ORLEN

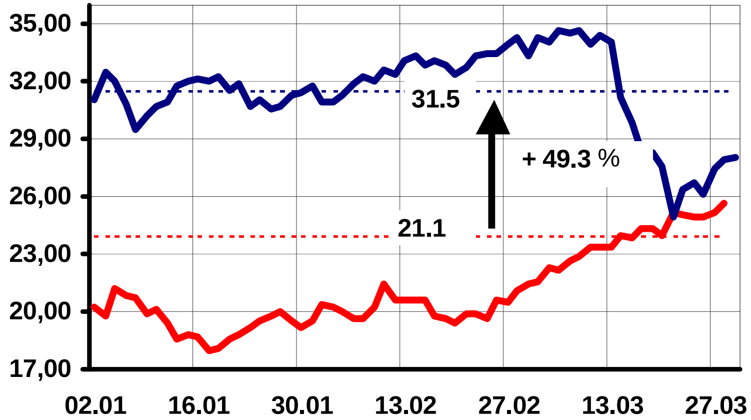
Polski Koncern Naftowy ORLEN
Spółka Akcyjna

1Q 2003 results

May 2003

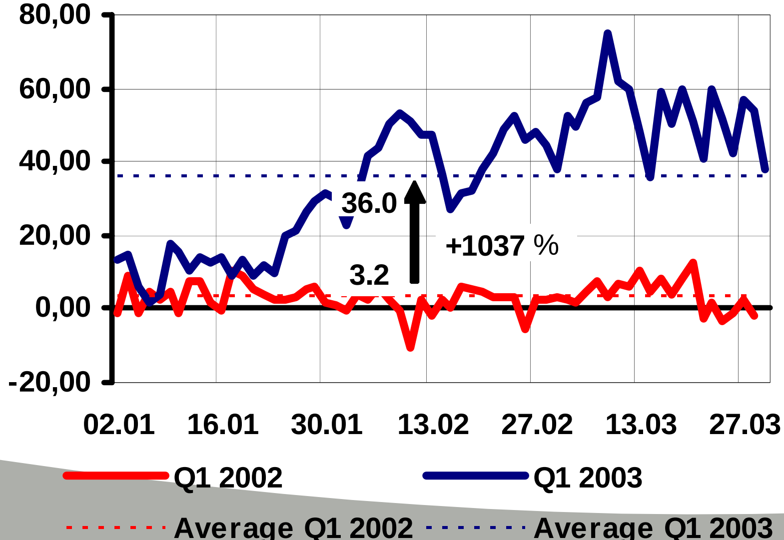
Market environment – favourable conditions in the oil market influenced ORLEN's results

Crude oil price, Brent (USD/bbl)



