

ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

3Q 2002 results

November 2002

Financial highlights - internal improvements offset hostile market environment

IFRS basis, million PLN	3Q02	3Q01	change
Revenue	4 691	4 598	2,0%
EBIT	285	191	49,2%
EBITDA	556	487	14,2%
Net profit	176	90	95,6%
Net profit (LIFO)	70	60	16,7%
Cash flow from operating activities	150	172	-12,8%
Net CAPEX	217	320	-32,2%
	3Q02	1H02	change
Equity	8 307	8 089	2,7%
Net debt	2 571	2 372	8,4%
Gearing	30,9%	29,3%	1.6pp
	3Q02	3Q01	change
EBITDA margin	11,9%	10,6%	1.3pp
ROACE*	7,7%	5,4%	2.3pp

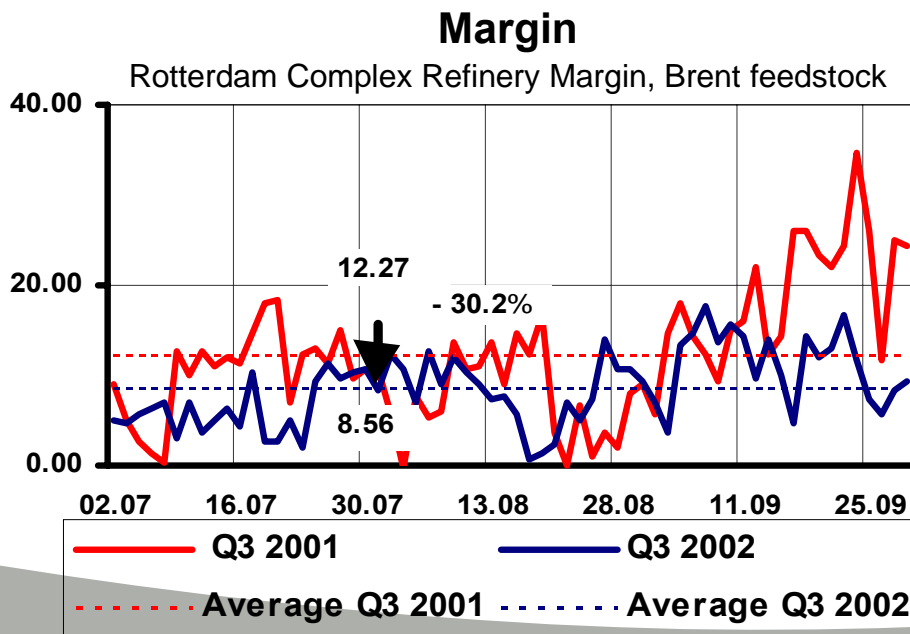
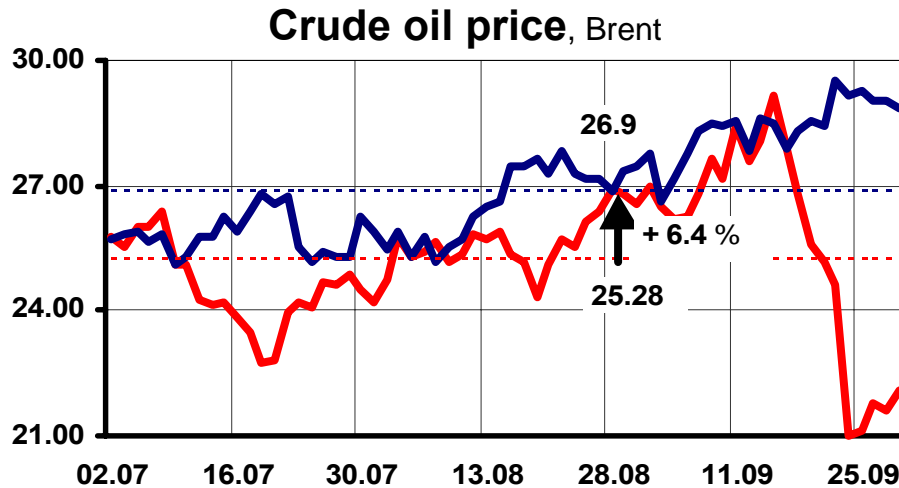
- Despite strong fall in domestic fuel consumption, PKN ORLEN y-o-y sales, both in volumes and revenues, reached comparable level
- Inventory effect of **PLN 106m** contributed positively to our net profit of **PLN 176m**
- Reversing the trend of previous quarters, capex exceeded operating cash flow resulting in a slight increase in gearing (still low)
- Positively reversed trend in EBITDA margin

