Polski Koncern Naftowy ORLEN
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2Q 2003 results

Significant improvement in efficiency

August 2003

Market environment - Oil & Gas
Satisfactory margin levels

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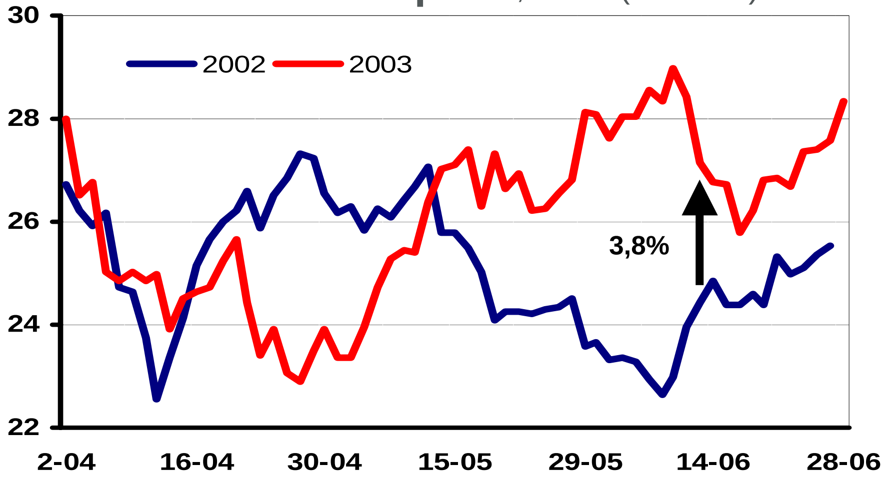
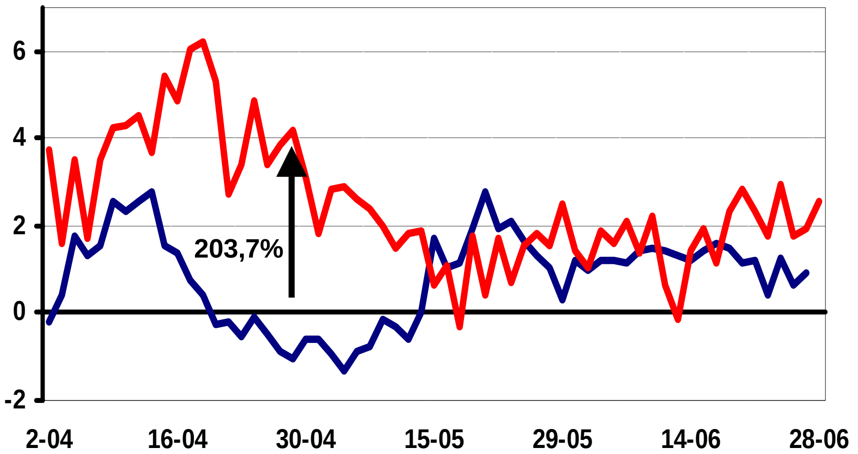
Crude oil price, Brent (USD/bbl)



Margin*

Rotterdam Complex Refinery Margin, Brent feedstock (USD/bbl)

