ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

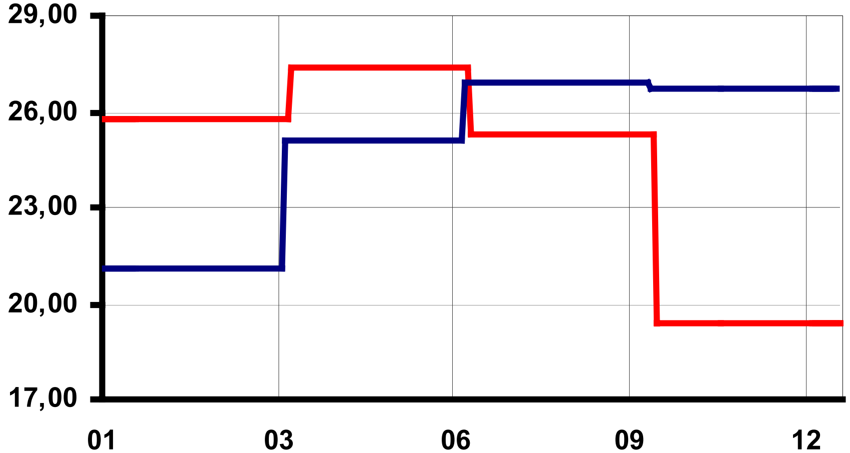
Delivering on promises

Preliminary 2002 results

March 2003

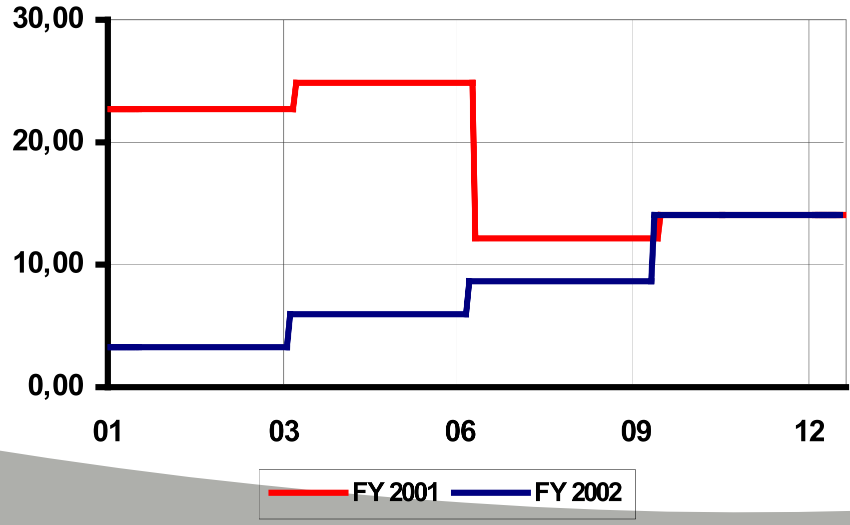
Market environment - Oil & Gas

Crude oil price, Brent (USD/bbl)



