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Results after 4Q2003

Record-breaking results achieved by PKN ORLEN

February 2004

A milestone year for PKN ORLEN

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- **ROACE 8,6%* ≈ WACC 9,0%**
- **Record-breaking net profit -> 1041 mln PLN**
- Savings of 144 mln PLN after 6 months of the cost cutting program implementation
- Sale of 25 non-core companies
- Headcount reduction of 2,700 people
- Successful completion of strategic expansion processes:
  - Orlen Deutschland – whole network rebranded
  - Basell Orlen Polyolefins – results 2.5 higher than assumed

** The ratio does not exlude one-off items*

ROACE at relatively high level
even after excluding one-offs

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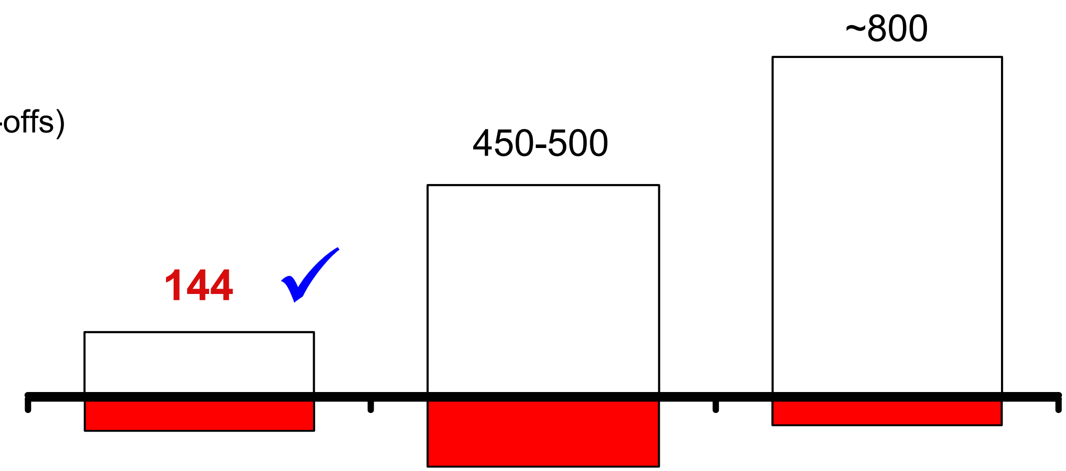
Value streams	ROACE change	ROACE 2003		ROACE 2006 target
PKN ORLEN Group	⇑ 3.7pp	7.3%		8.8%
Production, Wholesale and Logistic	⇑ 8.9pp	13.5%	✓	12.3%
Retail	⇑ 2.3pp	8.1%		14.3%
Corporate centre	na	na		na
Strategic expansion costs	na	na		na
Subsidiaries & Strategic Investments	na	na		na

** Positive influence of NOM assets disposal not included, as well as in-kind contribution to JV with Basell – jointly 140 mln before tax; results according to LIFO valuation of inventory*

Cost cutting
Full implementation of the programme in 2003

Savings (sustainable)
Investments and M&A (one-offs)



One-off spendings	2003 y.	2004 y.	2005 y.
-M&A	-33	-46	-
-Implementation costs	-16	-18	-
-Capex	-1	-40	-40
	-50	-104	-40
% of target completion	**18**	**55-60**	**100**

Figures in PLN m

Market environment in oil & gas sector

Favourable conditions utilized

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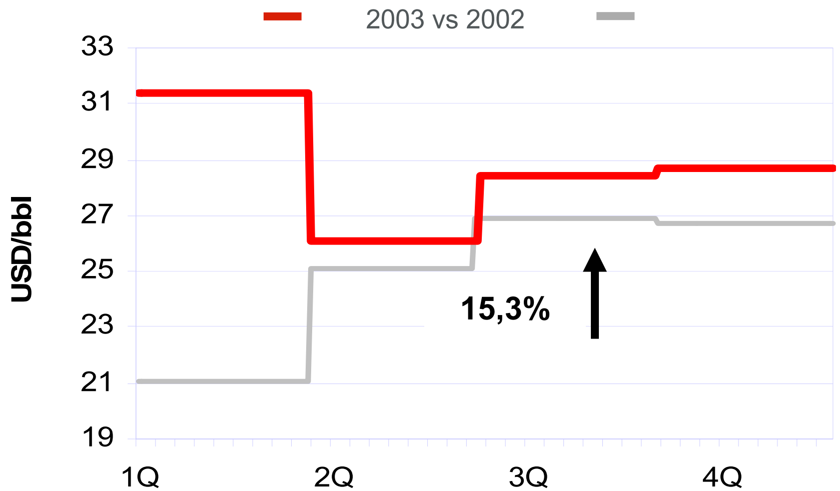
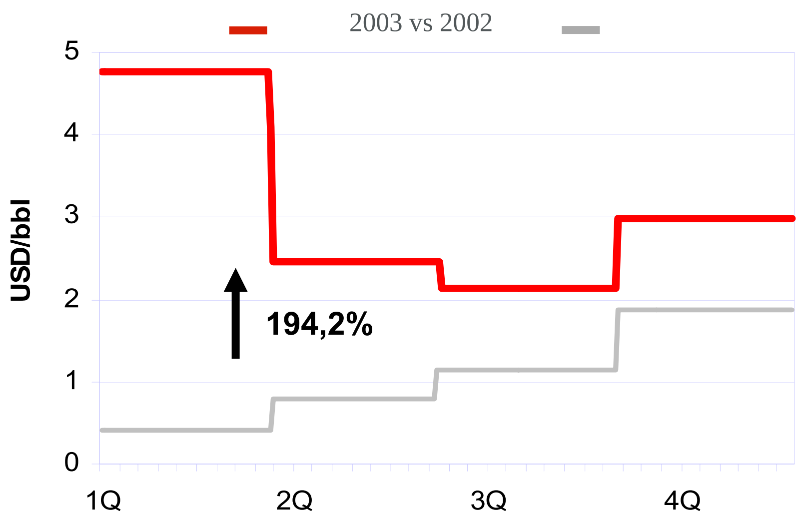
Crude oil price, Brent (USD/b)