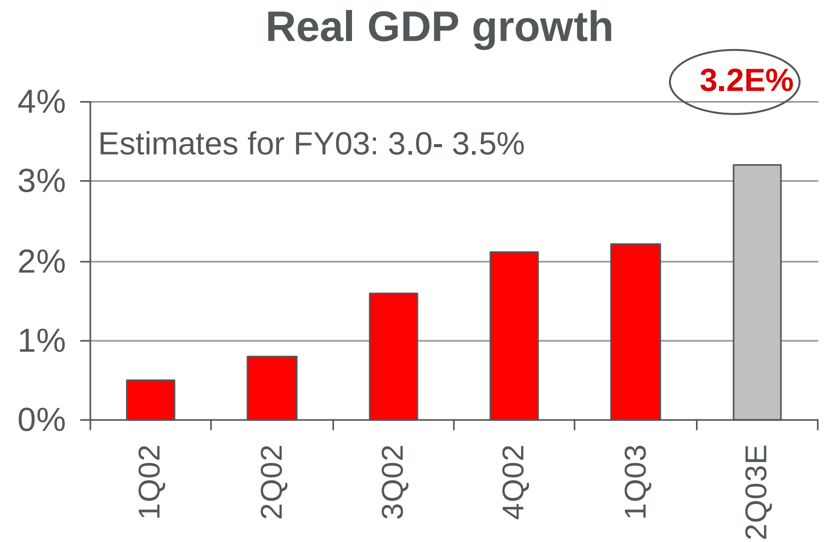


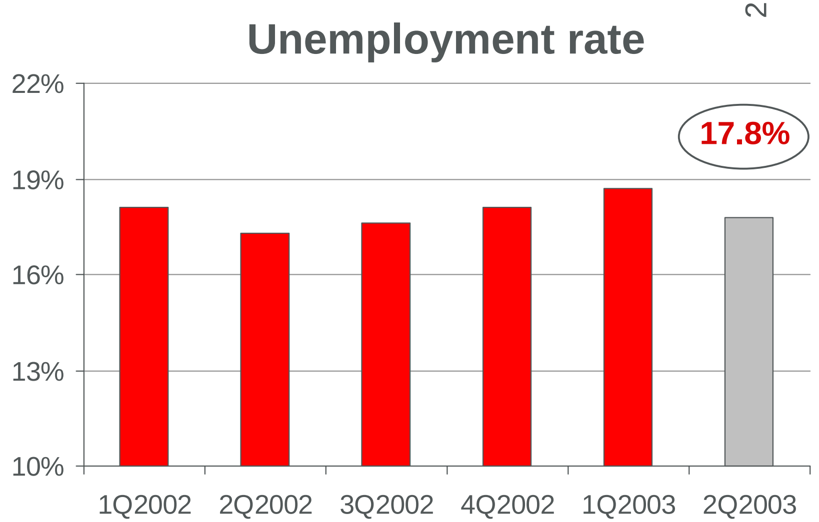
Source: Platt's and PVM company

- Decrease in crude demand in OECD countries of 0.6 mb/d (y-o-y)
- Increase in crude oil (Brent) prices of 3.8% from 25.09USD to 26.05 USD (y-o-y)
- Increase in Refinery Margin of 203.7% from 0.81 USD/bbl to 2.46 USD/bbl (y-o-y)
- Effect of higher refinery crack-spreads on EBIT of almost PLN 160m (*ceteris paribus*)
- Increase in Urals/Brent differential of 57.7% from 1.3 to 2.0 (y-o-y) - estimated effect on EBIT of almost PLN 66m (*ceteris paribus*)

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

Market environment – Poland
Economic recovery on track





- GDP growth shows big improvement confirming recovery of the economy. However, it is not fully reflected in unemployment rate amounting to 17.8% (0.5pp rise, y-o-y vs 0.9pp drop, q-o-q)
- Increase in new car sales of 13%E (1H03 vs. 1H02)
- Promising increase in domestic consumption of 2.9%E but still slight decrease in fuels consumption. Visible shift between Gasoline and Diesel
- Decrease in PLN/USD exchange rate from 4.04 to 3.84. Effect of lower exchange rate on EBIT of over PLN 28m

Source: GUS (The Polish Central Statistics Office), NBP (National Bank of Poland), BRE Bank and PKN ORLEN estimates

Financial highlights – significant improvements in efficiency y-o-y as well as q-o-q

IFRS basis, million PLN	2Q 03	2Q 02	change
Revenue	**5 933**	3 932	*50,9%*
EBIT	**175**	206	*-15,0%*
EBITDA	**474**	498	*-4,8%*
Net profit	**160**	115	*39,1%*
Net profit (LIFO)	**334**	3	*11033,3%*
Cash flow from operating activities	**198**	360	*-45,0%*
Net CAPEX	**244**	83	*194,0%*
	2Q 03	**1Q 03**	**change**
Equity	**8 813**	8 704	*1,3%*
Net debt	**3 024**	3 044	*-0,7%*
Gearing	**34,3%**	35,0%	*-0.7pp*
	2Q 03	**2Q 02**	**change**
EBITDA margin	**8,0%**	12,7%	*-4.7pp*
ROACE*	**4.3%**	5.6%	*-1.3pp*
ROACE (LIFO)*	**10.3%**	1.0%	*+9.3pp*