Margin

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

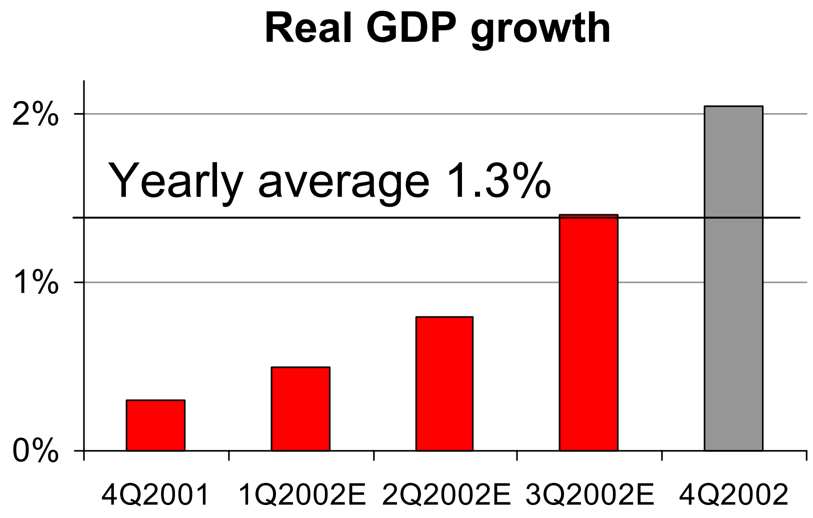


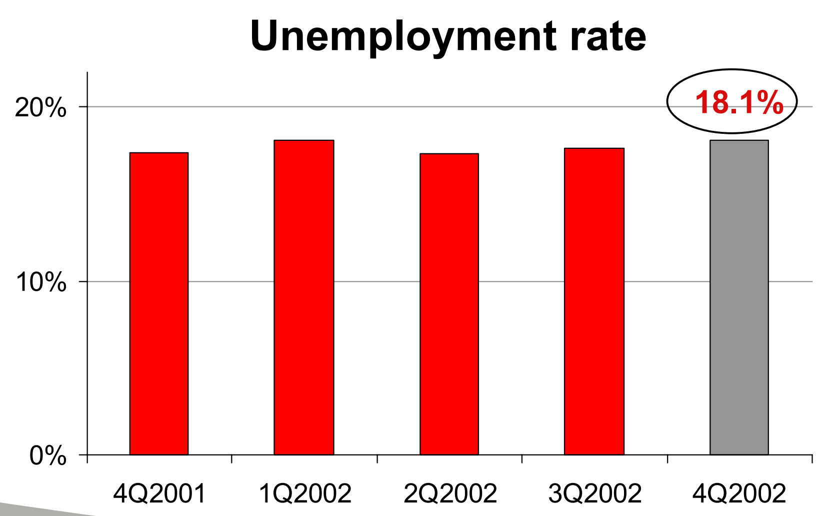
- Decrease in crude demand in OECD countries of 0.11 mb/d (y-o-y)
- Increase in crude oil (Brent) prices of 2.3% (y-o-y)
- Slump in Complex Refinery Margin from 18.4 USD/t to 8.0 USD/t
- Theoretical effect of lower refinery crack-spreads on EBIT of over PLN 468m
- Decrease in Urals/Brent differential of 6.8% (y-o-y) - estimated effect on EBIT of c. PLN 35m

*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 low level, as for EM country, of 1,3% (y-o-y)
- Increase in unemployment rate of 3.3 pp (y-o-y)
- Decrease in new car sales of 6.0% (12 months 2002 vs. 12 months 2001) (Samar's estimations)
- Promising increase in domestic consumption of 0.8% but in fuels still 2.8% slump
- PLN/USD exchange rate almost flat

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

Financial highlights – relatively good performace in demanding environment

IFRS basis, million PLN	Y02	Y01	change
Revenue	**16 828**	17 038	*-1,2%*
EBIT	**735**	617	*19,1%*
EBITDA	**1 865**	1 706	*9,3%*
Net profit	**428**	376	*13,8%*
Net profit (LIFO)	**222**	751	*-70,4%*
Cash flow from operating activities	**1 292**	2 112	*-38,8%*
Net CAPEX	**928**	1 499	*-38,1%*
	Y02	**Y01**	**change**
Equity	**8 336**	7 958	*4,7%*
Net debt	**2 340**	2 549	*-8,2%*
Gearing	**28,1%**	32,0%	*-3.9pp*
	Y02	**Y01**	**change**
EBITDA margin	**11,1%**	10,0%	*1.1pp*
ROACE*	**5,0%**	4,6%	*0.4pp*

- Unfavourable external environment has been fully offset by control of costs and increase in profitability of wholesale. As a result EBIT increased by almost 20%.

