*-51,1%*
Profit before tax&minorities int.	493	**786**	*59,4%*
Tax	-109	**-145**	*33,0%*
Net profit	366	**631**	72,4%

Comparison of EBITDA margin and net margin Q1'05 vs. Q1'04

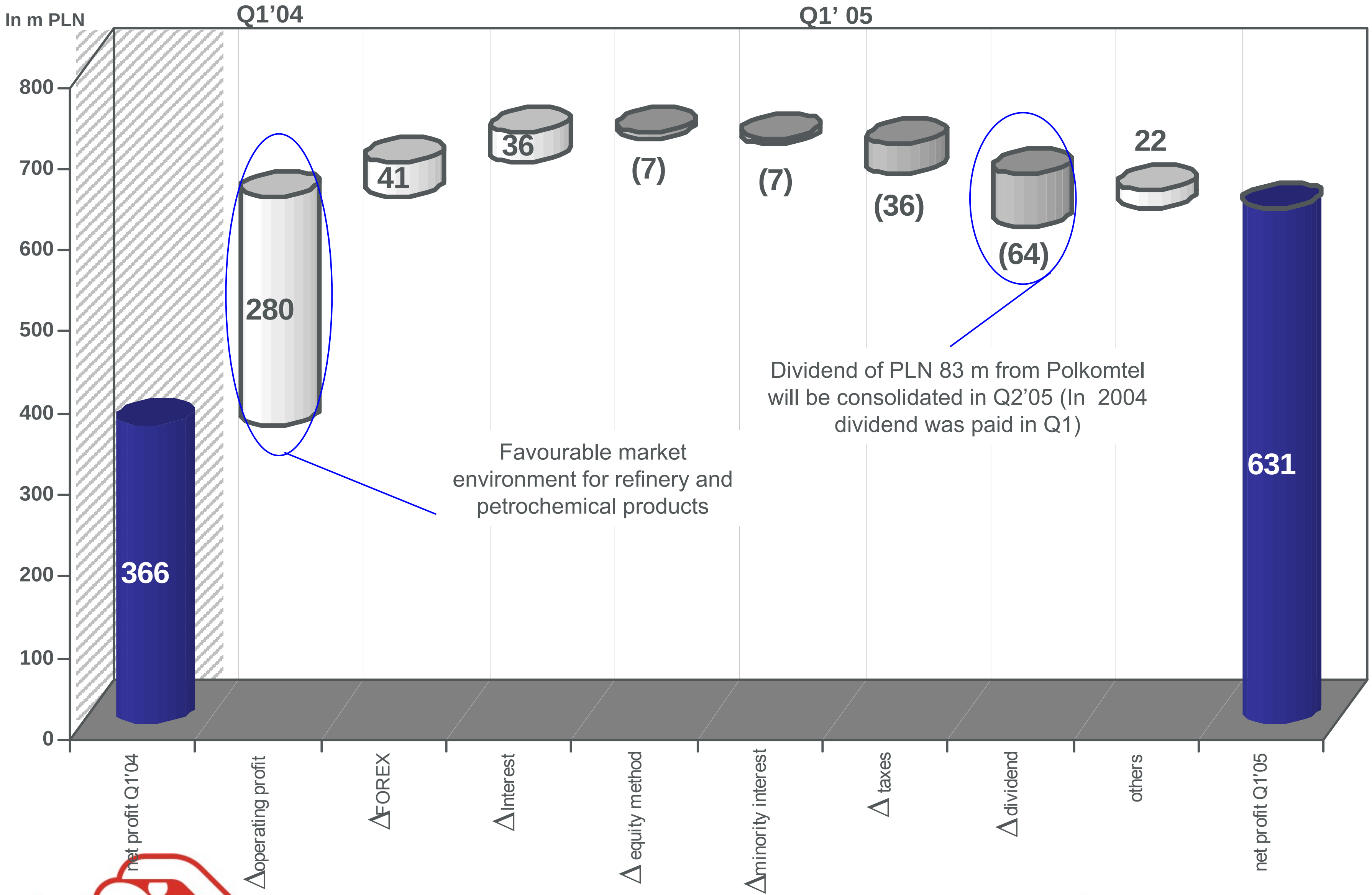


Comment

- **Reduction of operating costs caused by a decrease in distribution costs by 10%**
- **Increase of administrative expenses as a result of reclassification of provision for voluntary redundancy scheme between administrative cost and production cost. On comparable basis the adm. expenses in Q1'05 were lower by c.a. 4%**
- **After the elimination of the Polkomtel dividend in in Q1'05 (PLN 68 m) financial income increased by 182%**
- **Lower financial expenses due to lower exchange credits interests due to appreciation of PLN vs. USD and also relating to a lower foreign exchange losses**
- **Significant increase of EBITDA margin by almost 2 pp.**