Operating highlights - less crude oil processed, but higher sales volumes in retail and petrochems

parent company	3Q02	3Q01	change
Processed crude (tt)	3 001	3 085	-2.7%
Utilisation	86.3%	82.3%	4.0pp
White product yield	80.4%	79.9%	0.5pp
Fuel yield	67.1%	69.4%	-2.3pp
Light products sales (tt) *	2 053	2 210	-7.1%
Other refinery products sales (tt)	570	473	20.3%
Pet-chem sales (tt)	276	214	28.9%
Retail sales of motor fuels (m litres)	749	729	2.7%
Headcount	7 254	7 509	-3.4%

- 2.7% decrease in crude oil processed due to lower demand for gasoline and LHO
- White product yield at comparable level
- Light product sales depressed by unfair competition from high sulphur components of diesel and LHO import
- Strong increase in petrochemical sales
- Continuous increase in retail sales volumes

Market environment - Oil & Gas



- Increase in crude demand in OECD countries of **0.22 mb/d** (y-o-y)
- Increase in crude oil (Brent) prices of **6.4%** (y-o-y)
- Decrease in Complex Refinery Margin of **30.2%** (y-o-y)
- Effect of lower refinery crack-spreads on EBIT of over **PLN 75m**
- Decrease in Urals/Brent differential of **4.4%** (y-o-y) - estimated effect on EBIT of almost **PLN 5m**

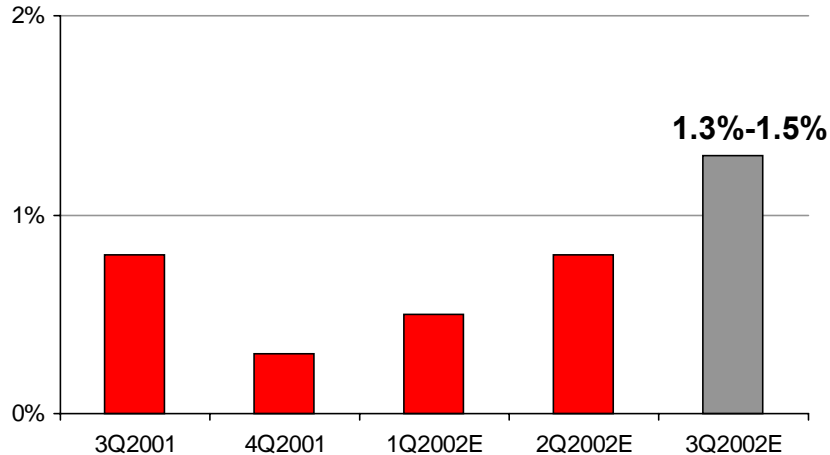
4 *Calculated as: Products (88.36%) vs Brent Dtd (100%). Products contain Premium Unl (25.21%), EN590 (23.20%), Naphtha (16.51%), Gasoil .2 (15.31%), HSFO (5.44%) and Jet (2.69%) (all CIF NWE, only HSFO FOB ARA)

Source: Platt's and PVM company

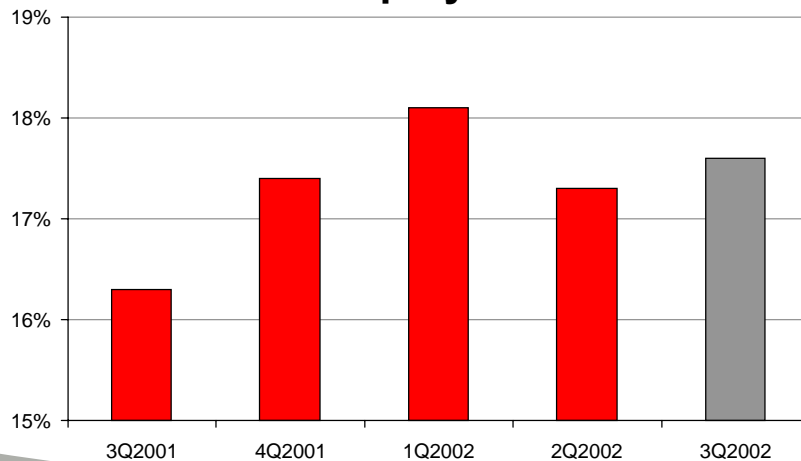


Market environment - slightly better q-o-q, but Polish conditions still unfavourable