Margin*

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

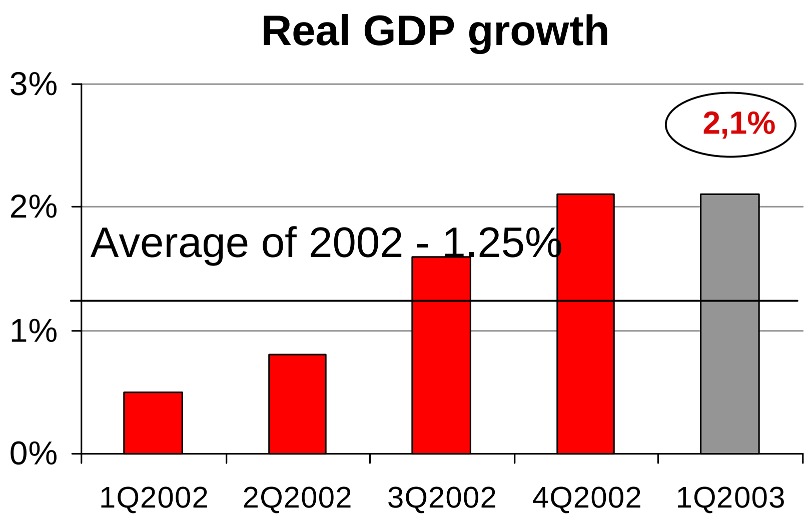


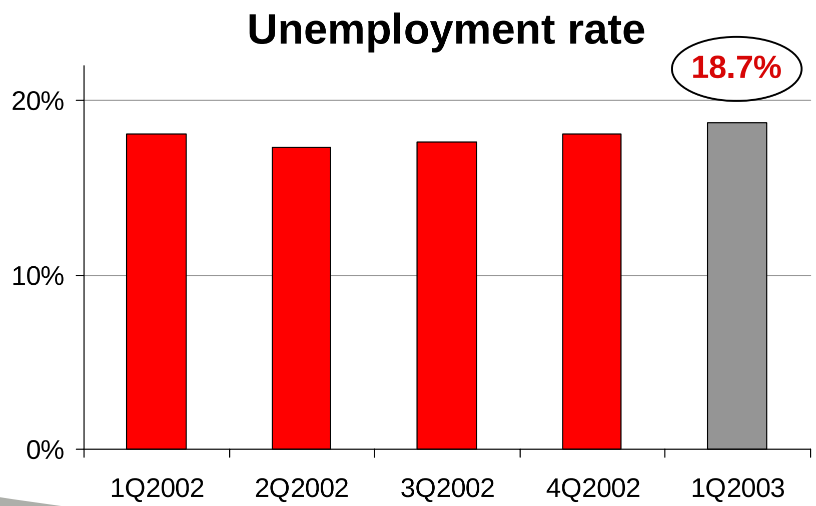
- Increase in crude demand in OECD countries of 1.14 mb/d (y-o-y)
- Increase in crude oil (Brent) prices of 49.3% (y-o-y) reflected in inventory effect of over PLN 200m
- Increase in Refining Margin of 1037% from 0.42 USD/bbl to 4.75 USD/bbl
- Effect of higher refinery crack-spreads on EBIT of almost PLN 362m
- Increase in Urals/Brent differential of 76.3% (y-o-y) - estimated effect on EBIT of over PLN 80m

*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)

Source: Platt's and PVM company

Market environment – potential for growth (q-o-q), but Polish conditions still unfavourable (y-o-y)





- GDP growth at a low level, as for converging economy, of 2.1% (y-o-y)*
- Increase in unemployment rate of 0.5 pp (y-o-y)
- Increase in new car sales of 12% representing almost 9,000 items (1Q2003 vs. 1Q2002, Samar's est.)
- Encouraging increase in domestic consumption of some 1.8%* but, in fuels, still a slump of a few percent due to extremely high prices
- Decrease in the PLN/USD exchange rate from 4.1 to 3.9. The negative effect of the lower exchange rate on EBIT of almost PLN 136m

Source: GUS (The Polish Central Statistics Office), NBP (National Bank of Poland)

* according to Central Statistical Office from 29.04.03

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Financial highlights – extraordinary performance in a mixed environment

IFRS basis, million PLN	1Q 03	1Q 02	change
Revenue	**4,962**	3,502	*41.7%*
EBIT	**590**	179	*229.6%*
EBITDA	**900**	453	*98.7%*
Net profit	**355**	66	*437.9%*
Net profit (LIFO)	**205**	23	*791.3%*
Cash flow from operating activities	**256**	337	*-24.0%*
Net CAPEX	**249**	302	*-17.5%*
	1Q 03	**Y 02**	**change**
Equity	**8,704**	8,329	*4.5%*
Net debt	**3,044**	2,341	*30.0%*
Gearing	**35.0%**	28.1%	*+6.9pp*
	1Q 03	**1Q 02**	**change**
EBITDA margin	**18.1%**	12.9%	*+5.2pp*
ROACE*	**15.4%**	4.9%	*+10.5pp*

- Increase in product prices and consolidation of German activities had a significant impact on increase in revenues
- Strong increase in profitability due to full utilisation of higher margins and one-off influence of JV with Basell on P&L, despite poor conditions in the Polish market
- Decrease in operating CF, mainly due to crude oil price movements (increase in working capital)
- Low level of net capex due to cold winter
- Gearing at a safe level. Visible increase due to German acquisition and increased working capital