Margin* Refinery margin , Brent (USD/b)

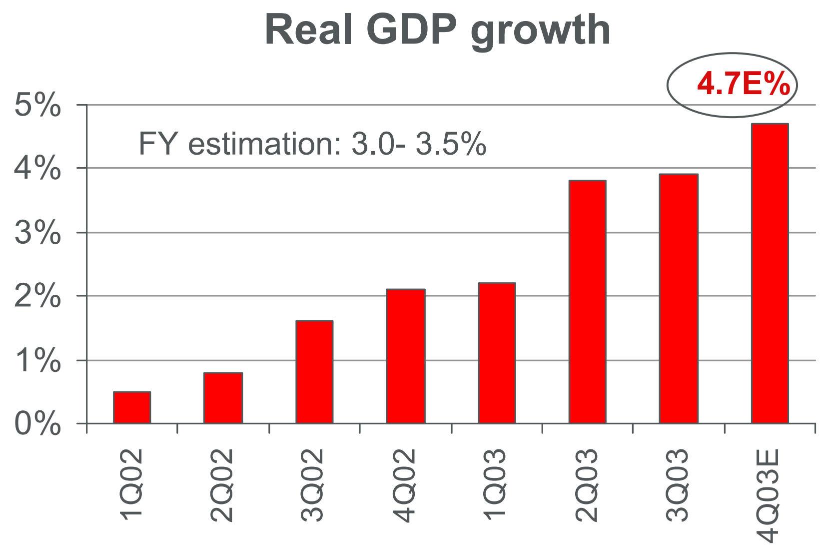


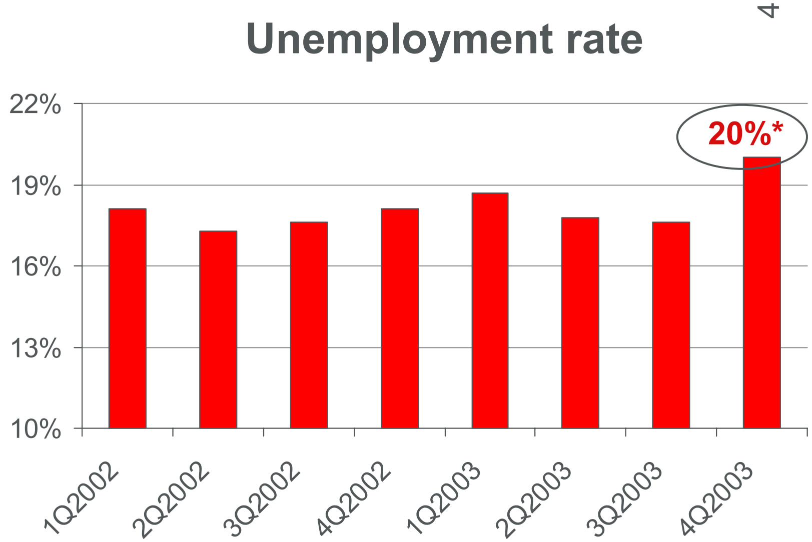
Source: Platt's and PVM

- Average increase in crude oil prices (Brent) in Y'03 by 15.3% from USD 25.04 to USD 28.86 (y-o-y)
- Increase in Refinery Margin by 194.2% from 1.04 USD/bbl to 3.06 USD/bbl (y-o-y)
- Increase in Ural/Brent differential of 45.5% from 1.21 USD to USD 1.76 (y-o-y)
- PLN/USD exchange rate decrease from 4.08 to 3.89

*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
Noticable recovery in the economy





- Visible GDP growth confirms economic recovery. Estimated Y'03 GDP growth rate at 3,7%. Unemployment rate still high 20% (down by 0.1 pp y-o-y, up 0.5 pp q-o-q)
- Increase in new car sales of 16.3%E (Y'03 vs. Y'02)
- Estimated growth of the domestic fuel consumption (gasoline, diesel and LHO) of 6% (y-o-y)

* The methodology was changed
Source: GUS (The Polish Central Statistics Office), NBP (National Bank of Poland), Finance Ministry and PKN ORLEN estimates

Profit – restructuring results
reflected in profitability ⇑

IFRS, m PLN	2003	2002	change
Revenues	**24 412**	16 902	*44,4%*
Cost of sales	**-19 986**	-13 455	*48,5%*
Distribution costs	**-2 259**	-1 787	*26,4%*
Administrative expenses	**-934**	-891	*4,8%*
Other	**95**	-38	*na*
Profit from operations	**1 328**	731	*81,7%*
Profit before income tax and minority interests	**1 288**	735	*75,2%*
Net profit	**1 041**	421	*147,3%*
PLN	**2003**	**2002**	**change**
EPS	**2,47**	1,00	*147,0%*

- Surge in revenues due to consolidation of German* activities as well as higher prices of refinery products
- Significantly lower growth of distribution costs vs revenues growth
- Consolidation of German activities also influenced distribution costs and administrative expenses by PLN 344m and PLN 32m, respectively
- Significant influence of forex on financial income and expenses (PLN 81m and 185m respectively; in the case of costs these are mainly unrealized foreign exchange losses)**
- Revaluation of deferred tax provision influenced positively net profit by PLN 100m