- Surge in revenues due to consolidation of German activities
- Reported EBIT lower than in 2Q02 due to unfavourable PLN 409m combined inventory effect**
- Significant increase in net profit according to LIFO accounting method showing real improvements in efficiency of the company and reflecting improvements in Oil&Gas environment
- Decrease in operating CF due to one-off change in accrued expenses and payables from German activities amounting to PLN 290m

• **ROACE = EBIT after taxation / average (Shareholders' equity + Net debt)*

***PLN 239m of pre-tax negative impact in 2Q03 and PLN 170m of pre-tax positive impact in 2Q02*

Operating highlights – wholesale market share in fuels re-gained

IFRS basis, million PLN	2Q 03	2Q 02	change
Retail sales of motor fuels (tt)	**969**	545	*77,8%*
Light products sales (tt) *	**2 347**	1 885	*24,5%*
Other refinery products sales (tt)	**629**	784	*-19,8%*
Pet-chem sales (tt)	**468**	423	*10,8%*
Processed crude (tt)	**2 882**	3 146	*-8,4%*
Utilisation	**79,5%**	90,0%	*-10.5pp*
White product yield	**77,0%**	73,0%	*+4pp*
Fuel yield	**61,0%**	60,0%	*+1pp*
Headcount	**16 288**	**17 606**	*-7,5%*

- Increase in consolidated retail sales due to consolidation of German retail network …
- … as well as domestic retail sales as a result of fruition of modernisation of the network
- Slight decrease in domestic wholesale, y-o-y, but visible increase in market share, q-o-q due to resumption of battle with polish competitors (increase of 2.5pp**)
- Increase in production yields due to unplanned maintenance overhauls in 2Q02
- Reduction in headcount due to sale of non-core assets

*Gasoline, Diesel, LHO, Jet **Gasoline, Diesel, LHO

production numbers relate to Płock Refinery; adjusted capacities amount to 14.5mt

Profit / Cash flow – operating activities supported by disposal of non-core assets

IFRS basis, million PLN	2Q 03	2Q 02	change
Revenue	**5 933**	3 932	*50,9%*
Cost of sales	**-4 931**	-3 084	*59,9%*
Distribution costs	**-571**	-407	*40,3%*
Administrative expenses	**-250**	-225	*11,1%*
Other	**-6**	-10	*n/a*
Profit from operations	**175**	206	*-15,0%*
Profit before income tax and minority interests	**235**	174	*35,1%*
Net profit	**160**	115	*39,1%*
Cash flow from operating activities	**198**	360	*-45,0%*
PLN	**2Q 03**	**2Q 02**	**change**
Diluted EPS	**0,38**	0,27	*40,7%*

- German activities supported revenues by almost PLN 1.8bn …*
- … and raised distribution as well as administrative expenses by almost PLN 80m and PLN 14m, respectively
- Result from financial activities supported by over PLN 50m FOREX gains and over PLN 30m capital gain on disposal of non-core assets**
- Operating CF of mother company higher than PLN 370m***

*as well as cost of sales by PLN 1.7bn **there were no significant changes in extraordinary items

*** one-off change in accrued expenses and payables from German activities had negative influence of PLN 290m

Balance sheet – visible decrease in debt

IFRS basis, million PLN	2Q 03	1Q 03	change
Non-current assets	**10 323**	10 607	*-2,7%*
Current assets of which	**6 430**	6 717	*-4,3%*
Inventories	**3 150**	3 260	*-3,4%*
Cash and cash equivalents	**433**	710	*-39,0%*
Total assets	**16 753**	17 324	*-3,3%*
Shareholders' equity	**8 813**	8 704	*1,3%*
Minority interests	**411**	417	*-1,4%*
Non-current liabilities of which	**1 456**	1 542	*-5,6%*
Interest bearing borrowings	**447**	539	*-17,1%*
Current liabilities of which	**6 073**	6 661	*-8,8%*
Interest bearing borrowings	**3 010**	3 215	*-6,4%*
Total liabilities	**16 753**	17 324	*-3,3%*

- Decreasing crude oil prices are reflected in lower value of inventories and payables
- One-off changes in Germany reflected in shifts in working capital elements (increase in receivables + decrease in payables = reduction in cash, amounted to c. PLN 300m)
- Better operating results and lack of expansion expenditures reflected in decrease in debt of over PLN 300m