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

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Operating highlights - less crude oil processed due to lower market demand

IFRS basis, million PLN	1Q 03	1Q 02	change
Retail sales of motor fuels (tt)	**632**	498	*26.9%*
Light product sales (tt) (1)	**1,896**	1,971	*-3.8%*
Other refinery products sales (tt)	**501**	531	*-5.6%*
Pet-chem sales (tt)	**598**	561	*6.6%*
Processed crude (tt)	**2,870**	3,045	*-5.7%*
Utilisation	**85.0%**	90.2%	*-5.2%*
White product yield	**82.6%**	81.4%	*+1.2pp*
Fuel yield	**66.1%**	66.4%	*-0.3pp*
Headcount (2)	**17,295**	17,818 (3)	*-2.9%*

- Significant increase in retail sales due to consolidation of German activities and strong battle for a customer in the Polish retail market
- Decrease in wholesale volumes caused by price-resistance, black zone, aggressive pricing by competitors and inflow of middle distillates from the East
- Utilisation of increasing demand for petrochemicals is visible in raised volumes
- Increase in white product yield in spite of decrease in sweet crude throughput

1) Gasoline, Diesel, LHO, Jet
2) Excluding German business of PKN ORLEN (not audited data)
3) As of 31 December 2002
Production numbers relates to Płock Refinery

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Profit / Cash flow – full utilisation of present market situation in Oil&Gas

IFRS basis, million PLN	1Q 03	1Q 02	change
Revenue	**4,962**	3,502	*41.7%*
Cost of sales	**-3,793**	-2,738	*38.5%*
Distribution costs	**-455**	-376	*21.0%*
Administrative expenses	**-209**	-201	*4.0%*
Other	**85**	-8	*n/a*
Profit from operations	**590**	179	*229.6%*
Profit before income tax and minority interests	**513**	106	*384.0%*
Net profit	**355**	66	*437.9%*
Cash flows from operating activities	**256**	337	*-24.0%*
PLN	**1Q 03**	**1Q 02**	**change**
Diluted EPS	**0.84**	0.16	*425.0%*

- Increase in distribution costs due to consolidation of PLN 26m costs in Germany and an aggressive battle for retail customers in Poland
- Visible change in „other” position due to creation of JV with Basell (c. -PLN 113m) – 50% of the difference between the fair value of contributions-in-kind and book value
- Over PLN 100m forex loss due to weak PLN at the end of March
- PLN 46.5m dividend from Polkomtel
- Excluding movements in working capital, operating CF more than doubled

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Balance sheet – influence of previously-announced strategic projects

IFRS basis, million PLN	1Q 03	Y 02	change
Non-current assets	**10,607**	9,814	*8.1%*
Current assets of which	**6,717**	5,259	*27.7%*
Inventories	**3,260**	2,868	*13.7%*
Cash and cash equivalents	**710**	222	*219.8%*
Total assets	**17,324**	15,073	*14.9%*
Shareholders' equity	**8,704**	8,329	*4.5%*
Minority interests	**417**	412	*1.2%*
Non-current liabilities of which	**1,542**	1,409	*9.4%*
Interest bearing borrowings	**539**	402	*34.1%*
Current liabilities of which	**6,661**	4,923	*35.3%*
Interest bearing borrowings	**3,215**	2,161	*48.8%*
Total liabilities	**17,324**	15,073	*14.9%*

- Influence of consolidation of German activities and JV creation reflected in changes in assets and liabilities
- c.PLN 350m increase in parent company's inventories due to movements in crude oil prices and contracting demand
- Strong increase in short-term debt due to finance German acquisition and increased working capital