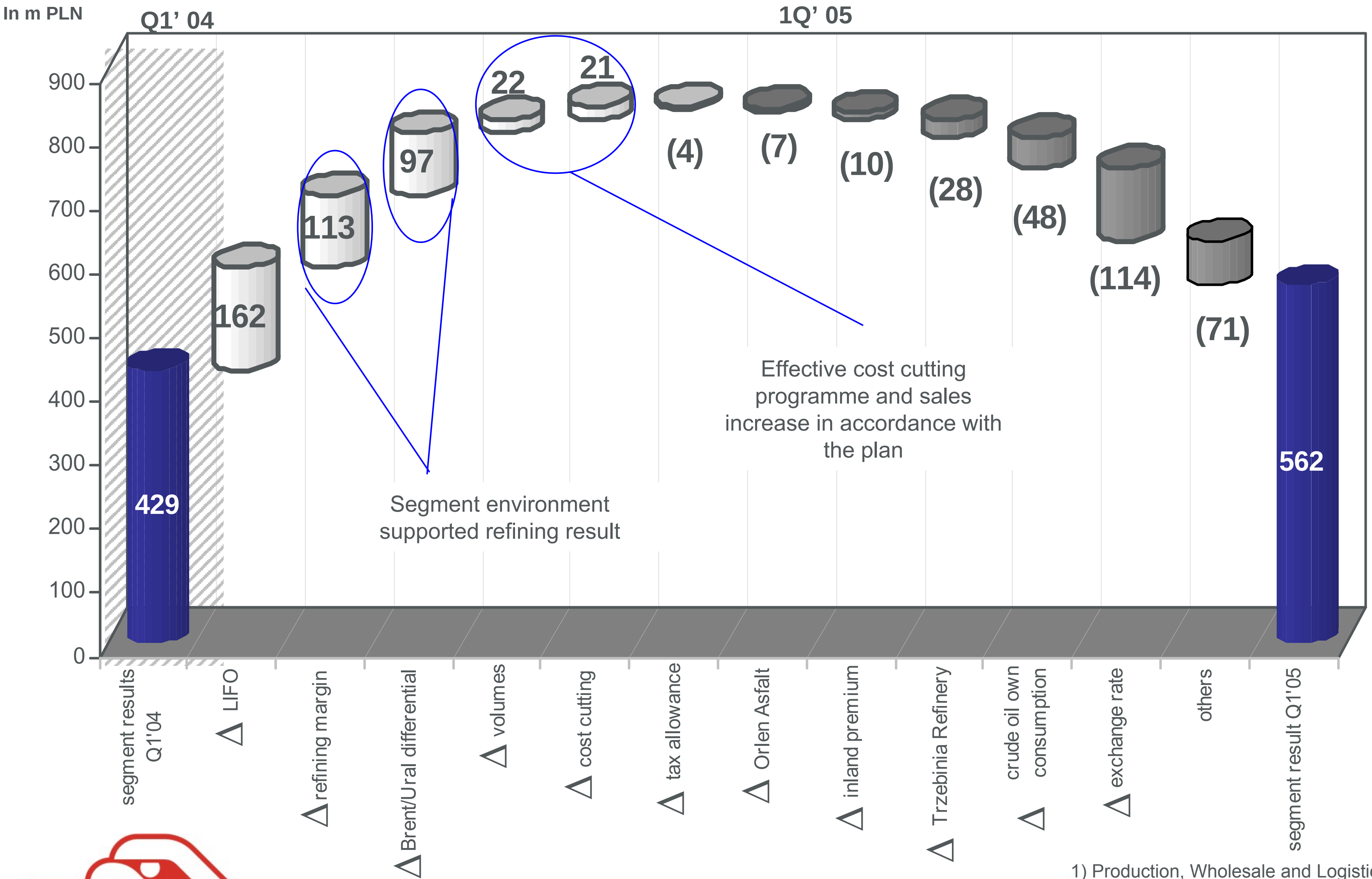
1) Other operating income and expenses

Operating activity main driver of the net profit increase



Refining segment[1)]