- Sharp movements in oil prices are visible in much lower CF from operations

- As promised we look closer to every spending, especially at refining site – announced investments committed, but capex reduced by c.38%,

- Gearing at safe level which gives us possibility to finance agressive expansion

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

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Factors affecting 2002 net profit…

- Poor market environment in Oil&Gas (PLN -503m before tax)
- Change of corporate tax rate (PLN -77m after tax)
- Lower excise tax allowance (PLN -95m before tax)
- Difference between capitalization of financial costs and depreciation in 2002 (ISFR adjustment, PLN -25m before tax)
- Uncontrollable administration costs (PLN -64m before tax)
- Distribution costs regarding strengthening of the brand and increase of throughput per site (PLN -205m before tax)
- Capital gain on sale of the stake in LG Petro (PLN +58m before tax)

… by negative amount of almost PLN 680m (y-o-y).

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Operating highlights - more crude oil processed, higher sales volumes in petrochems

IFRS basis, million PLN	Y02	Y01	change
Retail sales of motor fuels (tt)	**2 176**	2 074	*4,9%*
Light products sales (tt) *	**8 103**	8 515	*-4,8%*
Other refinery products sales (tt)	**2 705**	2 584	*4,7%*
Pet-chem sales (tt)	**2 028**	1 566	*29,5%*
Processed crude (tt)	**12 474**	12 319	*1,3%*
Utilisation	**92.4%**	91,2%	*1.2pp*
White product yield	**78.4%**	79,7%	*-1.3pp*
Fuel yield	**65.5%**	68,3%	*-2.8pp*
Headcount	**17 818**	17 582	*1,3%*

- Throughput of crude oil slightly higher in 2002 as a result mainly higher demand on pet-chem market
- Decrease in fuel yield as a result of reorientation of production for pet-chems
- Decrease in light products sales due to lower demand and still visible LHO phenomenon
- As promised we increased retail sales by 4.9% and total sales by 1,4%
- Reduction of staff initiated in reduction of reporting directors to barely 23

*Gasoline, Diesel, LHO, Jet

production numbers relates to Płock Refinery

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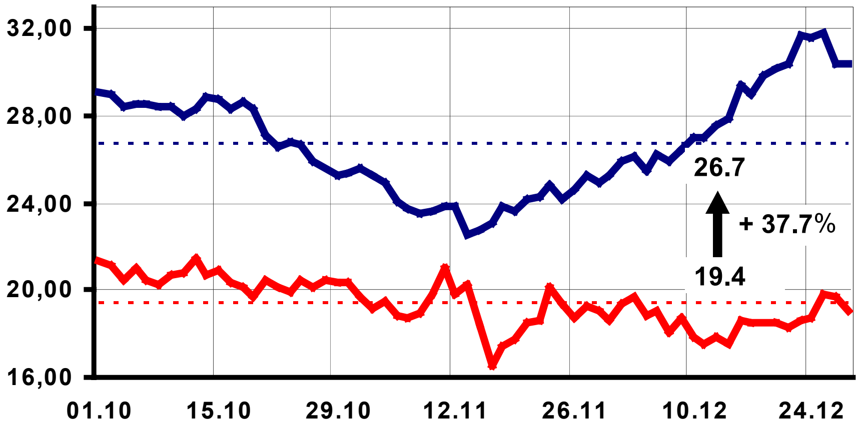
4Q 2002 results

