ORLEN Capital Group – company overview

April 2012
Agenda

- General overview
- Core segments
- Upstream and energy
- Summary
Leading refining & petchem company operating in the biggest market in CEE

**PKN ORLEN – POLISH KEY PLAYER IN CEE**

- **Strategic location:** on key pipeline network with an access to the crude oil terminals in Gdańsk (Poland) and Butinge (Lithuania).
- **7 refineries:** Poland (the largest and highly advanced in Plock), Lithuania and the Czech Republic.
- **Processing REBCO crude oil** (the most economic), but capable to process **any kind of crude oil** in all refineries.
- **Petrochemical assets fully integrated** with the refining.
- **Ca. 2 700 filling stations:** Poland, the Czech Republic, Germany and Lithuania.

**LEADING DOWNSTREAM COMPANY**

**SHAREHOLDERS STRUCTURE**

<table>
<thead>
<tr>
<th>Free float</th>
<th>72,48%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Treasury</td>
<td>27,52%</td>
</tr>
</tbody>
</table>

**PARAMETERS**

**OPERATIONAL:**
- Throughput capacity: ca. 31.6 mt/y
- Petrochemical production: ca. 6.5 mt/y

**FINANCIAL (PLN):**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>EBITDA</th>
<th>EBIT</th>
<th>Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>83.5 bn</td>
<td>5.5 bn</td>
<td>3.1 bn</td>
<td>2.5 bn</td>
</tr>
<tr>
<td>2011</td>
<td>107.0 bn</td>
<td>4.4 bn</td>
<td>2.1 bn</td>
<td>2.0 bn</td>
</tr>
</tbody>
</table>
The strategy for 2009-2013 assumes further core business development, divestment of non-core assets and entry into new segments.

<table>
<thead>
<tr>
<th>MAIN OBJECTIVES OF PKN ORLEN GROUP</th>
<th>PRIORITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt reduction</td>
<td>2009 – 2010</td>
</tr>
<tr>
<td>Release of capital employed</td>
<td>Preparation for further growth: actions to improve financial performance, increase efficiency, reduce debt and finalize investments in core areas of activity</td>
</tr>
<tr>
<td>Efficiency improvement and key investments execution</td>
<td>2011 – 2013</td>
</tr>
<tr>
<td>Efficiency improvement as well as development and extension of the value chain in core areas of activity - refining, retail and petrochemical segments</td>
<td>Further efficiency of core assets, investments in new segments in order to increase the company value</td>
</tr>
<tr>
<td>Entry into new business areas</td>
<td></td>
</tr>
<tr>
<td>Diversification of activities, strengthening the Group by limiting the downstream contribution to the business</td>
<td></td>
</tr>
</tbody>
</table>
Agenda

General overview

- Core segments

Upstream and energy

Summary
Refining

KEY FACTS

- Processing capacity: ca. 31.6 mt/y (Plock plant in Poland – 16.3 mt/y, ORLEN Lietuva – 10.2 mt/y, Unipetrol – 5.1 mt/y).
- Market share*: gasoline (PL: 61%, CZ: 35%, LT: 91%) and diesel (PL: 54%, CZ: 33%, LT: 89%).
- Flexibility to process many kinds of crude oil. 90% of processed crude oil in 2011 by PKN ORLEN Group was REBCO.
- Fuel production in line with 2009 Euro standards in all refineries.

* As of 31.03.2012
Petrochemical

**ASSETS**

- PX/PTA
- Polyolefins

**CORE BUSINESS**

- Strengthening position through full integration with refinery.
- Building regional leader position.
- Launch of petrochemical PX/PTA complex.

**ANWIL - NON CORE ASSET**

- Release of capital employed through Anwil sale.
- Limited synergies with refining activity.

**KEY FACTS**

- PKN ORLEN production capacity: ca. 4.1 mt/y (Plock - 2.5 mt/y, Unipetrol - 1.6 mt/y).
- Full integration of petrochemical assets with refining facilities.
- Depending on the product we have between 40% to 100% market share in domestic consumption.
- Polyolefins sales within Basell network.
- Launch of Europe’s most advanced petrochemical PX/PTA complex with PTA production capacities of 600 kt/y.
Retail

ASSETS

OPERATIONAL DATA

KEY FACTS

- Biggest retail network (no of filling stations)*: Poland - 1751, Germany - 567, Czech Republic - 337, Lithuania - 35.
- Market share*: Poland - 33%, Czech Republic - 14%, Lithuania - 4% and North Germany - 10%.
- Two-tier branding strategy (premium and economy)
- „FLOTA POLSKA” & DKV/ORLEN fleet card for corporate customers; and „VITAY” loyalty card for individual customers – ca. 8.5 m participants*

* As of 31.03.2012
Agenda

General overview

Core segments

- Upstream and energy

Summary
PKN ORLEN faces serious barriers for the further dynamic growth in the oil sector...
- The dynamic growth through acquisitions and geographic expansion in 2002-2006
- Focus on organic development and efficiency improvement
- Strong competitive pressure and high volatility in margins