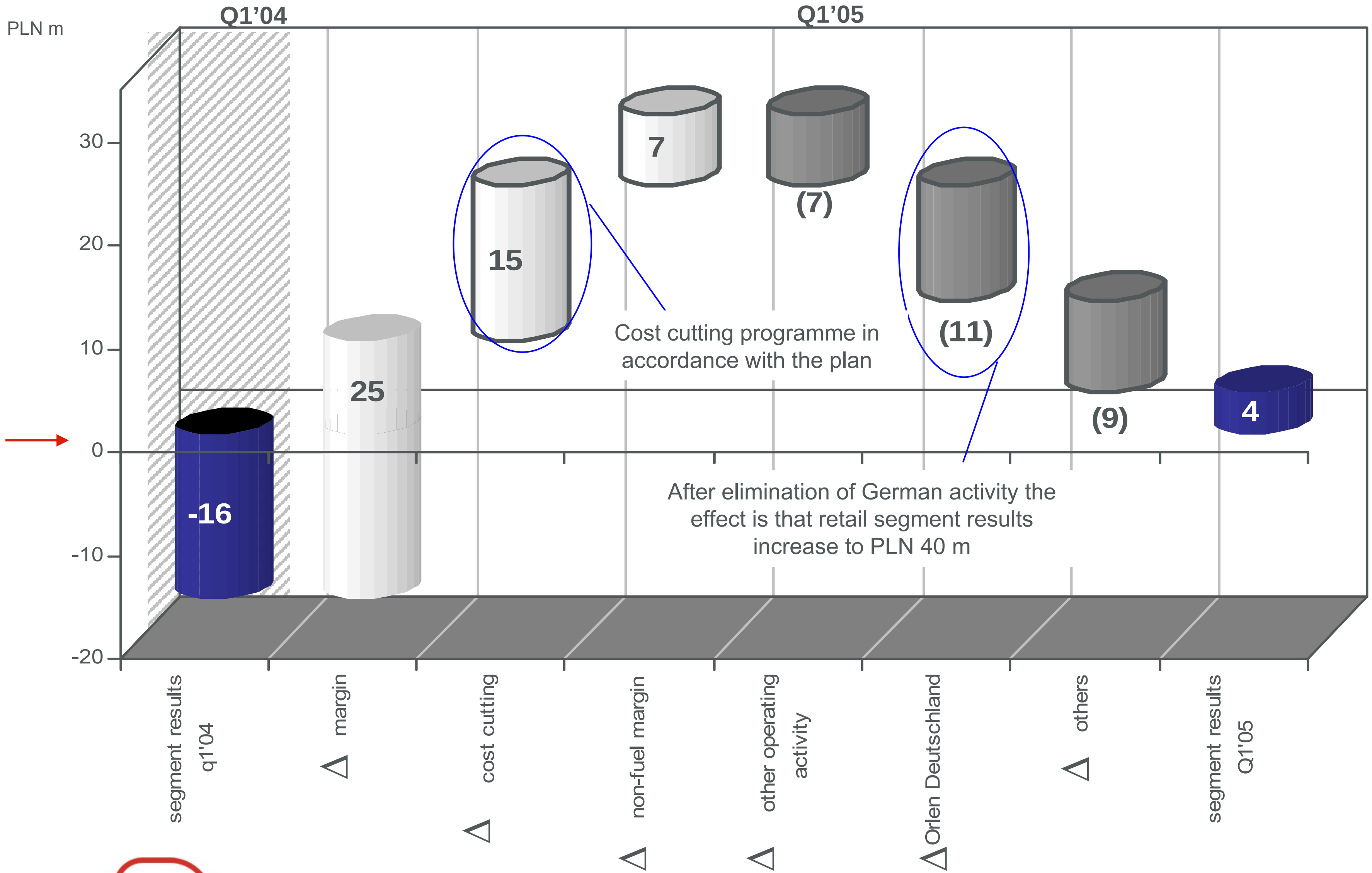
Increase in operating efficiency and exploitation of favourable macroeconomic conditions