March 2003

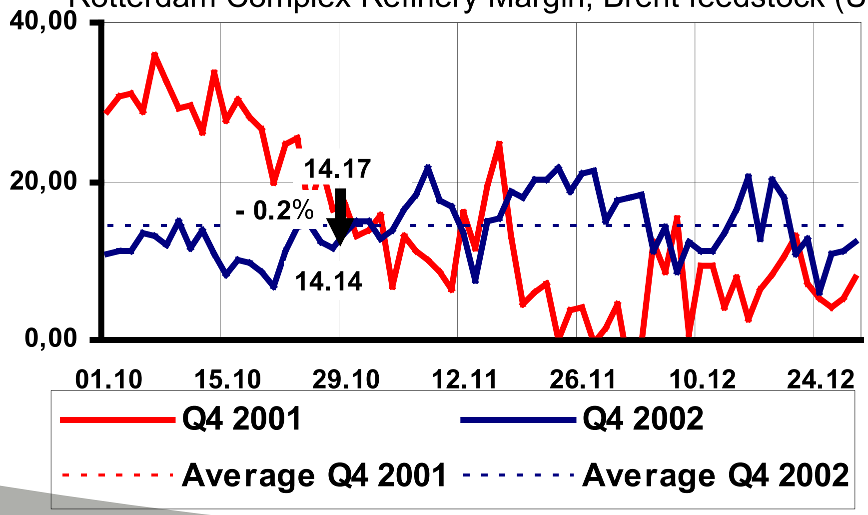
Market environment - Oil & Gas

Crude oil price, Brent (USD/bbl)



Margin

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



- Increase in crude demand in OECD countries of 0.85 mb/d (y-o-y)
- Increase in crude oil (Brent) prices of 37.7% (y-o-y)
- Complex Refinery Margin at comparable level
- Effect of higher refinery crack-spreads on EBIT of over PLN 38m
- Increase in Urals/Brent differential of 125.0% (y-o-y) - estimated effect on EBIT of almost PLN 73m

*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

Profit / Cash flow - visible increase in profitability

IFRS basis, million PLN	4Q02	4Q01	change
Revenue	**4 703**	4 297	*9,4%*
Cost of sales	**-3 859**	-3 677	*4,9%*
Distribution costs	**-535**	-360	*48,6%*
Administrative expenses	**-216**	-232	*-6,9%*
Other	**-28**	20	*n/a*
Profit from operations	**65**	48	*35,4%*
Profit before income tax and minority interests	**201**	56	*258,9%*
Net profit	**71**	40	*77,5%*
Cash flows from operating activities	**445**	408	*9,1%*
PLN	**4Q02**	**4Q01**	**change**
Diluted EPS	**0,17**	0,10	*70,0%*

- Higher prices of products are reflected in increase in revenues by over 9%
- As mentioned previously distribution costs increased due to strong promotion and rebranding (PLN 77m)
- Administrative expenses under control
- As announced earlier profit from financial operations increased due to sale of the stake in LG Petro – PLN 58m
- Net profit negatively affected by change in tax rate by PLN 77m

Balance sheet – strong liquidity and solvency

IFRS basis, million PLN	4Q02	3Q02	change
Non-current assets	**9 803**	9 831	*-0,3%*
Current assets of which	**5 290**	5 291	*0,0%*
Inventories	**2 868**	2 609	*9,9%*
Cash and cash equivalents	**223**	219	*1,8%*
Total assets	**15 093**	15 122	*-0,2%*
Shareholders' equity	**8 336**	8 307	*0,3%*
Minority interests	**428**	419	*2,1%*
Non-current liabilities of which	**1 410**	2 236	*-36,9%*
Interest bearing borrowings	**402**	1 308	*-69,3%*
Current liabilities of which	**4 919**	4 160	*18,2%*
Interest bearing borrowings	**2 743**	1 482	*85,1%*
Total liabilities	**15 093**	15 122	*-0,2%*

- Inventories increased by some 10% due to high prices of crude oil and products
- Visible decrease in receivables due to seasonal sales
- Shift from long term liabilities to short term due to reclassification of USD denominated debt falling due this year