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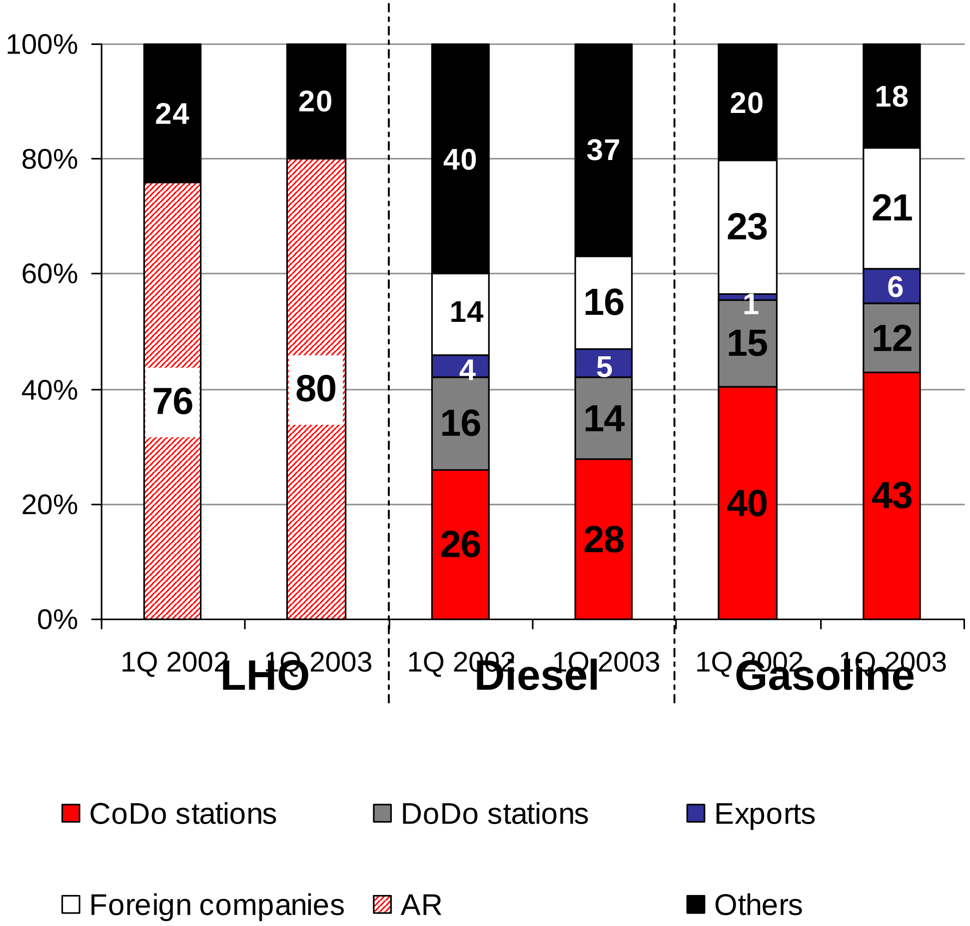
Optimisation of sales through CODO stations and authorised representatives of LHO

Fuel sales structure



- Increased share of company-owned stations in the distribution structure in order to maximise total margins
- Maximising LHO sales through the network of authorised representatives (AR)
- High prices of products caused contraction in sales to individual clients selling from stocks and participating in still growing black market

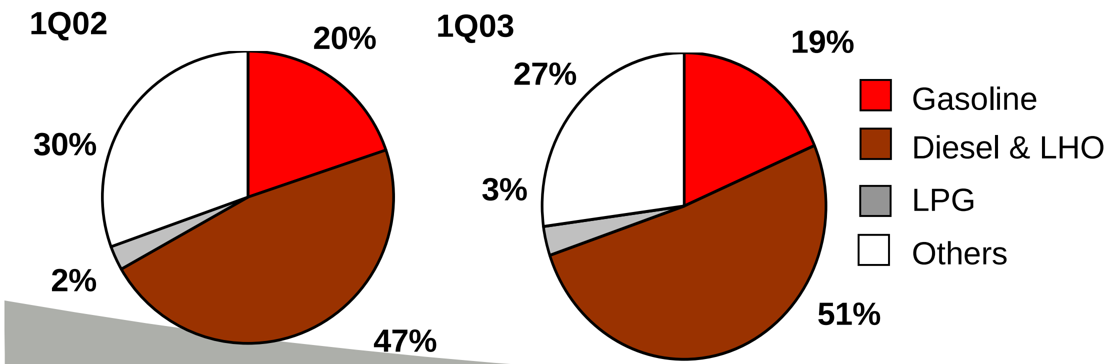
* excluding German operations

We utilized opportunity created by extremely good margins

Refining and wholesale

IFRS basis, mPLN	1Q03	1Q02	change
Revenue	**3,936**	2,925	*34.6%*
Total costs of the segment	**3,439**	2,756	*24.8%*
Profit of the segment	**497**	169	*194.1%*
Sales (tt)	**1,762**	2,132	*-17.4%*