Real GDP growth



Unemployment rate



*according to SAMAR agency

- Still low estimated GDP growth rate **1.3-1.5%**
- Increase in unemployment rate of **1.3pp** (y-o-y)
- Decrease in new car sales of **12.2%** (9 months 2002 vs. 9 months 2001)
- **0.5%** increase in sold production of industry
- PLN/USD exchange rate almost flat



Profit / Cash flow - strong increase in profitability

IFRS basis, million PLN	3Q02	3Q01	change
Revenue	4 691	4 598	2,0%
Cost of sales	-3 741	-3 804	-1,7%
Distribution costs	-424	-423	0,2%
Administrative expenses	-249	-190	31,1%
Other	8	10	-20,0%
Profit from operations	285	191	49,2%
Profit before income tax and minority interests	260	127	104,7%
Net profit	176	90	95,6%
Cash flows from operating activities	150	172	-12,8%
PLN	3Q02	3Q01	change
Diluted EPS	0,42	0,21	100,0%

- Revenue increase of **2.0%** at comparable operating costs resulted in almost **50%** increase in operating profit
- Higher administrative expenses caused mostly by factors which are out of our control (insurance fees and cost of holding mandatory reserves) and development costs
- Lower financial costs due to a fall in interest rates
- Higher crude oil prices increased demand on working capital, which is reflected in lower operating cash flow

Balance sheet

IFRS basis, million PLN	3Q02	1H02	change
Non-current assets	9 831	9 808	0.2%
Current assets of which	5 291	4 910	7.8%
Inventories	2 609	2 429	7.4%
Cash and cash equivalents	219	246	-11.0%
Total assets	15 122	14 718	2.7%
Shareholders' equity	8 307	8 089	2.7%
Minority interests	419	408	2.7%
Non-current liabilities of which	2 236	2 209	1.2%
Interest bearing borrowings	1 308	1 285	1.8%
Current liabilities of which	4 160	4 012	3.7%
Interest bearing borrowings	1 482	1 333	11.2%
Total liabilities	15 122	14 718	2.7%

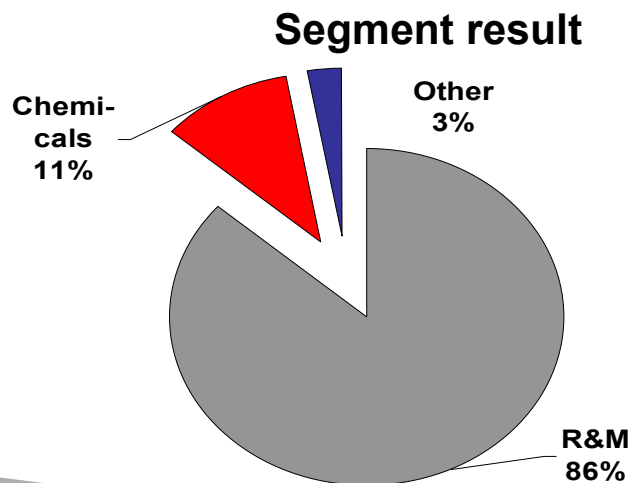
- 7.8% increase in current assets due to the appreciation of crude oil prices

- Temporary difference between operating cash flow and capex covered by short-term debt, still at very sustainable levels

Business segments – improvements in R&M

IFRS basis, million PLN	R&M	Chemicals	Other
Revenue⁽¹⁾	4 532	1 150	429
Segment result	305	38	10
Unallocated corporate expenses	-67		
Profit from operations	285		
Net profit	176		