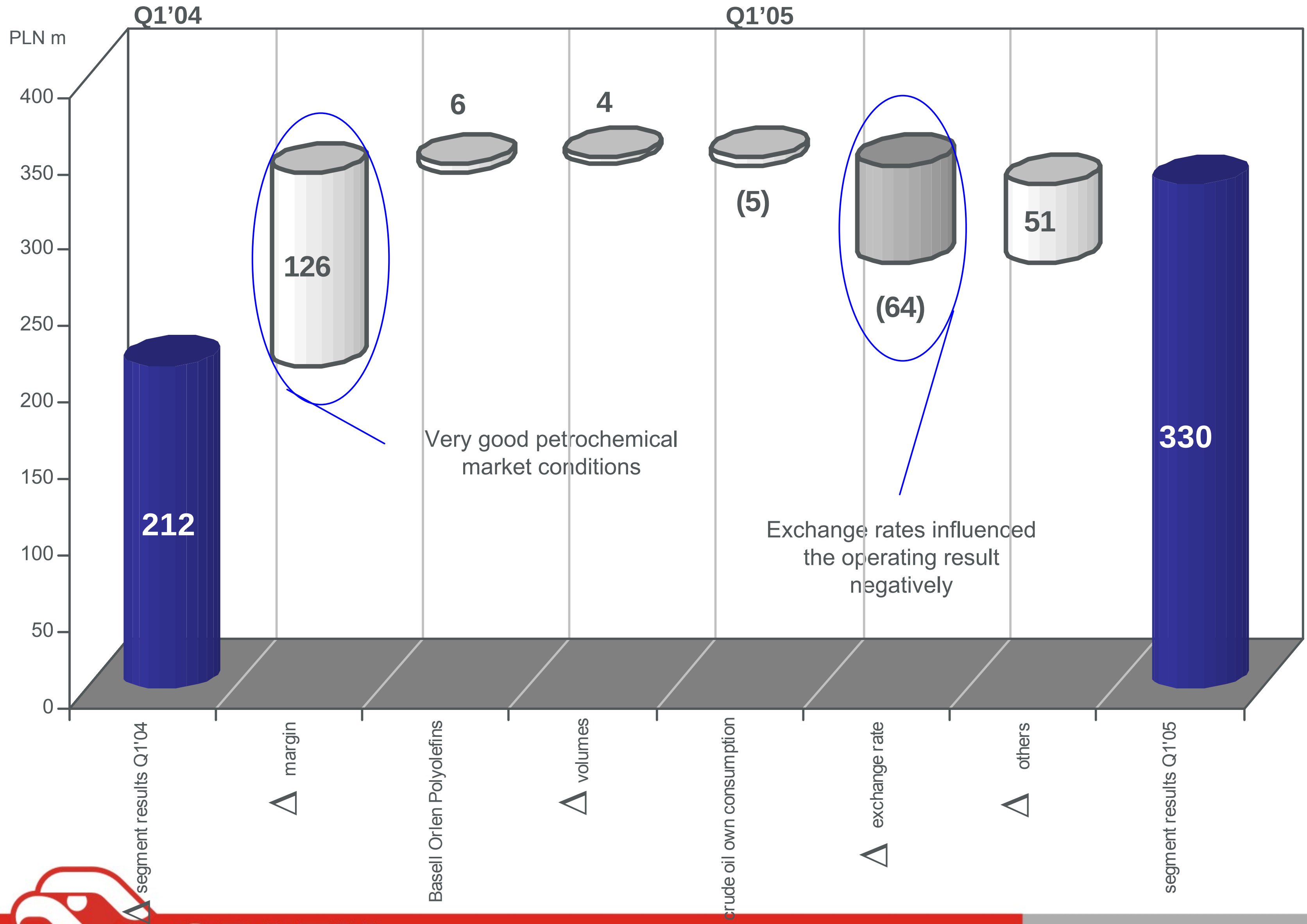
1) Production, Wholesale and Logistics

Retail Segment

Improvement due to efficiency programme



Petrochemical Segment
Substantial performance increase due to petrochemical margin improvement



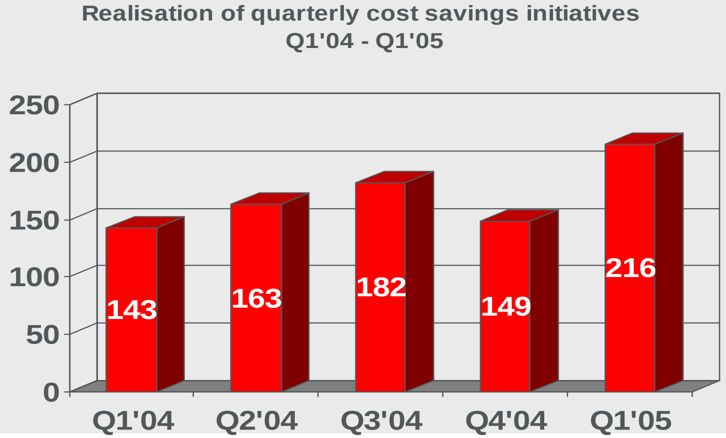
Cost Cutting Programme Results

Summary of Cost Cutting Programme effects – Q1'5

- **Effects of initiatives realised in Q1'05 of PLN 216 m are above target.**
  Leader: Production. Logistics and Retail also contributed in accordance with the plan
- **Management confirms that the company will meet the target (PLN 800 m)*.**
- **The company is continuously looking for new solutions to increase efficiency.**

Efficiency improvement initiatives realised	**PLN 216 m**
Annual initiatives potential	**PLN 800 m**

Realisation of initiatives by quarter



- **Potential realised after Q1'05 showed increase in relation to:**
  - **Q1'04 by PLN 73 m**
  - **Q3'04 by PLN 34 m**
  - **Q4'04 by PLN 67 m ('December effect')**