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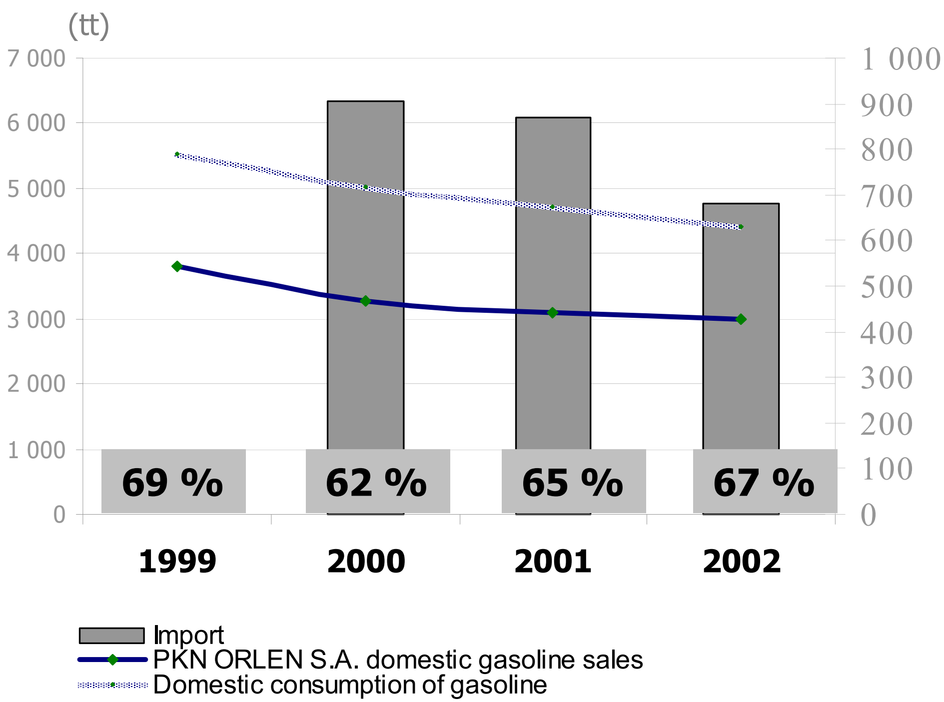
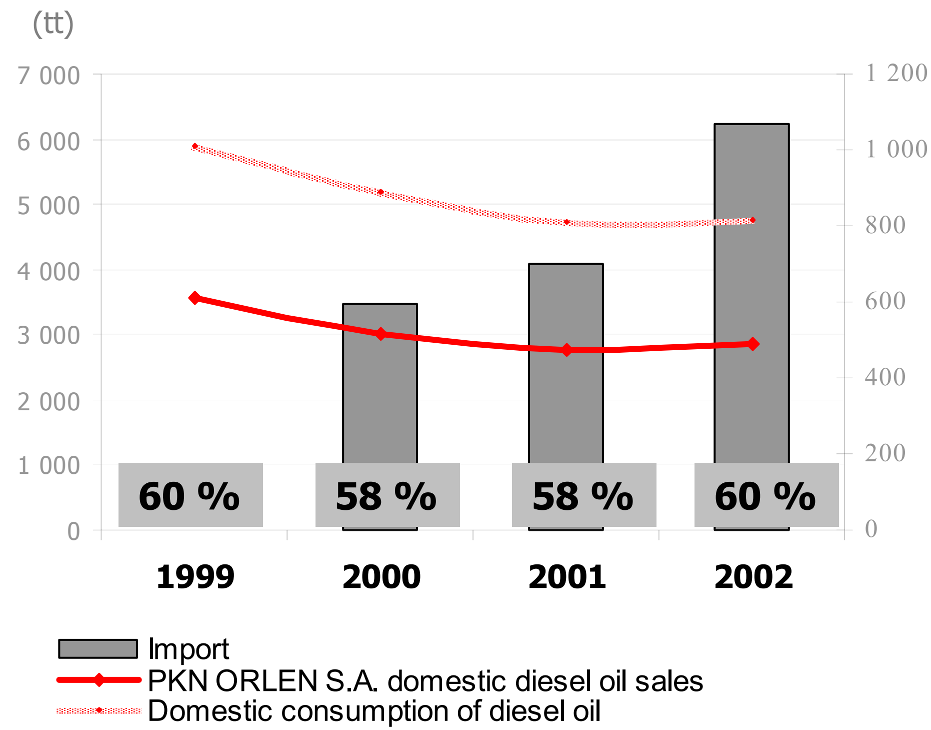
PKN ORLEN strengthens its position on the Polish fuel market