**Consolidation of German operations increased revenues by PLN 6 270m and cost of sales by PLN 5 946m*
***No significant changes attributed to extraordinary events*

Operating CF vs organic CAPEX

Operating CF

PLN 1.7 bln

⇑ 32%

Disinvestments

PLN 57m

Change of debt

PLN 245m

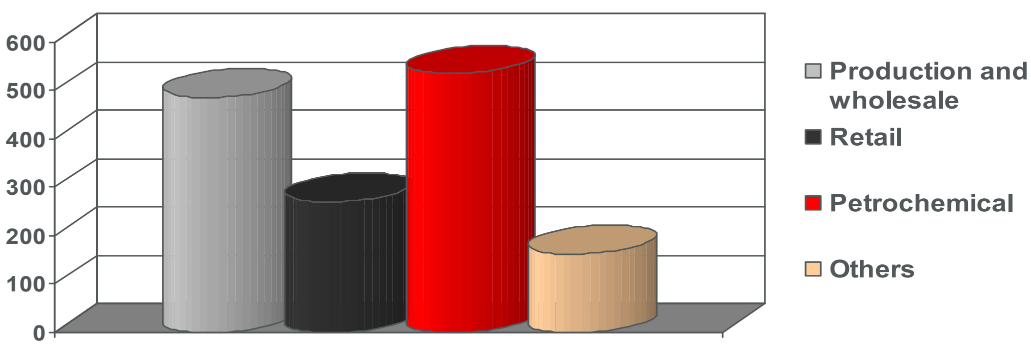
●*

M&A

PLN 325m

⇑ Dividend and ⇓ interests

PLN 175m



Investments in the organic growth

PLN 1.34bn** - ⇑ 38%

** Others -> PLN 172 m*

*** Assuming memorial accounting rule the inventments amount to PLN 1.45 bln*

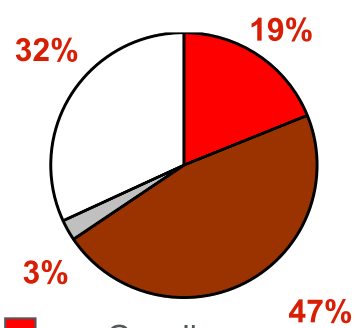
Cost cutting and further margin optimization
main drivers of the efficiency increase

Refining and wholesale

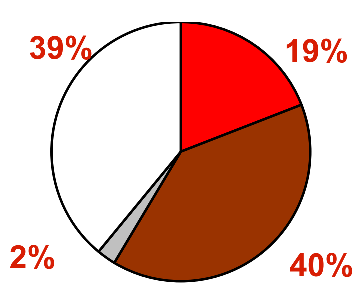
IFRS, mln PLN	2003	2002	change
Revenues	**15 798**	14 570	*8,4%*
Total cost of the segment	**14 571**	13 778	*5,8%*
Profit of the segment	**1 227**	792	*54,9%*
Sales** (tt)	**8 419**	9 763	*-13,8%*

Sales by product, volumes

2003



2002



Gasolines
Diesel and LHO
LPG
Others

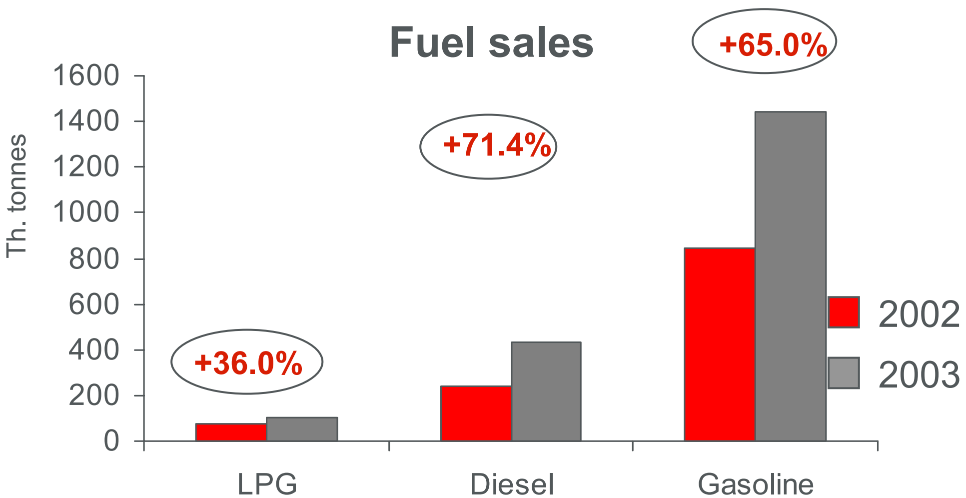
- Substantial shift between gasoline/diesel&LPG
- Results of our strategy of maximising the total volume of margin and favourable fuels quotations reflected by:
  - increase in profit of the segment by 55%
  - PLN 169m drop in inland premium
  - 2.8% drop in light products sales volume (market share deterioration in 1q03 and consistent recovery in following quarters)
  - fuels exported increase by 35%
- PLN 120m of savings in production and logistics
- PLN 68m of Trzebinia Refinery net profit (crude oil processing capacity – 0,5 m t)
- Profit of the segment (LIFO method)* increased by PLN 714m, or 150%

** The whole LIFO adjustment attributed to refinery segment*
*** Drop by 13.8% in external sales volume in the period in question as a result of cease of crude oil sales*