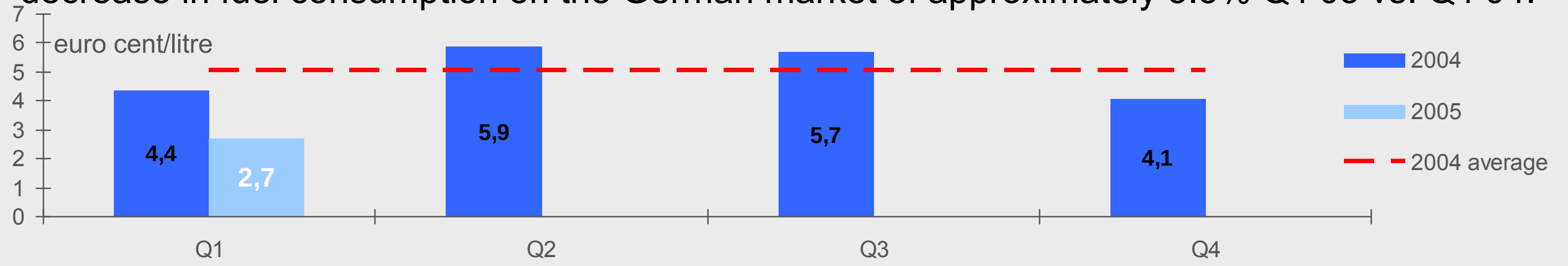
* Target in relation to 2002 cost base

ORLEN Deutschland

Price war damaging retail market

Trends in Q1'05

- Strong competition and high crude prices in Q1 reduced the retail margin to the level of eurocent 2.7. A drop of 38% in relation to Q1'04.
- Total volume sales of fuel increased in Q1'05 by 6% compared to Q1'04. There was a decrease in fuel consumption on the German market of approximately 5.5% Q1'05 vs. Q1'04.



Fuel consumption in Germany in Q1'05[1]

• Gasoline decrease	5.7%
• Diesel increase	5.3%

1) In accordance with MWW Mineralölwirtschaftsverband e.V. estimates

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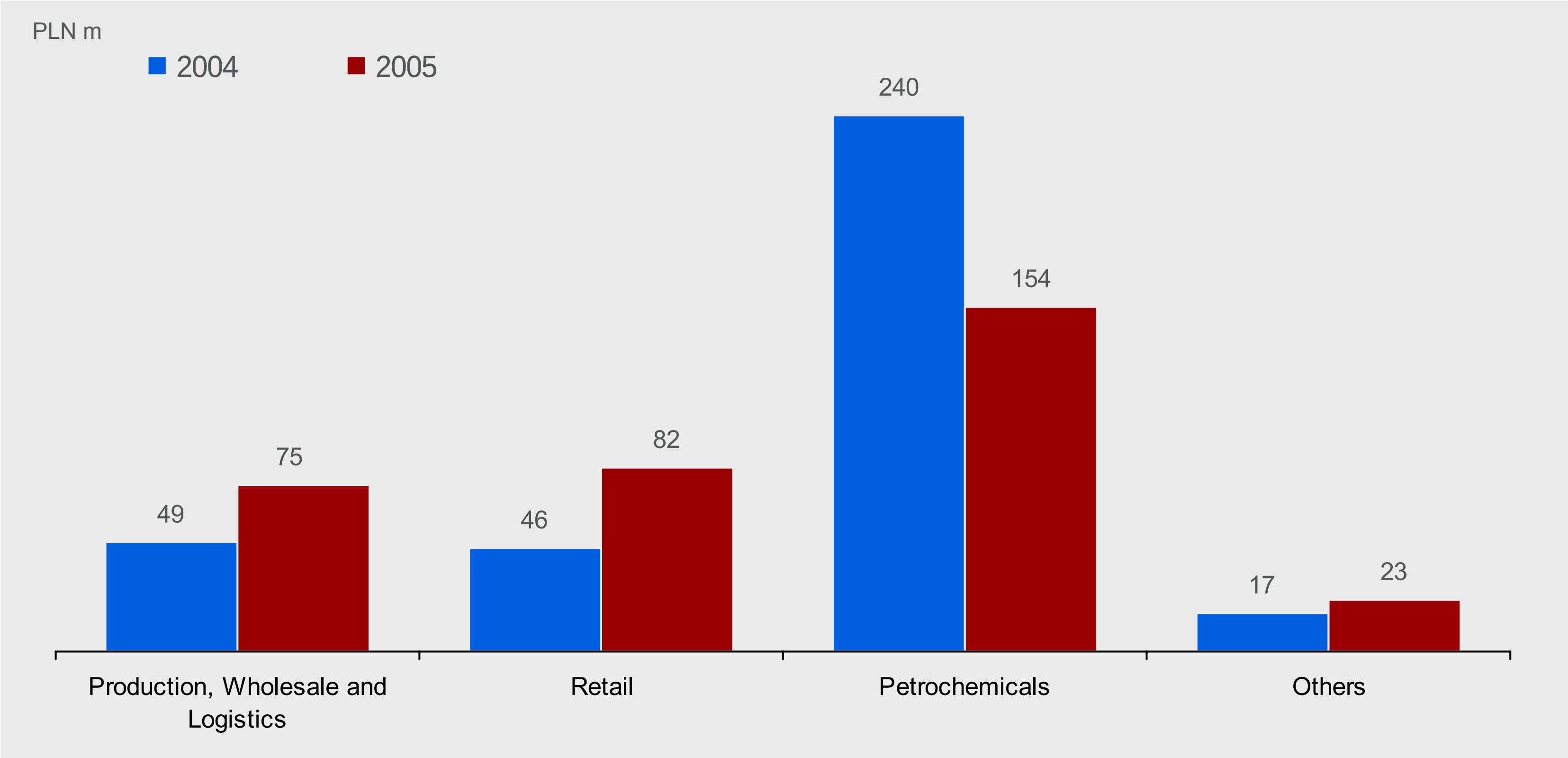
- Macroeconomic environment
- Operating and financial data Q1’05
- Cost cutting settlement
- ORLEN Deutschland