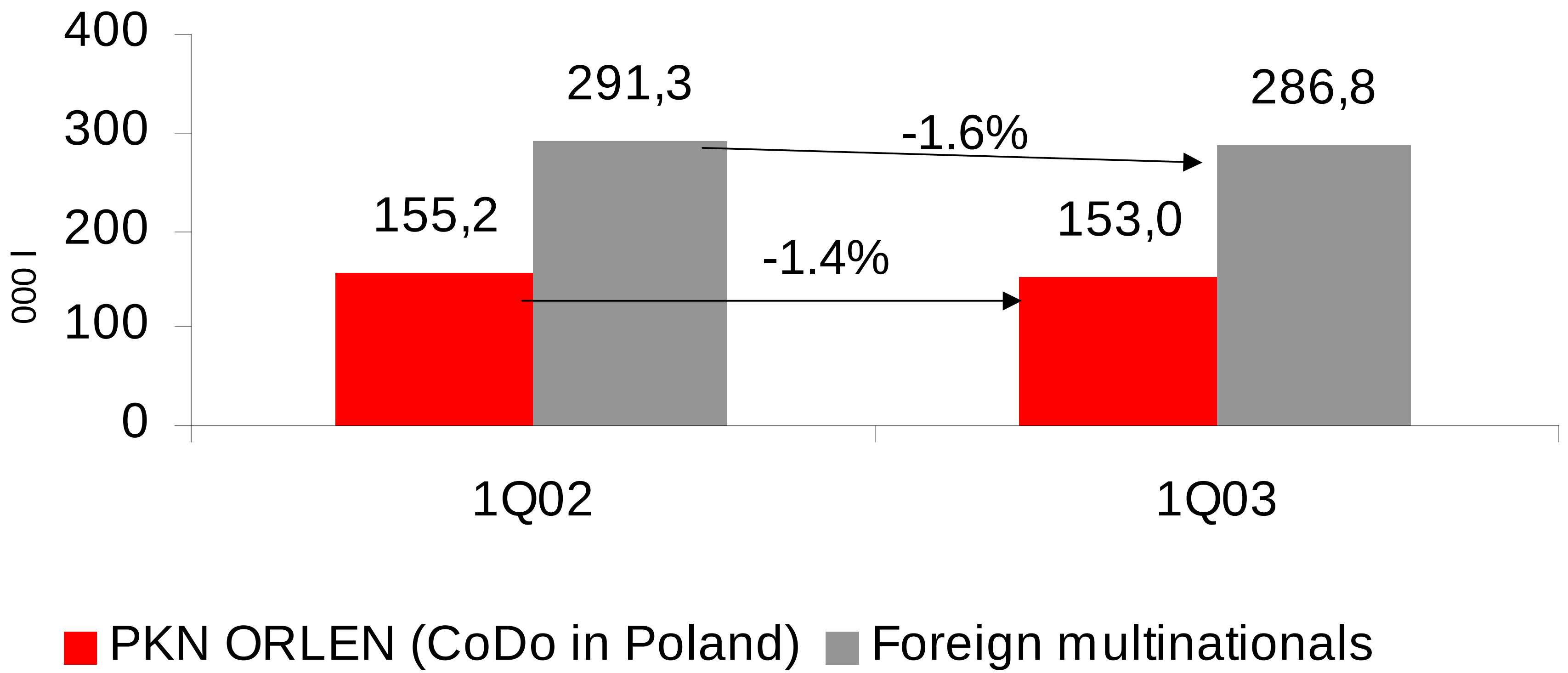
Sales by product



- A visible decrease in consumption of fuels and aggressive pricing policy was reflected in a strong contraction in sales
- Dynamics of gasoline volumes was still the weakest of fuels
- Highest ever refining margins make it impossible to maintain a strong inland premium (decrease of PLN 114m, -58% y-o-y)
- In spite of price-resistance in Poland the favourable situation in the oil market allowed us to increase profitability by almost 200%