Significant improvement of ORLEN network recognition and development of non-fuel goods sales driving the success

Retail

IFRS, mln PLN	2003	2002	change
Revenues	**11 092**	4 124	*169,0%*
Total costs of the segment	**11 025**	4 123	*167,4%*
Profit of the segment	**67**	1	*6600,0%*
Sales (tt)	**3 864**	2 189	*76,5%*



- Decreased volumes of gasoline are compensated by increase in volume of diesel and strong increase of LPG*
- Results of our strategy of maximising the total volume of margin and recovery in Polish economy resulted in:
  - increase in result of the segment by PLN 66m
  - increase of unit margins – especially on diesel oil*
  - increase of sales volume of fuels by 1.1%*
- As a result of the strategy implementation margins on non-fuel goods and services increased by further 22%
- Within last three quarters the result of the segment increased by PLN 117m **

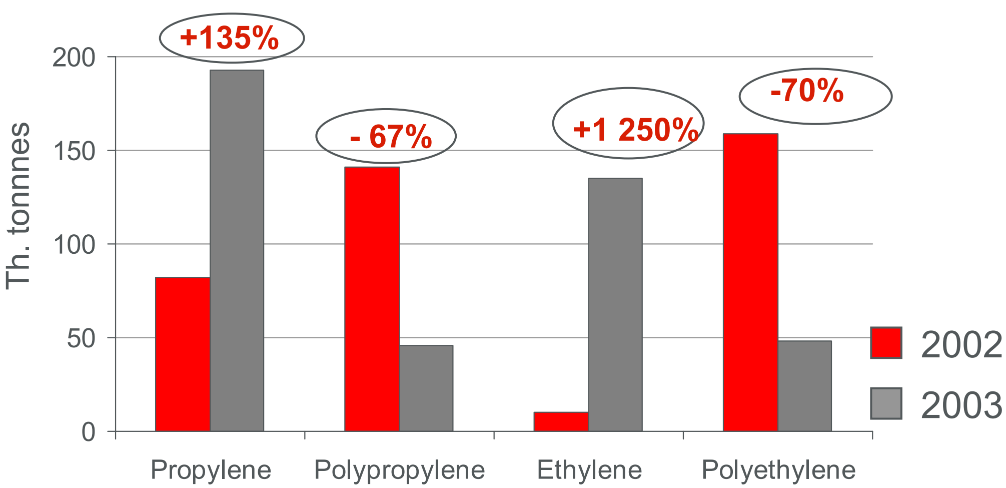
*Refers to CoDo outlets **In 1Q03 demand barrier (result of Iraqi conflict) as well as expenses related to acquisition of filing stations in Germany resulted in visible drop of the result of the segment at that quarter

Robust profitability in petrochemicals

Petrochemicals

IFRS, mln PLN	2003	2002	change
Revenues	**4 545**	4 166	*9,1%*
Total cost of segment	**4 127**	3 966	*4,1%*
Profit of the segment	**418**	200	*109,0%*
Sales (tt)	**2 204**	2 028	*8,7%*

Main petrochemical sales



- Increase of sales volume in monomers and fertilizers resulted in total sales growth of 8.7%
- Operating profit improvement of Anwil by PLN 34m – net profit growth by over 300%
- Polyolefin sales replaced by olefin sales, as a result of creation of BOP*
- Positive influence of in-kind contribution into BOP on the segmental result by PLN 112m

** BOP – Basell Orlen Polyolefins Sp. z o.o. – JV between PKN ORLEN and Basell*

Completion of all announced strategic goals …

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	Promise 2003	Result		Goal 2004
M&A	Efficient take-over of German activities + SWAP agreements resulting in extra 300 tt of fules in 2004	Completion of full rebranding process + SWAP agreements for extra 400 tt of fuels	✓	Net profit over PLN 20 m
	Start-up of regional consolidation	Memorandum of Understanding with MOL	✓	Developing tight business cooperation
	Preparation of carefully selected M&A processes in the CE region	Unipetrol – submitting the offer, cooperation with Agrofert and ConocoPhilips	✓	Winning the bid and starting the restructuring process
		Petrom – submitting the offer	✓	Benefit-oriented participation in the bid
Group	First sales of non-core businesses	25 companies sold (including NOM) = headcount reduction by 1500 people	✓	Sale of another 21 companies = headcount reduction by further 1600 people
	Start-up of Polkomtel stake disposal	Shareholders agreement in respect of a joint share of sales	✓	Completing the process

… supported by implementation of operational targets.

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	Promise 2003	Result		Target 2004
Cost cutting	**PLN 100 m 2003**, PLN 800 m by 2005	**PLN 144 m**	✓	PLN 450 m
sales				
ΔTotal sales volume*	-1%	-0.6%	✓	6%
Δ Retail sales**	5%	1.1%		2%
VITAY – participants	4.3m	4.4m	✓	5m
Margin				
Δ Gross retail margin	2%	15%	✓	6%
Rebranding				
ORLEN brand	Implementing at selected CoDo outlets	Completed	✓	Extending at DoFo +100***
Simplified rebranding	850	872	✓	To be completed

** Total light product sales (retail + wholesale) – PKN ORLEN* *** CoDo sites*
**** Additional 125 stations under full ORLEN brand as a result of acquisitions and „destroy and construct" process*

Supporting slides

VBM and cost cutting programme

SVA – retail

Change y-o-y

SVA
PLN 23m
⇑ PLN 29m

ROACE
(8.1%)
(⇑ 2.3pp)

Fuel margin
⇑ PLN 57m

- Throughput per station (⇑ 109 th. liter)
- Unit margin (⇑ PLN 0.01/litre)