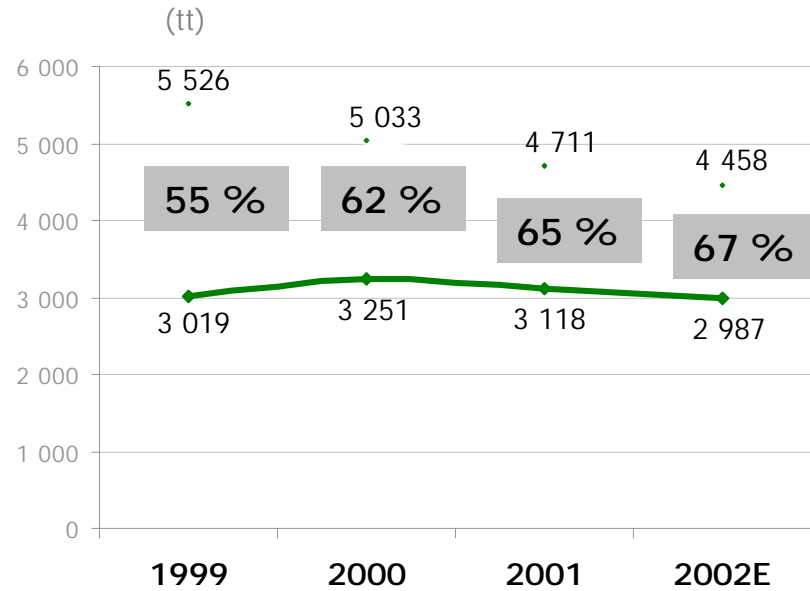
(1) Total revenue (excluding inter-segment sales) amounts to PLN 4 691 m



- Slightly better situation in Oil & Gas sector and lack of internal disruptions helped a noticeably better R&M result
- However R&M segment was negatively affected by retail performance due to cost of market expansion
- Chemical segment affected by poor financial standing of our customers leading to discounted prices