Investments in 1Q'05
Focus on petrochemical activity

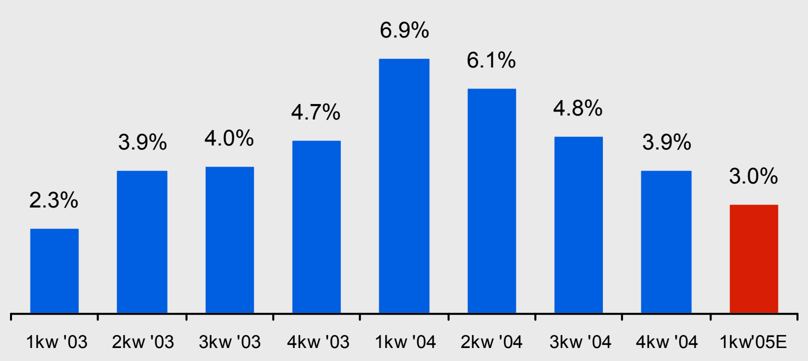
CAPEX in Q1'05



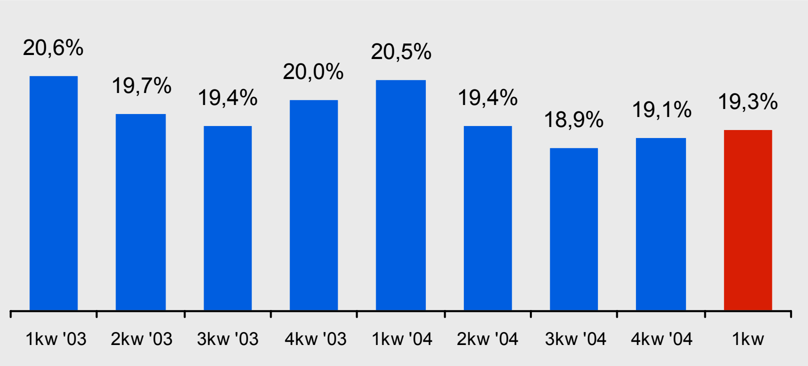
ORLEN

Macroeconomic environment in Poland

Real GDP growth



Unemployment rate



Comment

- Decrease of GDP points to slowdown of economic trends. High unemployment rate – **19.3%** (increase by 0,2pp y/y)
- Estimated decrease in new car sales of **33%** (Q1'05 vs. Q1'04)
- Estimated growth of domestic fuels consumption (gasoline, diesel and LHO) by **1.1%E** (Q1'05 vs. Q1'04)
- Drop of PLN/USD exchange rate of 20% from 3.82 to **3.07** (Q1'05 vs. Q1'04)

ORLEN

Operating highlights Q1'05

Operating data[1]	Q1'04	Q4'04	Q1'05	y/y	q/q
Total sales (tt) , of which	3 298	4 041	**3 322**	*0,7%*	*-17,8%*
- light products sales (tt) [2]	2 238	2 754	**2 311**	*3,3%*	*-16,1%*
- other refinery products sales (tt)	447	618	**395**	*-11,6%*	*-36,1%*
- pet-chem sales (tt)	561	569	**565**	*0,7%*	*-0,7%*
- other products sales (tt)	52	100	**51**	*-1,9%*	*-49,0%*
Retail sales of motor fuels[3]	752	852	**746**	*-0,8%*	*-12,4%*
Processed crude (tt)	2 796	3 240	**3 095**	*10,7%*	*-4,5%*
Utilisation	82,8%	96,0%	**91,7%**	*+8,9pp*	*-4.3pp*
White products yield	82,5%	80,0%	**82,3%**	*-0,2pp*	*+2.3pp*
Fuel yield	69,0%	68,0%	**69,1%**	*+0,1pp*	*+1.1pp*
Headcount[4]	14 534	14 296	**14 611**	*0,5%*	*2,2%*