Non fuel margin
⇑ PLN 25m

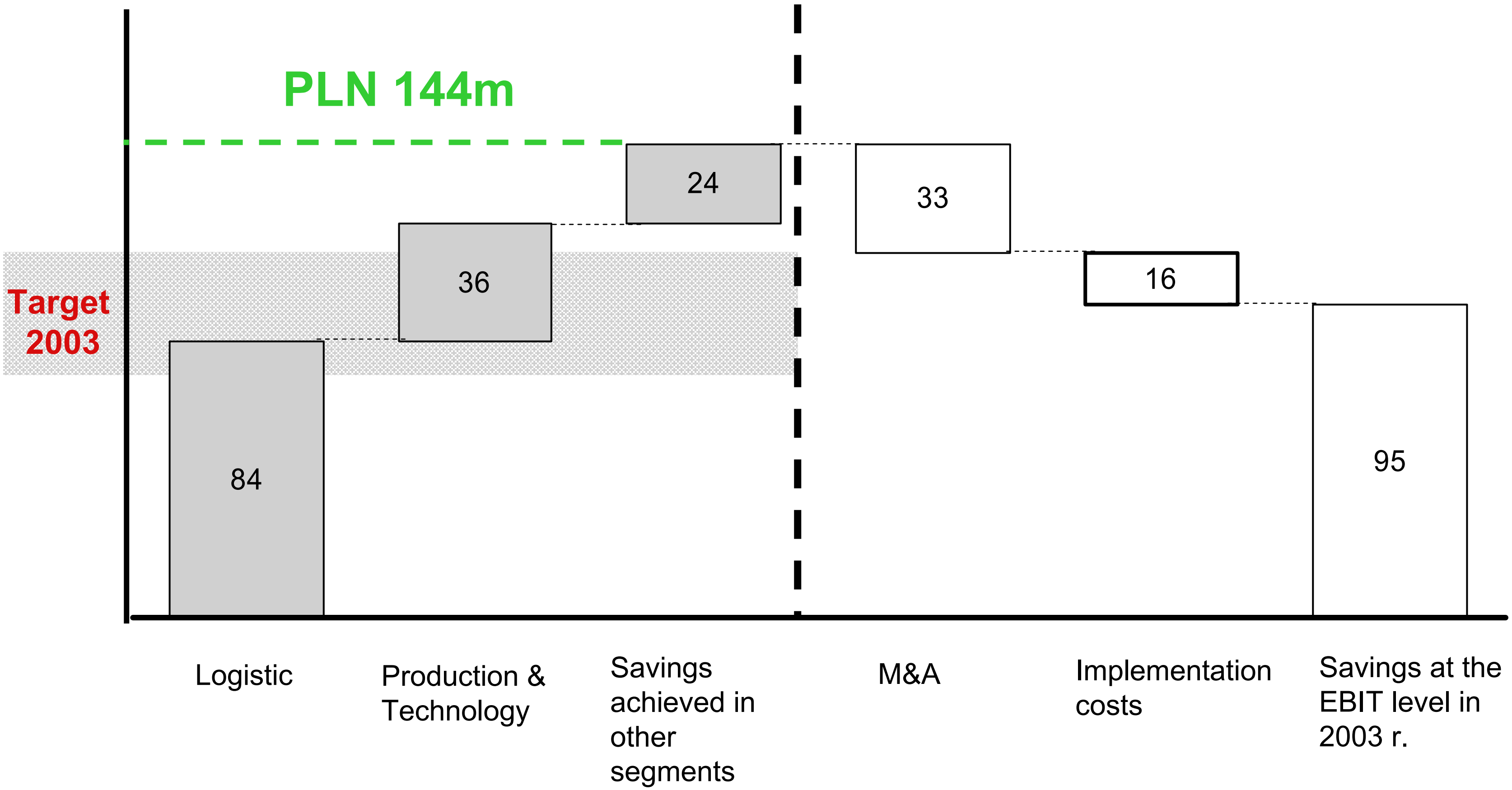
- Av. shop area (⇑ $3.6m^2$)
- Sales per m^2 (⇑ PLN 809)
- Unit margin (⇑ PLN 0,01)

Operational costs
⇑ PLN 23m

- Fixed costs (⇑ PLN 41m)
- Variable costs per litre (⇓ PLN 0.01/litre)

Cost of capital employed
(⇓ PLN 19m)