PKN ORLEN strengthens its position on the Polish fuel market

Gasoline

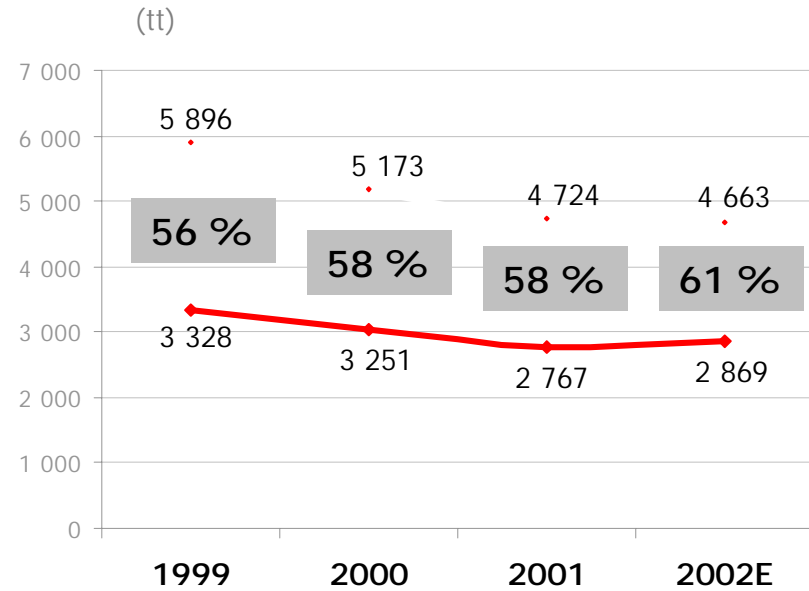


—◆— PKN ORLEN S.A. domestic gasoline sales

• Domestic consumption of gasoline

67 % - market share

Diesel oil



—◆— PKN ORLEN S.A. domestic diesel oil sales

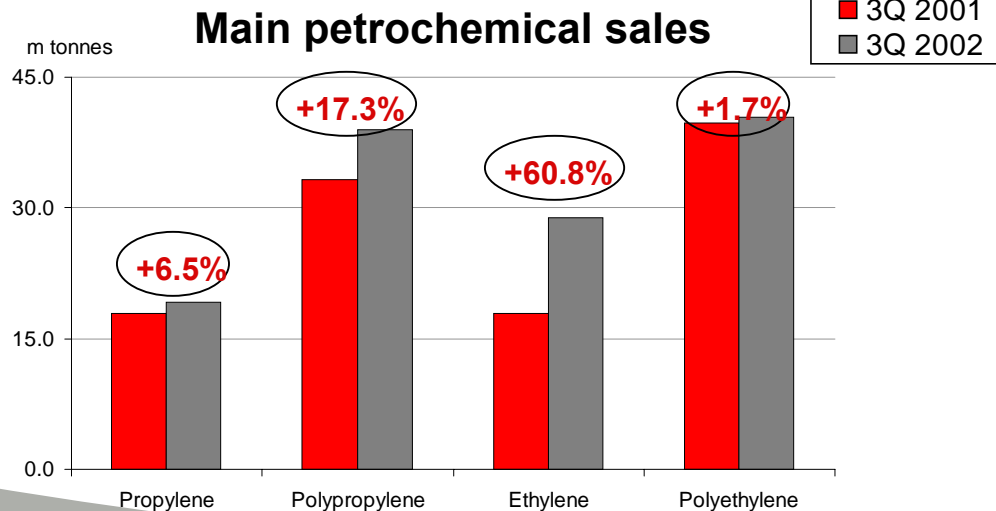
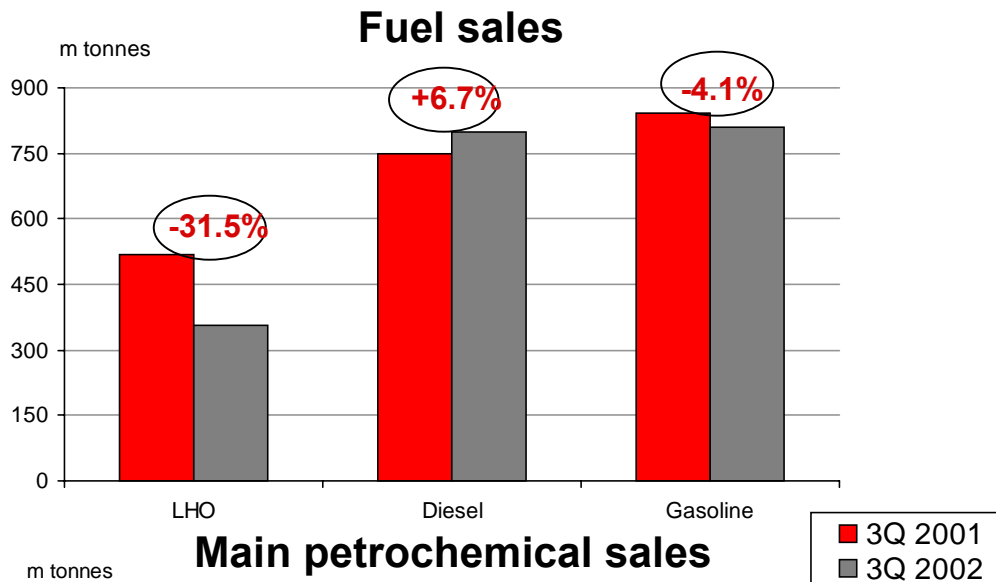
• Domestic consumption of diesel oil

61 % - market share

Source: Agencja Rynku Energii S.A./Nafta Polska S.A/ PKN ORLEN S.A. (data for 2002 estimate)