Gasoline



67 % - market share

Diesel oil



60 % - 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

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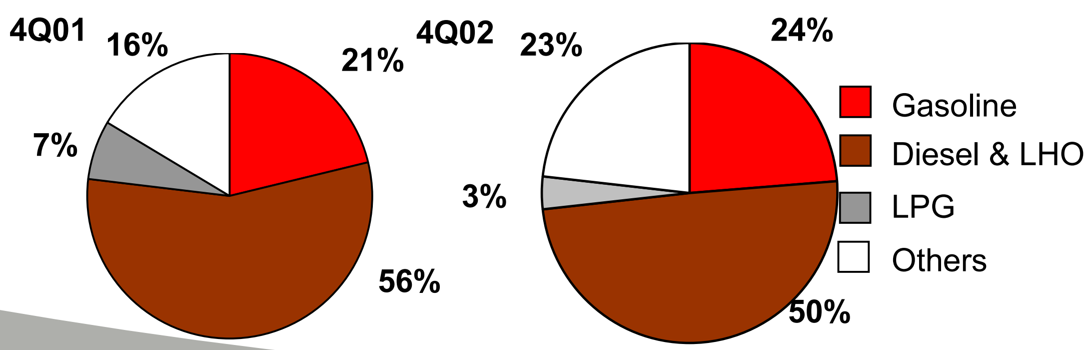
Substantial revenues in refining drive our business

Refining and wholesales

IFRS basis, mPLN	4Q02	4Q01	change
Revenue	**4,114**	3,769	*9.2%*
Total costs of the segment	**3,975**	3,614	*10.0%*
Profit of the segment	**139**	155	*-10.3%*
Sales (tt)	**2,753**	2,922	*-5.8%*