Production and logistics
as the pillars of the cost cutting programme in 2003



Achievement of assumed target

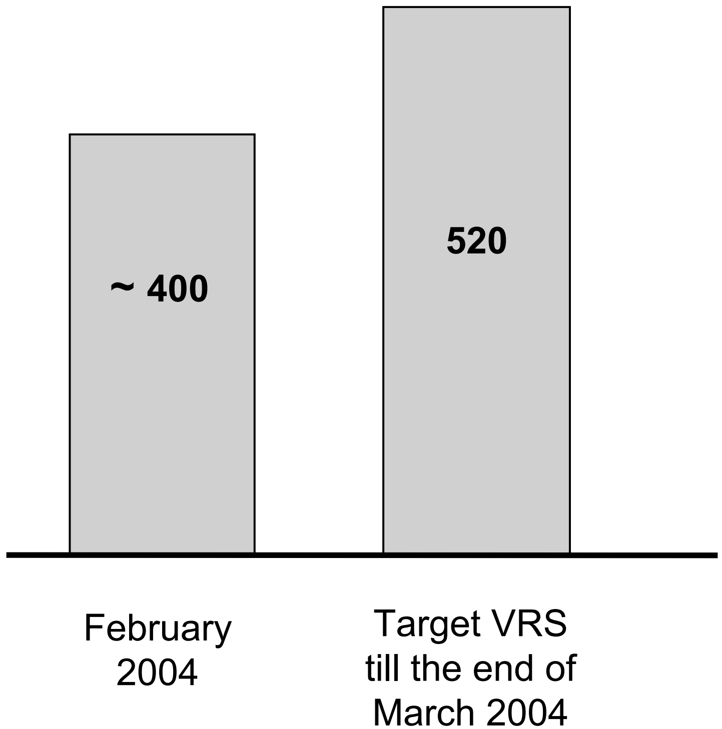
In million PLN

Implementation of support infrastructure

Project infrastructure	1*	Implementation team/ procedure	• Cost cutting team independently leads implementation from January 2004
	2	Initiatives in budget	• Realization in budget in 2004
	3	Preparation of monitoring system	• Monitoring of work progress automated
Other activities	4	Voluntary redundancy programme	• Implementation of VRP in the end of 2003 • Making cost cutting programme socially acceptable
	5	Change of regional structures	• Preparation of organizational structure and implementation schedule
	6	Acceleration of investment process	• Implemented in August 2003 • Assurance of in-time realization of initiatives demanding investments
	7	Communication plan	• Incorporate media and internal company information channels as a source of programme information
	8	Motivation system	• Training for co-ordinates realized • Provision was made

* 1-8 Activities in the frame of implemented support infrastructure of cost cutting programme

Realization of voluntary redundancy scheme



- Programme is opened till the end of March 2004
- Relatively big interest in programme despite of the early stage
- About 400 declarations

Reduction of personal costs within voluntary redundancy scheme proceeds according to the plan.

Supporting slides

Other operating and financial data

Balance sheet
Financial strengthening of PKN ORLEN’s position

IFRS basis, in PLN m	2003	2002	change
Non current assets	**10 751**	**9 814**	*9,5%*
Current assets, of which	**6 435**	**5 259**	*22,4%*
Inventories	3 059	2 868	*6,7%*
Cash and cash equivalents	629	222	*183,3%*
Total assets	**17 186**	**15 073**	*14,0%*
Shareholders' equity	**9 564**	**8 329**	*14,8%*
Minority interests	**429**	**412**	*4,1%*
Non current liabilities, of which	**2 726**	**1 409**	*93,5%*
Interest bearing borrowings	1 836	402	*356,7%*
Current liabilities, of which	**4 467**	**4 923**	*-9,3%*
Interest bearing borrowings	1 197	2 161	*-44,6%*
Total liabilities	**17 186**	**15 073**	*14,0%*

- Increase in assets as a result of German operations consolidation
- Change in liabilities due to new consortium loan

Operating highlights 2003
Higher production efficiency

IFRS basis, in PLN m	2003	2002	change
Retail sales of motor fuels (tt)	**3 623**	2 176	*66,5%*
Light products sales (tt) *	**9 585**	8 103	*18,3%*
Other refinery products sale (tt)	**2 695**	2 705	*-0,4%*
Pet-chem sales (tt)	**2 204**	2 028	*8,7%*
Processed crude (tt)	**11 724**	12 474	*-6,0%*
Utilisation	**89,5%**	95,2%	*-5.7pp*
White product yield	**79,7%**	78,4%	*+1.3pp*
Fuel yield	**67,2%**	65,5%	*+1.7pp*
Headcount	**15 133**	17 818	*-15,1%*

- Increase in total retail sales of light products as a result of German activity consolidation and rising consumption in the Polish market.
- Evident change in sale structure (⇓gasoline, and ⇑diesel, Ekoterm and LPG)
- Decrease in sweet crude oil of total crude oil processed from 3% to 1%
- Increase of JET A-1 fuel production by 14%, and diesel by 2%
- Modernization of Hydrocracking unit. It allow us to produce more diesel and increase white product yield. However, maintenance of this unit affected level of crude oil processed in 2003
- Headcount reduction of over 2,700

**Gasoline, Diesel, LHO, Jet*
Production numbers relate to Płock Refinery; adjusted capacities amount to 13.1mt

Support slides

Fuel stations in Germany and BOP

All stations in Germany
are operating under new brands

- **By the end of the year the rebranding process of all German stations was fully completed**

- **Planned break even result for the first 10 months of operations in 2003 achieved (PLN 5m profit)**

- **Trends recorded in 2003:**
  - Consumption of fuels in Germany decreased by **2.7**% (y-o-y)
  - Brand A – ORLEN – (previous: BP i ARAL)
  - sales volume in 2003 vs. 2002 decreased by **10%**
  - Brand B – ORLEN - (previous: Eggert)
    - sales volume in 2003 vs. 2002 increased by **6%**

SWAP fuel transaction will positively influence the PKN ORLEN Group's (synergies) profit in the region of EUR 10m. Regardless of activity in Germany, signed contracts in Poland on an additional amount of 400 tt

* For the first 10 months of activity

Influence on consolidated statement of ORLEN Deutschland and BOP

Balance sheets - selected items (PLNm)*	2003 Orlen Deutschland
Property, plant and equipment	851
Inventories	130
Trade and other receivables	336
Cash and cach equivalents	311
Total assets	**1 628**
Long term liabilities	129
Short term liabilities	793
Total liabilities and shareholders' equity	**1 628**

Income statements - selected items (PLNm)	2003 Orlen Deutschland
Revenue	**6 270**
Cost os sales	-5 946
Gross profit	**324**
Distribution expenses	-344
Administrative expenses	-32
Other operating revenues**/cost	55
Operating profit	**3**
Net profit	**5**