Market share=(domestic sales - purchase) / consumption

Sales - An increasingly strong market position

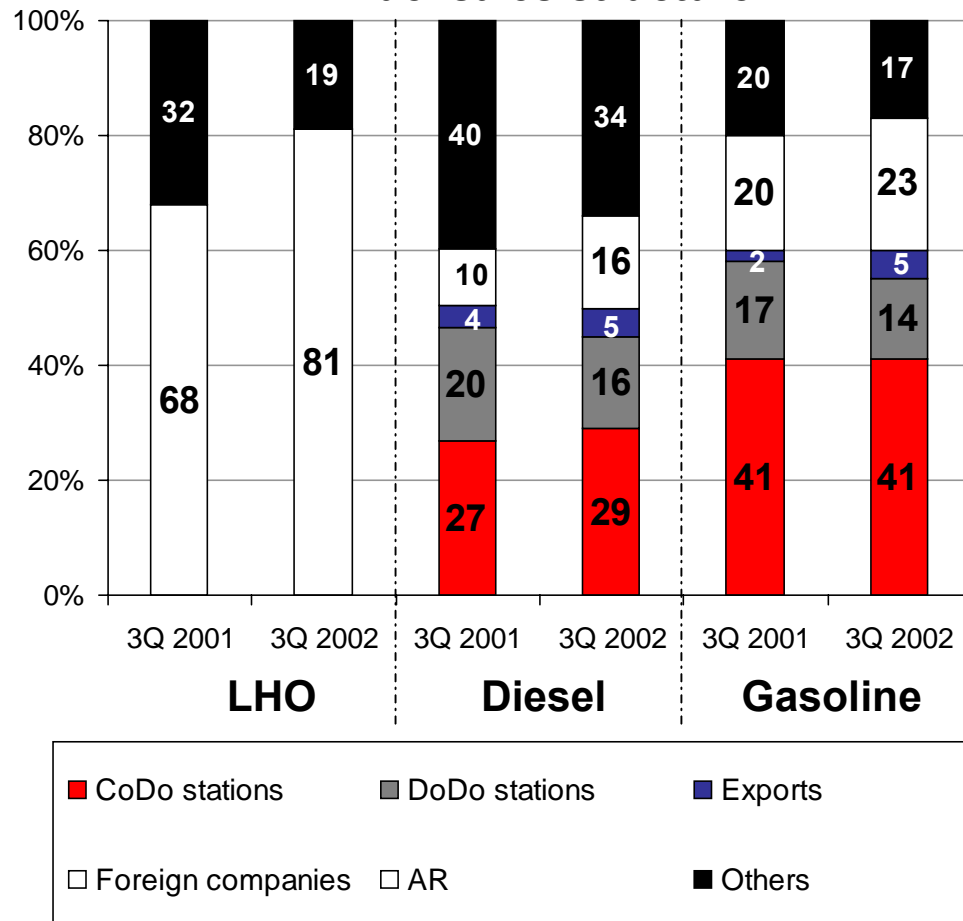


- Despite the economic downturn and a decrease in domestic consumption, total sale volume of petrochemicals increased by **28.9%** (y-o-y) however, volumes of refined products decreased by **2.3%** (y-o-y)

- Change in Government regulations, which now limit LHO use for transport purposes, caused a fall in overall LHO consumption in Poland and also stimulated imports

Optimisation of sales through CODO stations and authorised representatives of LHO

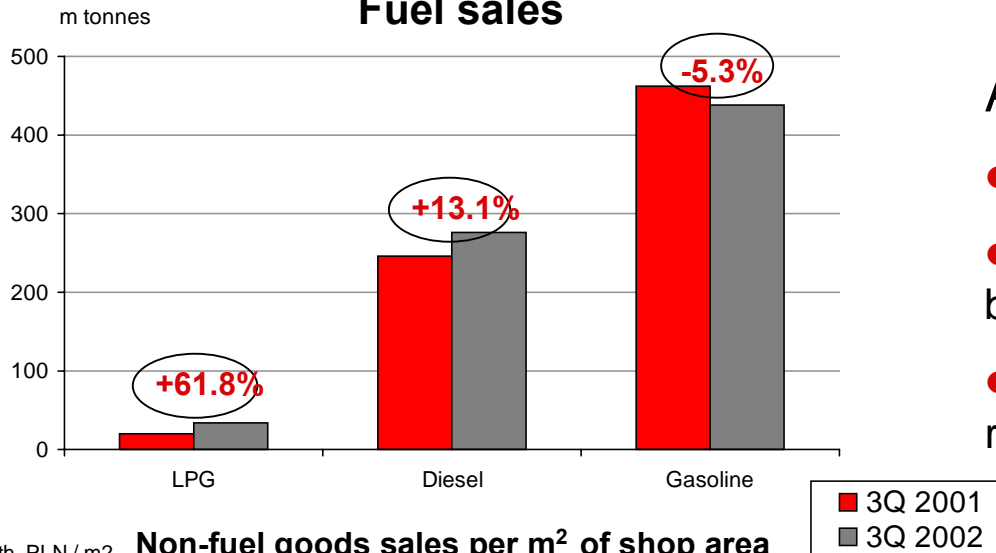
Fuel sales structure



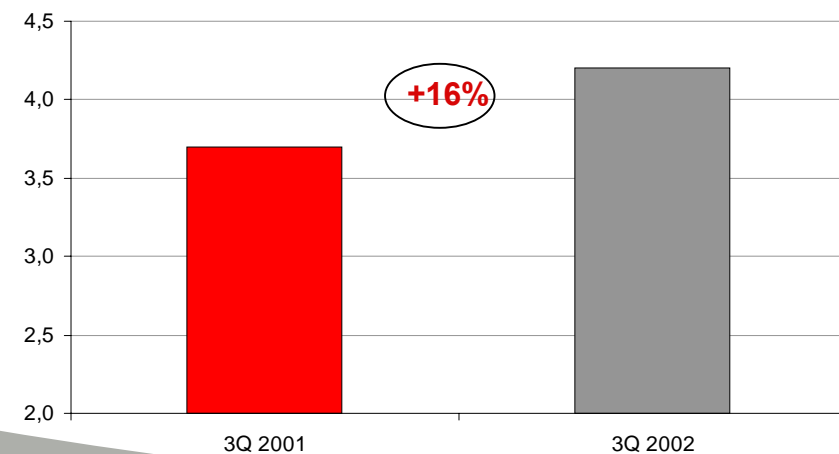
- International companies continue to be key accounts in Orlen's sales structure: gasoline (3pp increase) and diesel (6pp increase)
- Increased share of company-owned stations in the structure of domestic clients in order to maximise the total margin
- Maximising LHO sales through the network of authorised representatives (AR)