*Gasoline, Diesel

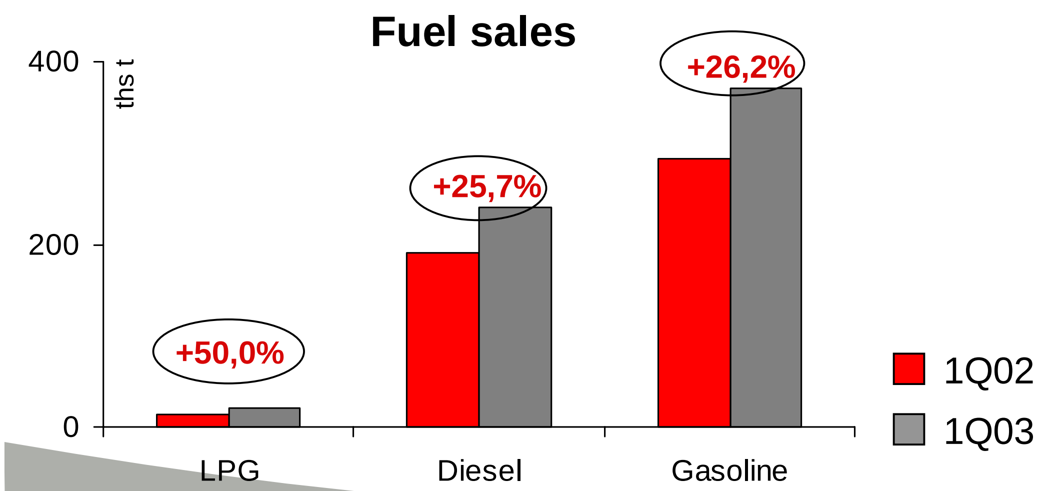
Monthly average fuel sales (gasoline, diesel, LPG) per station



Aggressive battle for customers affected retail performance in 1Q03

Retail

IFRS basis, mPLN	1Q03	1Q02	change
Revenue	**1,695**	912	*85.9%*
Total costs of the segment	**1,719**	881	*95.1%*
Profit of the segment	**-24**	31	*n/a*
Sales (tt)	**637**	500	*27.4%*



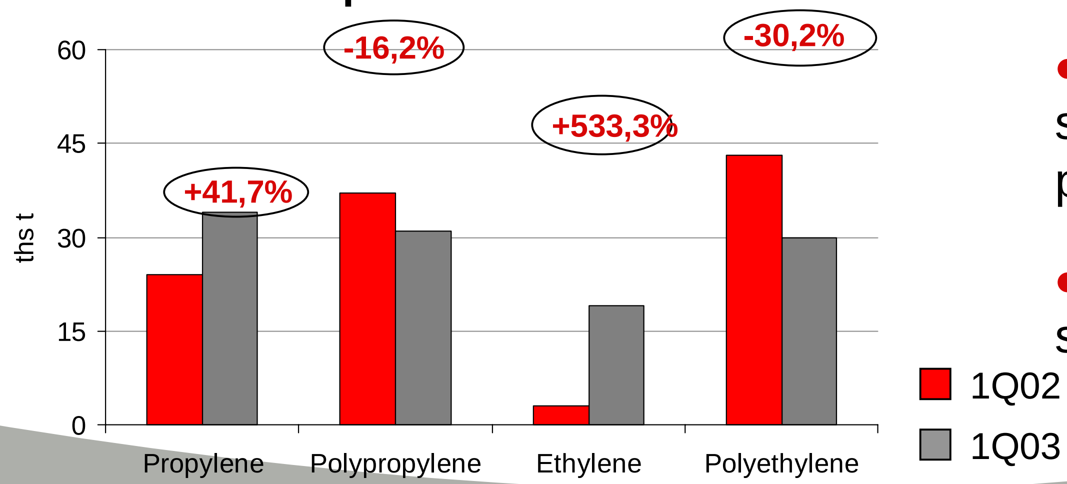
- Strong increase in volumes due to consolidation of German sites
- Aggressive battle for clients in the domestic market could not offset the price-resistance. It was reflected in a 3% drop in domestic volumes
- Still noticeable shift from gasoline to LPG
- High refining margins were the main reason for the squeeze on retail margins on fuel by 10%
- Due to our strategy, margins on non-fuel sales and services increased by 18%
- c. PLN 20m costs related to rebranding also weakened the segment result