PKN ORLEN maintains its position on the Polish fuel market

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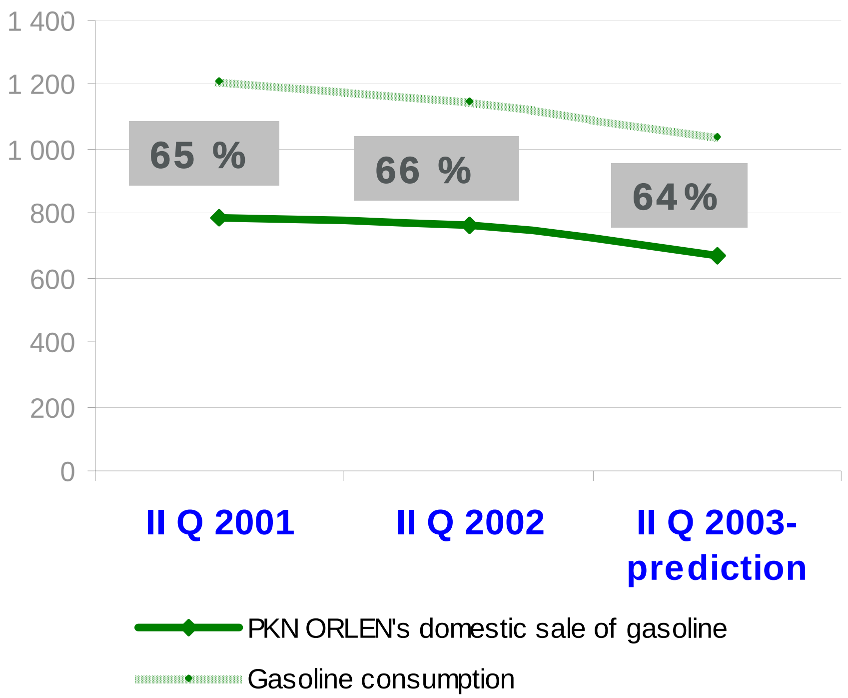
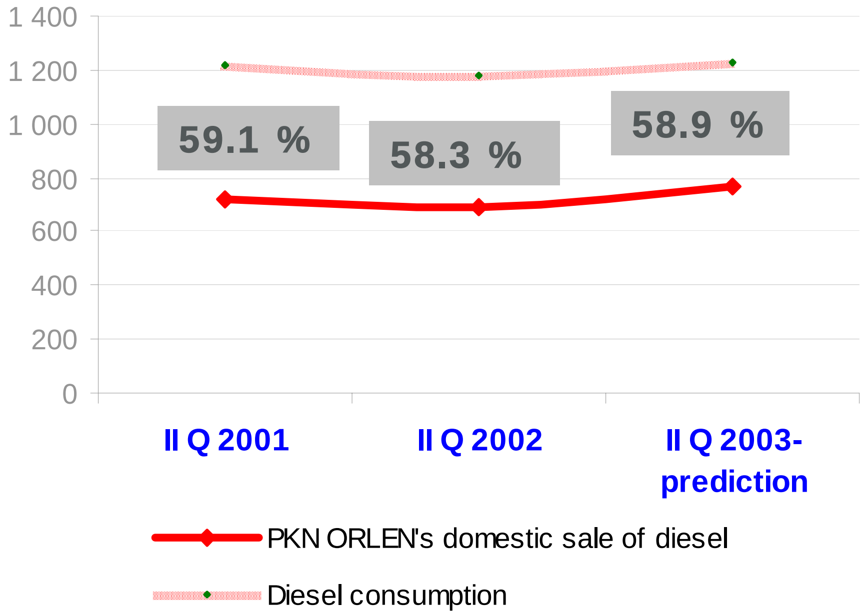
Gasoline