Influence of Basell Orlen Polyolefins on PKN ORLEN Group's results in 2003 in the net profit level of 43.5 mln zł

* 1 EUR = 4.7170 PLN average exchange rate - the National Bank of Poland as at 31.Dec.2003
** Mainstream operation e.g.: lease fee of retail site, shop fee, car wash fee

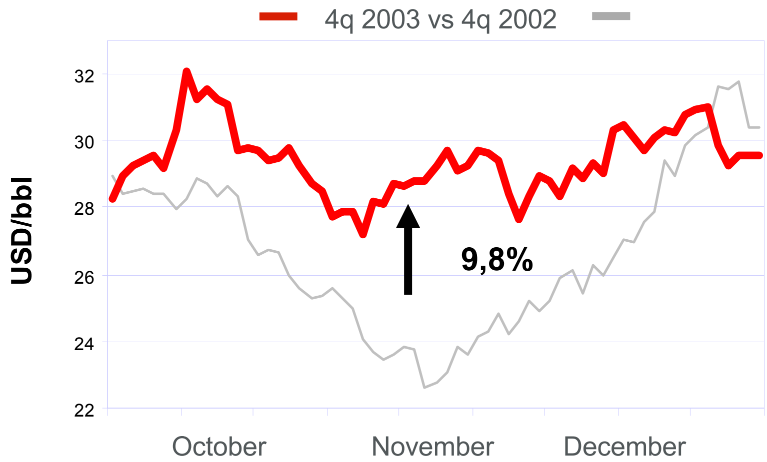
Supporting slides

4Q2003 results

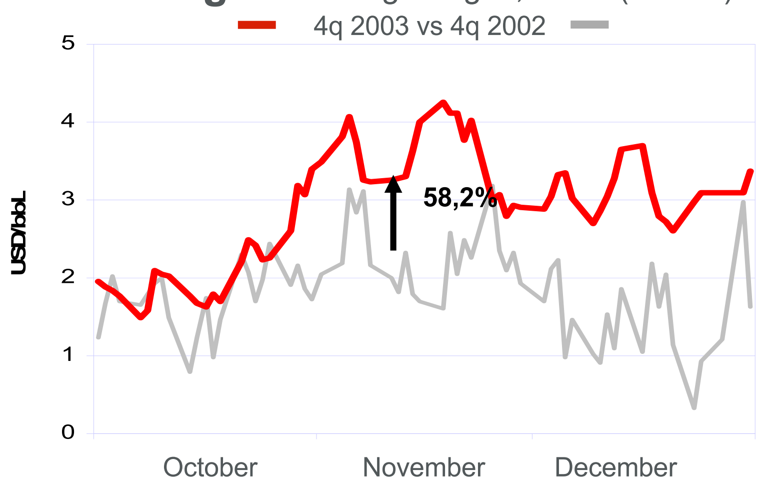
Market environment in gas & oil sector

Satisfactory level of refinery margins

Crude oil price, Brent (USD/b)



Margin* refining margin , Brent (USD/b)



Source: Platt's i firma PVM

- Increase in crude oil prices (Brent) in 4q by 9.8% from 26.83 USD/b to 29.46 USD/b (y-o-y)
- Increase in the refinery margin by 58.2% from 1.84 USD/b to 2.91 USD/b (y-o-y)
- Increase in differential Ural/Brent by 31.0% from 1.26 USD/b to 1.65 USD/b (y-o-y).

*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)

Profit & Loss account

Significant increase in earnings per share

IFRS basis, m PLN	4Q 03	4Q 02	change
Revenue	**6 908**	4 777	*44,6%*
Cost of sales	**-5 775**	-3 892	*48,4%*
Distribution costs	**-664**	-580	*14,5%*
Administrative expenses	**-243**	-216	*12,5%*
Other	**-13**	-28	*-53,6%*
Profit from operations	**213**	61	*249,2%*
Profit before income tax and minority interests	**217**	195	*11,3%*
Net profit	**273**	64	*326,6%*
PLN	**4Q 03**	**4Q 02**	**change**
EPS	**0,65**	0,15	*333,3%*

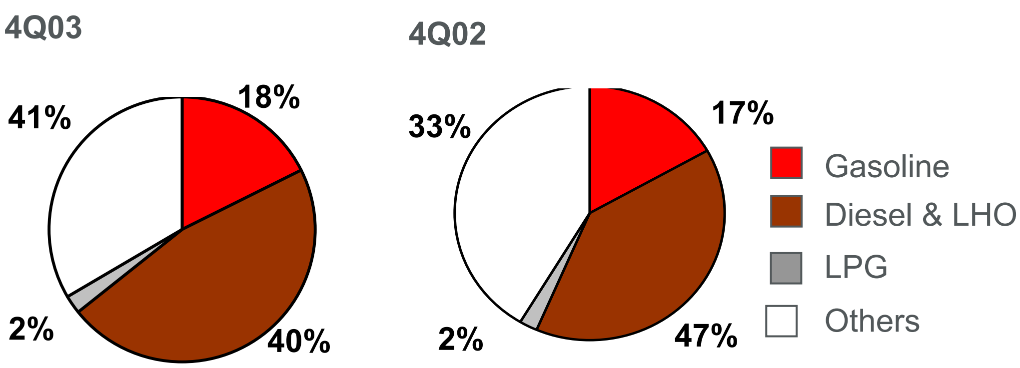
- Due to consolidation of sales from Deutschland, PLN 1.9m, PKN ORLEN Group revenues increased by 4.5%
- Excluding distribution costs of ORLEN Deutschland of almost PLN 146m, we observe a decrease in costs in PKN ORLEN Group by PLN 62m
- Higher profitability on operating level mainly due to high margins on fuel products
- Revaluation of deferred tax provision had positive impact on net profit of around PLN 100m