Due to Basell Orlen Polyolefins consolidation. Increase by 386 employees. After elimination of this item headcount decrease by 0.5%

1)Refers to PKN ORLEN
2) Gasoline, Diesel, LHO, Jet
3) Gasoline, Diesel, LPG;
4) PKN ORLEN Group
Production data refers to Plock Refinery only, nameplate capacity of 13.5 mt

Refining, wholesale and logistics
Q1’05

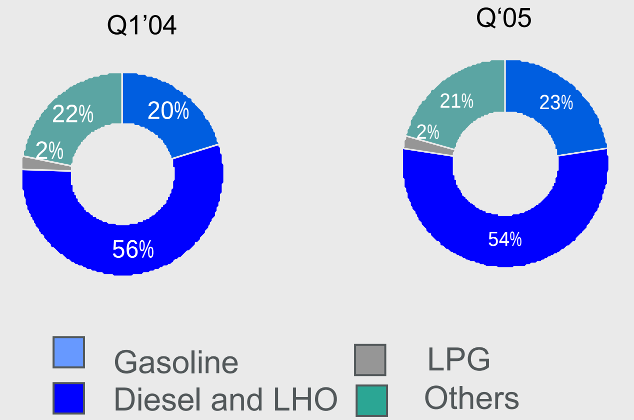
IFRS, PLN m	Q1'04	Q4'04	Q1'05	y/y	q/q
Revenues	3 958	5 933	**4 838**	22%	-18%
Segment costs	3 529	5 392	**4 276**	21%	-21%
Segment profit	429	541	**562**	31%	**4%**
Sales (tt)	1 933	2 519	**1 960**	1%	-22%

Changes Q1’05 vs. Q1’04

Increase in total volumes sales of 1%, supported by export growth of 74% to 167 tt

Gasoline volume sales increase by 12.6% and diesel by 0.7%

Product sales structure, volumes



Retail
Q1'05

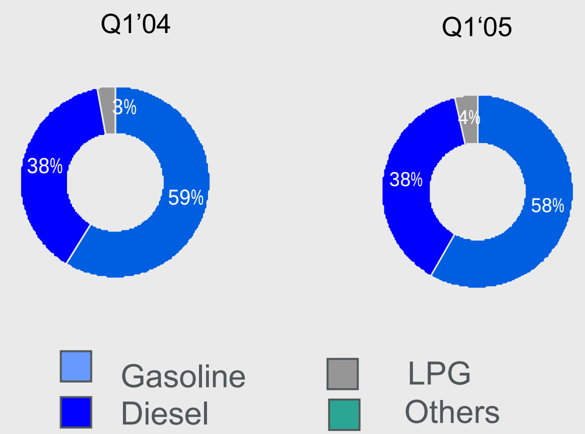
IFRS, PLN m	Q1'04	Q4'04	Q1'05	*y/y*	*q/q*
Revenues	2 478	2 937	**2 588**	4%	-12%
Segment costs	2 494	3 003	**2 584**	4%	-14%
Segment profit	-16	-66	**4**	n.a.	n.a.
Sales (tt)	752	852	**746**	-1%	-12%

Changes Q1'05 vs. Q1'04

Decrease in fuel sales at CODO sites in Poland of 2.4%.

Better segment performance due to increase of non fuel margin by 16.3%

Product sales structure, volumes



Petrochemicals
Q1’05

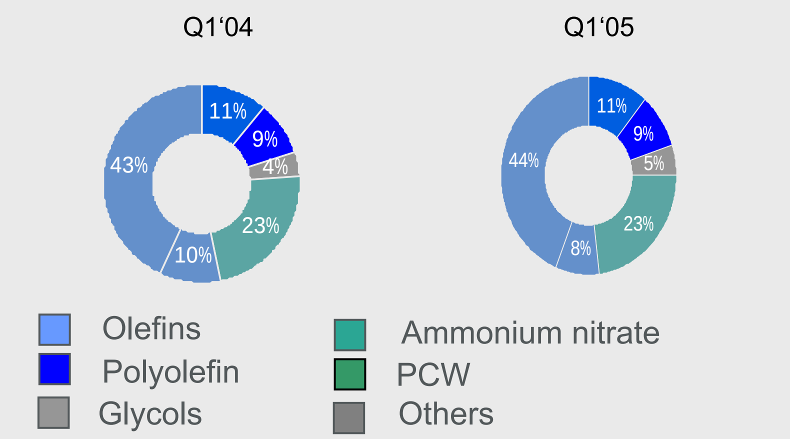
IFRS, PLN m	Q1'04	Q4'04	Q1'05	y/y	q/q
Revenues	1 285	1 496	**1 495**	16%	0%
Segement costs - total	1 073	1 241	**1 165**	9%	-6%
Segment profit	212	255	**330**	56%	**29%**
Sales (tt)	561	569	**565**	1%	-1%