Diesel



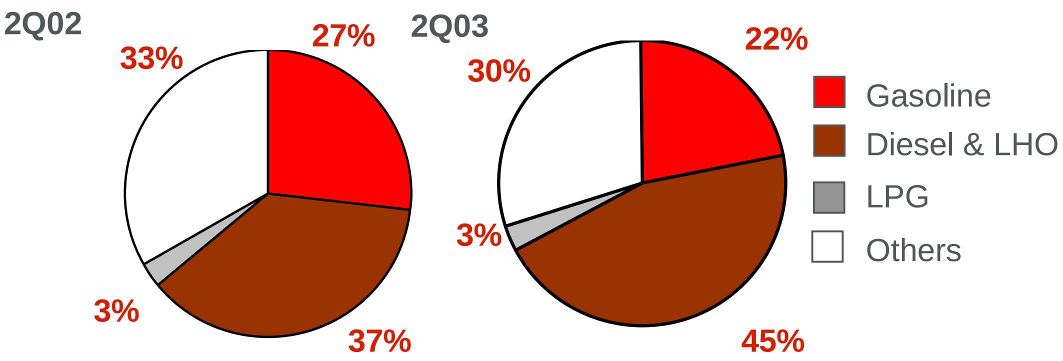
Source: Nafta Polska; II Q 2003 - estimates

Visible increase in efficiency supported by gain in market share after 1Q03 disruption

Refining and wholesales

IFRS basis, mPLN	2Q03	2Q02	change
Revenue	**3 457**	3 363	*2,8%*
Total costs of the segment	**3 298**	3 197	*3,2%*
Profit of the segment	**159**	166	*-4,2%*
Sales (tt)	**1 911**	2 346	*-18,5%*

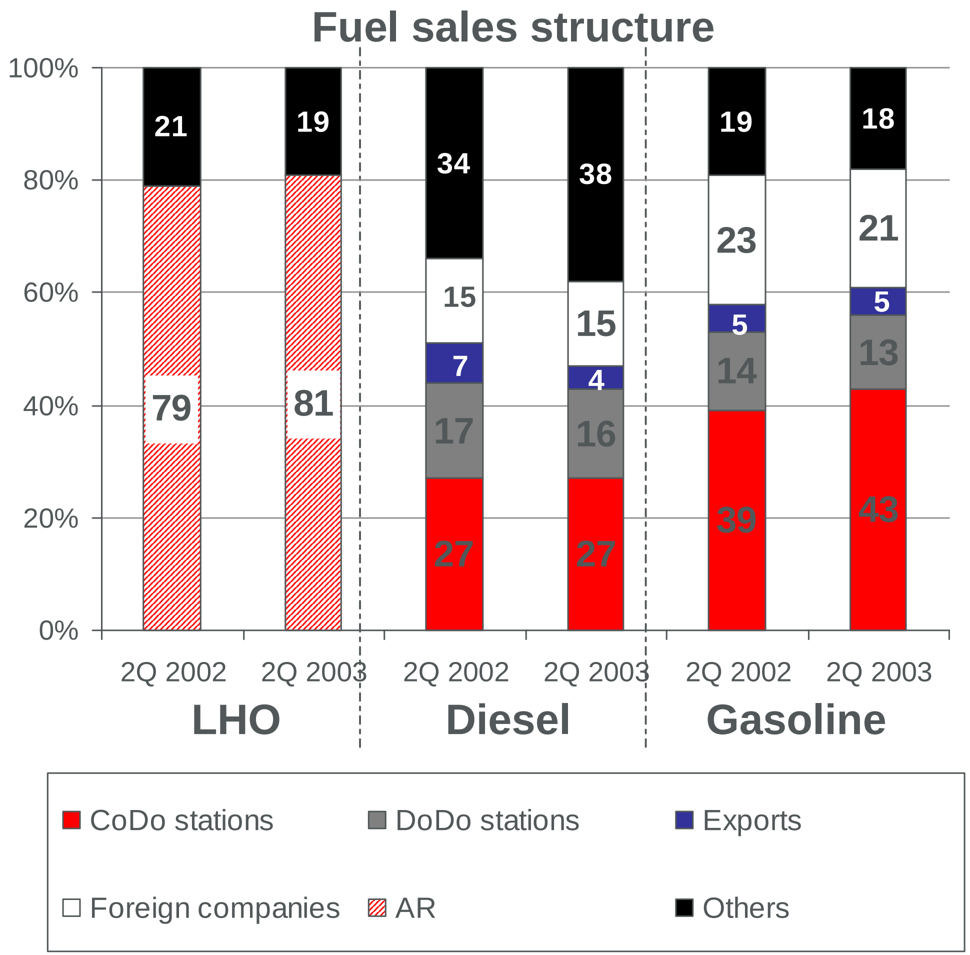
Sales by product



- Significant shift between Gasoline and Diesel sales
- Stable LHO volumes
- Decrease in low margin product volumes, like HHO, to regular levels due to one-off overhauls in 2Q02
- Market share recovery, further optimisation of logistics and refinery processes visible in surge in efficiency
- Excluding inventory effect* (assuming LIFO method) profit of the segment increased by PLN 402m !!!