Refining and wholesale
Increase segment profitability

Refining and wholesales

IFRS basis, mPLN	4Q03	4Q02	change
Revenue	**4 372**	4 188	*4,4%*
Total costs of the segment	**4 118**	4 049	*1,7%*
Profit of the segment	**254**	139	*82,7%*
Sales (tt)	**2 473**	2 753	*-10,2%*

Structure of sale, by volume



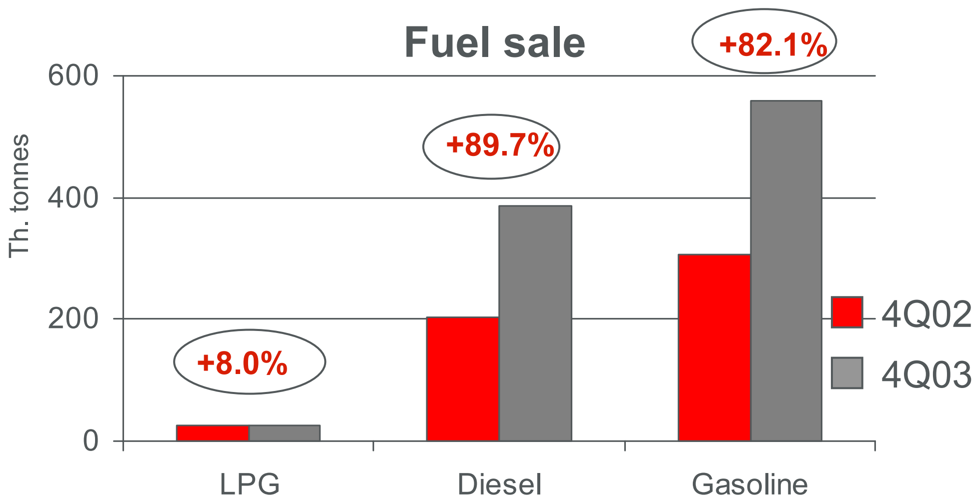
- Economic upturn visible in total increase in light product sales of 4.5%
- Evident change in sale structure. Sales increase in diesel volume of 16.6%, and decrease in gasoline of 5.5%
- Profit of the segment higher by 82.7% due to higher product margins and cost cutting savings in logistics and production

* *Drop by 10.2% in external sales volume in the period in question as a result of cease of crude oil sales*

Retail
Margin optimisation

Retail

IFRS basis, mPLN	4Q03	4Q02	change
Revenue	**3 174**	1 064	*198,3%*
Total costs of the segment	**3 184**	1 114	*185,8%*
Profit of the segment	**-10**	-50	-
Sales (tt)	**1 049**	539	*94,6%*



- Excluding German activity retail revenues increase by 18.1%
- Promotional compaign, Vitay and FLOTA programmes, resulted in increase of sales by 2%*
- Increase in total margin by 11%, within non-fuel products by 19%
- Segment profit was higher by PLN 40 mln, y-o-y

* *CoDo sites*

Petrochemicals
Promising profitability

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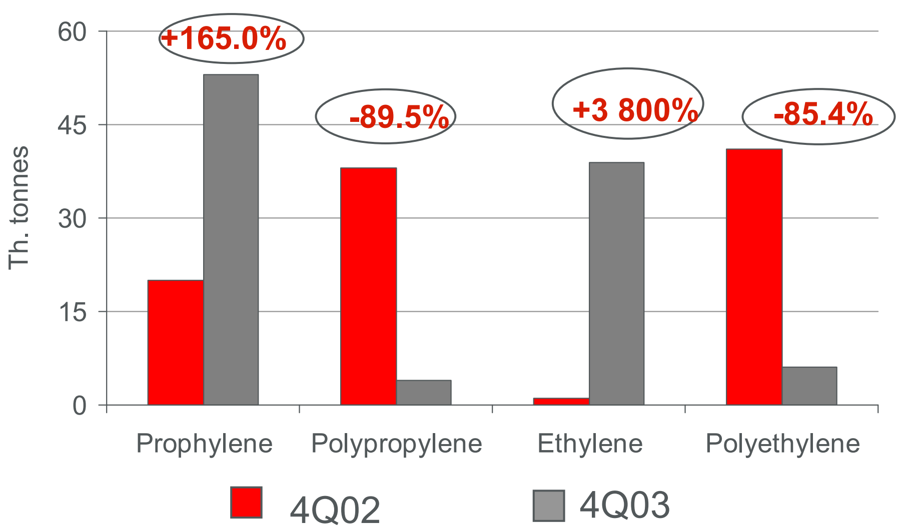
Petrochemicals

IFRS basis, mPLN	4Q03	4Q02	change
Revenue	**1 164**	1 171	*-0,6%*
Total costs of the segment	**1 092**	1 114	*-2,0%*
Profit of	**72**	57	*26,3%*
Sales (tt)	**563**	550	*2,4%*



- Impact of polyolefin sales taken over by BOP visible in slight decrease of PKN ORLEN revenues
- Visible shift in sales structure between olefins and polyolefins
- Substantial sales increase of Anwil products: PVC – 12.4%, CANWIL – 50%, ammonium nitrate – 34.8%
- Consumption forecasts are promising
- For the fourth time we have recorded an increase in profit, y-o-y