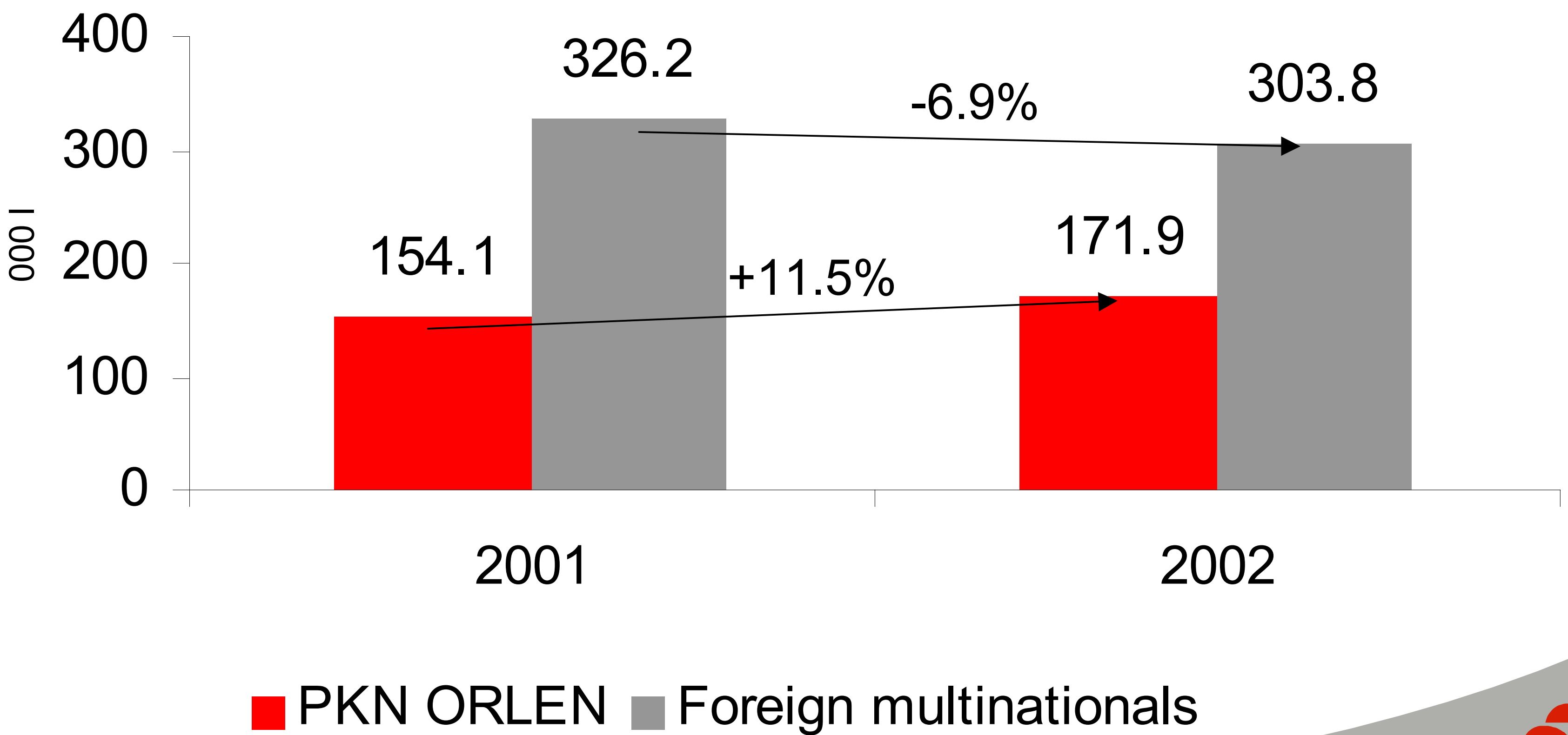
Revenues by product



- Still growing market share driven by fight for a client in retail
- As promised we are focused on margin not sales – inland premium at highest level this year – PLN 188m
- Still visible decrease in LHO sales – 26,8% (y-o-y)
- 1.5% increase in sales volume of liquid fuels* on declining market

*Gasoline, Diesel

Monthly average fuel sales (gasoline, diesel, LPG) per station (FY02 vs. FY01)

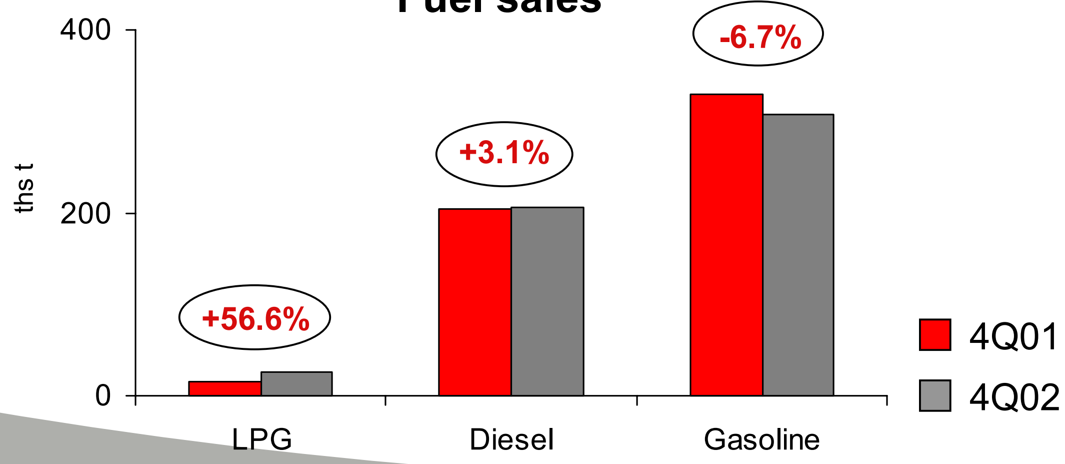


Increased revenue despite depresed market

Retail

IFRS basis, mPLN	4Q02	4Q01	change
Revenue	**1 064**	990	*7,5%*
Total costs of the segment	**1 096**	917	*19,5%*
Profit of the segment	**-32**	73	*n/a*
Sales (tt)	**539**	550	*-2,0%*