** attributing all inventory effect to refining and wholesale (negative in 2Q03 and positive in 2Q02), numbers revealed on slide No 4*

Optimisation of sales through CODO sites and authorised representatives of LHO



- Increased share of company-owned stations in the structure of domestic clients in order to maximise the total margin
  - especially visible in Gasoline, were domestic consumption is plummeting
- Maximising LHO sales through the network of Authorised Representatives (AR)
- Visible drop in exports of Diesel

Optimisation of the margin reflected in better financial results

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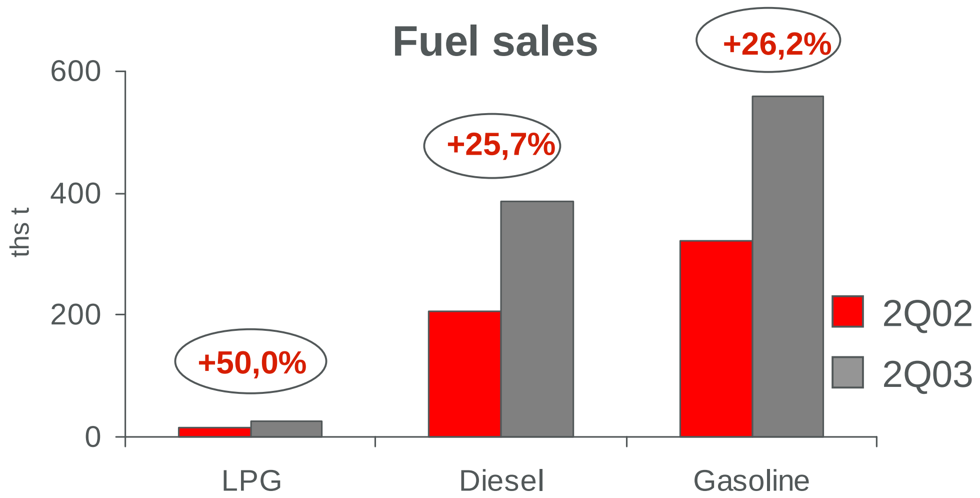
Retail

IFRS basis, mPLN	2Q03	2Q02	change
Revenue	**2 984**	985	*202,9%*
Total costs of the segment	**2 945**	966	*204,9%*
Profit of the segment	**39**	19	*105,3%*
Sales (tt)	**1 065**	548	*94,3%*



- First signs of recovery visible in domestic volumes* - 2.5% increase, y-o-y
- Next consecutive quarter decrease in Gasoline volumes was accompanied by increase in Diesel and surge in LPG volumes
- Optimising of retail margin we started to increase unit margins on Diesel and LPG, which is reflected in PLN 55m rise in fuel margin, y-o-y
- Due to our strategy, margins on non-fuel sales and services increased by further 25%
- As a result we enjoyed significant rise in profitability