Retail - Increased volumes in a very depressed market....

Fuel sales



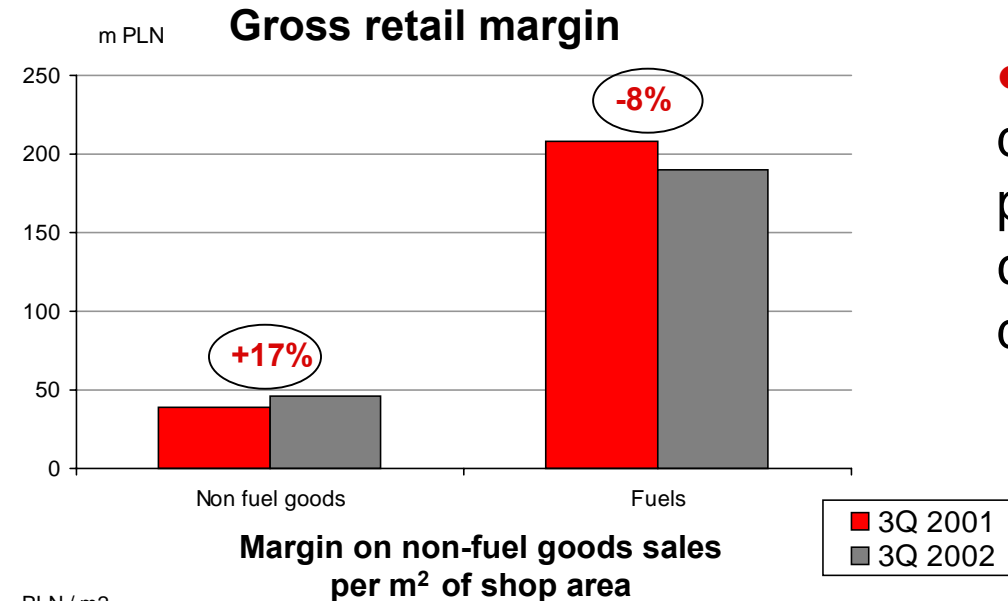
Non-fuel goods sales per m² of shop area



Achievements in retail sales:

- Fuel sales increased by **2.7%**
- Revenues per m² of shop area increased by **16%**
- Station efficiency increased by **10.5%** reaching **567** th. l per station in 3Q (y-o-y)
- Shop area increased by **9%** up to **43** th. m² in 3Q (y-o-y)
- **3.09** million loyal customers in Vitay programme, covering **66%** of retail fuel sales
- Over **80** th. FLOTA corporate cards covering **5.5%** of fuel sales

Retail - ... however, margins were poor



- Retail market contraction (3% decrease according to Nafta Polska predictions) resulted in greater competitive pressure and this depressed margins

- In response to this, operating costs will be further restructured (transportation and maintenance services)

Probable extraordinary factors influencing profitability in 4Q02

- Revaluation of deferred tax (27% tax rate to be implemented in 2003, estimated influence on net profit ca. PLN -50m)
- Capitalisation of financial costs (estimated influence on net profit ca. PLN -25m)
- Treatment of one-off rebranding investments as operating costs (estimated influence on pre-tax profit ca. PLN -60m)
- Advisory fees when major M&A projects will be finalised
- Sale of the stake in LG Petro (estimated influence on pre-tax profit ca. PLN +58m)
- Ongoing internal cost savings of ca. PLN 30m expected in 4Q02



Continue to deliver performance in 4Q02, despite tough market conditions

- Pricing policy for margin management
- Further cost cutting at ORLEN and the Capital Group
- Restructuring: sale of non-core assets (i.e. LG Petro)
- Retail: rebranding and modernisation, new franchise agreements, card programmes
- Wholesale: contractual sales for 2003