Changes Q1’05 vs. Q1’04

Increase of segment result by 51% supported by Anwil contribution PLN 68 m

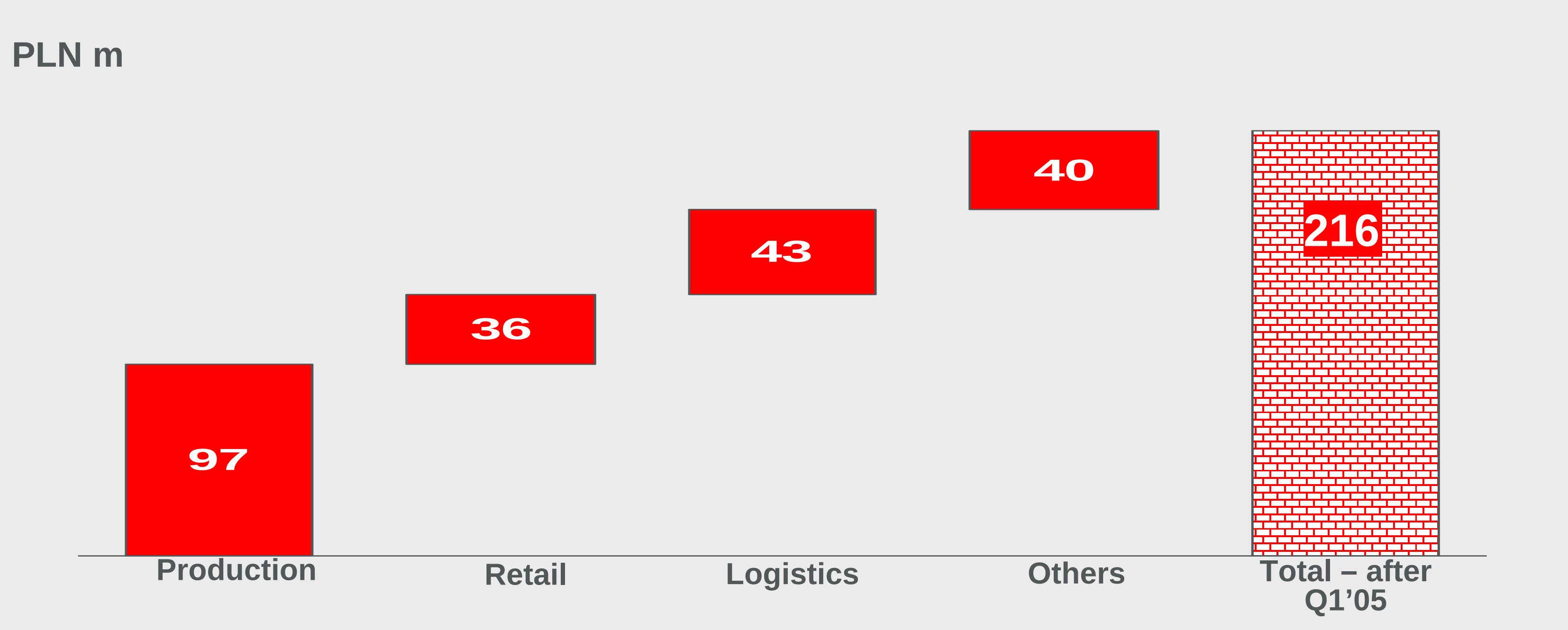
Excellent segment result, supported by high level of propylene and ethylene cracks and also sales growth of 5.3% and 29.6% respectively

Product sales structure, volumes



Cost cutting programme was undertaken by each segment of the company

Production was front runner of the cost cutting programme in Q1’05



Effects of the programme realised in each segment in Q1’05

ORLEN Deutschland
Financial highlights Q1'05 vs. Q1'04

Financial highlights, PLN m	Q1'2004	y/y	Q1'05
Total assets	1 662	-14%	1 432
Equity	544	-15%	462
PLN m			
Revenue	1 928	-4%	1 844
Costs of sales	-1 862	-3%	-1 806
Distribution and GA costs	-109	-19%	-88
Profit/loss on sales	-43	17%	-50
Other revenue and costs	14	9%	15
Operating profit/loss	-29	20%	-35
Net profit/loss	-31	-29%	-22

Comment

- Decrease in equity connected with drop in exchange rate PLN/EUR
- Visible decrease of PLN 20 m in distribution and GA costs due to the efficiency programme implementation
- Loss on sales connected with significant drop in retail margin to eurocent 2.7/litre

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