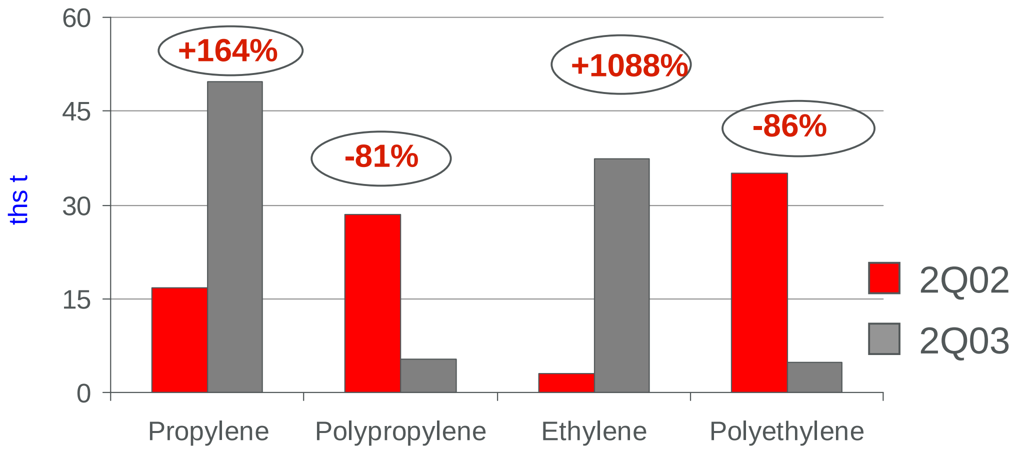
** calculating as CoDo sites*

Next consecutive quarter of robust profitability of Pet-chems

Petrochemicals

IFRS basis, mPLN	2Q03	2Q02	change
Revenue	**1 039**	921	*12,8%*
Total costs of the segment	**957**	857	*11,7%*
Profit of the segment	**82**	64	*28,1%*
Sales (tt)	**468**	423	*10.8%*

Main petrochemical sales



- Increase in monomers as well as fertilisers (prolonged agricultural works) volume reflected in 11% rise in total sales
- Sales of polyolefins fully replaced by sales of olefins due to creation of JV with Basell
- Satisfactory margin level and adroit start-up of JV with Basell allowed PKN ORLEN to maintain robust profitability for the second consecutive quarter

Outlook for 2H03

- **Retail** – few percent increase in volumes with a slight decrease in unit margins on fuels, q-o-q (however big improvement y-o-y), but still visible increase in margin of non-fuel products. Volumes in Gasoline c. 4% down and in Diesel c. 9% up.
- **Wholesale** – product prices below import parity to maintain the market share, visible shift from Gasoline to middle distillates
    - increasing influence of the grey zone confirms importance of quality and import control
- Implementation of strategic initiatives like: VBM, cost-cutting, German acquisition or restructuring of the retail network should result in short-term negative influence on the overall performance but visible improvements in 2004
- Sale of c.20 companies (mainly maintenance and transportation)*:

  cash inflow ~ PLN 108m with a capital gain close to PLN 22m
  decrease in headcount by over 2,500
- As a result, reported profit for 2H03 should be similar to last year's. However, LIFO result should visibly exceed last year's performance

** postponing of some approvals can cause the final closure of the process or parts of it to take place in 1Q04*

Supplementary slides

Purchase of the German's sites proves to be an effective business

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Strict cost management and higher margins (7% up, q-o-q) result in good performance of German activities, which recorded over PLN 11m of net profit

- **The trend was observed in 2q2003 within ORLEN Deutschland:**
  - Filling stations with low margins and high volumes:
    (previous brand: Eggert) – sales volume increased by **10%**
  - Filling stations with better *location*, higher margins and lower sales volumes
    (previous brands: BP and ARAL) – sales volume decreased by **11%**

What proves implementation of two brands to the German retail market

- Brand **A** – high margins, favourable locations, but lower sales of fuels
- Brand **B** – low margins, but high sales volume

2Q2003 - influence of ORLEN Deutschland and JV with Basell on consolidated Balance Sheet and P&L

Balance sheet - selected items (PLNm)	2Q2003	2Q2003 of which Germany and Basell (*)	1Q2003
Property, plant and equipment	9 449	*597*	9 510
Investments accounted for on an equity basis	467	*358**	551
Inventories	3 150	*109*	3 260
Trade and other receivables	2 734	*488*	2 673
Cash and cash equivalents	433	*200*	710
Total assets	**16 753**	***1 752***	**17 324**
Non-current liabilities	1 456	*135*	1 542
Total current liabilities	6 073	*564*	6 661
Total liabilities and shareholders' equity	**16 753**	*699*	**17 324**

Income statement - selected items (PLNm)	2Q2003	2Q2003 of which Germany	2Q2002
Revenue	**5 933**	***1 797***	**3 932**
Cost of sales	-4 931	*1 701*	-3 084
Gross profit	**1 002**	***130***	**848**
Distribution expenses	-571	*77*	-407
Administrative expenses	-250	*14*	-225
Net profit	**160**	**11**	**115**