Another quarter of very good performance from the chemical segment

Petrochemicals

IFRS basis, mPLN	1Q03	1Q02	change
Revenue	**1,257**	924	*36.0%*
Total costs of the segment	**1,047**	883	*18.6%*
Profit of the segment	**210**	41	*412.2%*
Sales (tt)	**598**	561	*6.6%*

Main petrochemical sales



- In spite of the contraction in the fuel market, pet-chems showed further signs of health (6.6% increase in sale volumes)
- Polyolefins spin-off reflected in shift in pet-chem sales structure
- Sales of polyolefins to be fully replaced by sales of olefins
- Stronger (y-o-y) margins supported significantly higher profitability
- Polyolefins spin-off improved segment result by c. PLN 112m

Outlook for 2Q03

- **Retail** – expected flat volumes and significant increase in margins (diesel, LPG and non-fuel sales)
- **Wholesale** – still visible contraction in sales (especially gasoline)
- Revamping of HOWK (Hydrocracker) to start in June
- Sale of 5 companies (mainly maintenance):
  - cash inflow > PLN 16m with capital gain close to PLN 10m
  - decrease in headcount by over 1,300
- Payout of Polkomtel dividend (influence on CF) – PLN 46.5m
- In case of “low” crude oil prices (~ 25 USD/bbl):
  - strong negative inventory effect reflected in P&L
  - decrease in working capital reflected in Assets and CF

Supplementary slides

Germans are getting increasingly price sensitive, this supports a two-brand strategy

In the German retail fuel market, petrol stations offer fuels of the highest quality. In case of high prices in the market, customers choose low-margin filling stations with high throughput and low prices. They are not quality-sensitive, because of the fuel available throughout the country is always of high quality.

- **The trend was observed within ORLEN Deutschland:**
  - Filling stations with low margins and high volumes:
    (previous brand: Eggert) – sales increased by **18.1%***
  - Filling stations with better *location*, higher margins and lower sales volumes
    (previous brands: BP and ARAL) – sales decreased by **10.1%****

As a result we are going to introduce 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

** Monthly average increase of fuel sales per filling station (1Q 2003 vs. 1Q 2002)*

*** Monthly increase of fuel sales per filling station (March 2003 vs. March 2002)*

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Influence of ORLEN Deutschland and Poliolefiny Polska Sp. z o.o. on Balance Sheet and P&L

Balance sheets - selected items (PLNm)	1Q2003	1Q2003 of which Germany and (*)Basell	1Q2002
Property, plant and equipment	9 510	*603*	9 089
Investments accounted for on an equity basis	551	*351**	199
Inventories	3 260	*92*	2 868
Trade and other receivables	2 665	*314*	2 080
Cash and cash equivalents	661	*501*	178
Total assets	**17 324**	***1 861***	**15 073**
Non-current liabilities	1 542	*151*	1 409
Total current liabilities	6 661	*842*	4 923
Total liabilities and shareholders' equity	**17 324**	***993***	**15 073**

Income statements - selected items	1Q2003	1Q2003 of which Germany	1Q2002
Revenue	**4 962**	***643***	**3 502**
Cost of sales	-3 793	*-609*	-2 738
Gross profit	**1 169**	***34***	**764**
Distribution expenses	-455	*-26*	-376
Administrative exoenses	-209	*-9*	-201
Profit from operations	**590**	**-1**	**179**

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Thank You