Fuel sales



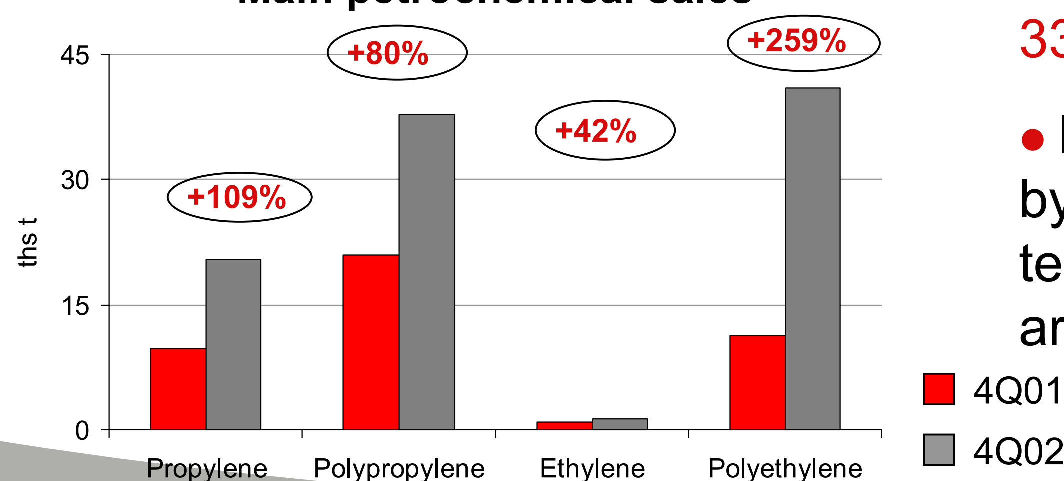
- Sales volume decreased less than the overall Polish market
- Visible shift from gasoline to Diesel and LPG
- Costs' increase was related to strong marketing, and rebranding activities aimed at strengthening of ORLEN brand (PLN 71m)
- As a result throughput per site increased over 11% comparing to almost 7% decrease reported by foreign competitors (FY02 vs. FY01)

Very good performance of the chemical segment

Petrochemicals

IFRS basis, mPLN	4Q02	4Q01	change
Revenue	**1 171**	769	*52,3%*
Total costs of the segment	**1 114**	823	*35,4%*
Profit of the segment	**57**	-54	*n/a*
Sales (tt)	**550**	411	*33.7%*

Main petrochemical sales



- Poland is a net importer of petrochemicals
- Despite the economic downturn and a decrease in domestic consumption, total sales volume of petro-chemicals increased by 33.7%
- Profit additionally supported by implementation of new technology related to aromatics

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Delivering on promises

	Promise	Performance	2003 guidance
Sales increase			
total sale volumes	3%	1.4%	-1%
retail volumes	5%	4.9%	5%
VITAY loyalty programme customers	3m by end of 2002	c. 3.4m	4.3m
Margins			
gross retail margin	Visible growth	3%	2%
inland premium	FY result higher than in 2001	Growth of 20%	Slightly lower level
Filling stations network			
ORLEN brand	250 by end of 2002	258, end of 2002	500 325 up to date
Changing the MIDs	800 by end of 2002	587, end of 2002	850 694 up to date
Petrochemicals			
J.V. with Basell	J.V. set up	Done – opens long term perspectives for full utilisation of refining assets	Consequent implementation

1.USD = 3.8514.PLN on Dec.27, 2002

Delivering on promises

	Promise	Performance	2003 guidance
M&A	Aggressive expansion	Acquisition of 494 sites in Germany Set up of the consortium to buy RG	Consequent implementation Completion of RG acquisition
Organizational structure	Flattening of the structure and reduction of directors	23 reporting directors (previously 63) and <100 directors (previously 160)	Consequent implementation on lower levels
Capital group	Reorganisation and sale	Sale of LG Petro	Sale of Flexpol and NOM to be completed and creation of close-end fund
Crude oil purchases	Diversification of suppliers	Long term agreements with J&S and Yukos (discount maintained)	-
Cost cutting (2000-2002)	USD 129m	USD 103m	Initiated, targets TBA during 2Q03 teleconference

1.USD = 3.8514.PLN on Dec.27, 2002

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Thank You