...hence the perceived growth opportunities in the new areas of growth...
- Higher profitability
- Stable cash flows
- Operational synergies and diversification of activities
- PKN ORLEN’s security

CONCEPT OF „MULTI-UTILITY”

- Integrated fuel-energy company
- Upstream (E&P)
- Electric power generation
- Refining
- Petrochemicals
- Logistics
- Sales of fuel and petrochemicals

STRATEGIC RATIONALES
Growth of PKN ORLEN in upstream segment is based on three pillars

- **Regional focus**
  - Limitation of (mostly geopolitical) risks
  - Building capabilities in stable environment
  - Adjustment of activities to the available budget

- **Organic and inorganic growth**
  - Gradual development of diversified assets portfolio
  - Acquisition of mainly minority equity stakes
  - Current exploration and production projects

- **Cooperation with partners**
  - Opportunity for rapid growth of know-how and competencies
  - Participation in existing projects, including cooperation with external partners

- **Targets**
  - Regional focus
  - Organic and inorganic growth
  - Cooperation with partners

- **Examples**
  - Central and Eastern Europe
  - North Africa
  - North America

- **Limitation of project risk**
- **Focus on most prospective assets**
UPSTREAM
Shale gas – realization of exploratory projects

PKN ORLEN has 8 licenses for shale gas exploration in Poland

Lublin Shale Project:

Hrubieszów Shale Project:
- 6.Hrubieszów

Mid-Poland Unconventionals Project:
- 7.Sieradz, 8.Lódź

Status of projects

Lublin Shale project:
- 2 first vertical wells on Wierzbica and Lubartów licenses are finished.
- 2-7 wells (including up to 2 horizontal) are planned in 2012.

Wierzbica and Lubartów
- Ongoing analysis of geographical measurements and testing core samples.
- Start-up of horizontal wells and fracking after positive findings of samples.
- Information and education actions for local communities and for local and regional authorities were conducted.

Garwolin
- Ongoing project works and choice of first vertical well location.

Hrubieszów Shale Project:
- Obtaining and interpretation of seismic data is planned in 2012.

Mid-Poland Unconventionals Project:
- Reinterpretation of preparation of methodology for acquisition of new seismic data in 2013 is planned in 2012.

Shale gas resources in Poland
- 5.3 bn m$^3$ acc. to estimates of U.S. Energy Information Administration (EIA) and up to 0.8 bn m$^3$ acc. to Polish Geological Institute.
1. **Latvian shelf** - off-shore project on Latvian shelf is realized together with Kuwait Energy.
   - 2 exploration and upstream licenses.
   - Maximum 2 drills are planned in 2012.
   **Status of project:**
   - Analysis of acquired 3D seismic data and choice of drills’ locations were made.
   - Geotechnical analysis of sea bottom in the region of planned drills were made.
   - Currently final interpretation of sea bottom analysis are conducted.

2. **Lublin region** - exploration project in Poland (Lublin) realized by ORLEN Upstream.
   - 5 exploration licenses at the area of 4 700 km².
   - 3D seismic works and optional 1 exploration drill in the case of positive evaluation are planned in 2012.
   **Status of project:**
   - Data analysis and choice of drills’ locations are in progress.

3. **Polish Lowland** - exploration and upstream project in Poland (Sieraków) is realized together with PGNiG S.A. (PKN ORLEN owns 49% of shares).
   - 1 exploration and upstream license.
   - First appraisal drill is finished.
   - 1 appraisal drill is planned in 2012.
   **Status of project:**
   - The final drill’s location was selected.
ENERGY
New projects and improvement of efficiency of assets held

1. Building of gas power plant to 500 MWe in Włocławek
   - Advanced preparation of investment: we have the environmental decision, the permission to build energy block, the agreement with GAZ-SYSTEM for building a pipeline and the agreement with PSE Operator for connection to the energy network.
   - Power plant will meet the commercial sales as well as Anwil energy and steam needs.
   - Block building is planned to start in 2012. Start-up at 2015.
   - Estimated CAPEX in the amount of ca. PLN 1,5 bn.

Project status:
   - Short list of suppliers of gas turbine is prepared.
   - Selection of the power plant contractor in „turn-key” formula is in progress.

2. Concept of building of gas power plant in Płock
   - Finishing of final concept selection.
   - Developing the feasibility study of the selected option (450-600 MWe).
   - Report on ground testing completed.
   - Environmental Impact Report and connection of utilities study contracted.
   - Conditions of connection to the power grid received from PSE Operator.
   - Gas supply within existing connection agreement were confirmed.

3. Planned modernization of heat and power plant in Płock as well as efficiency improvement of heat and power plant in Unipetrol
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PKN ORLEN is an attractive investment

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<th>STRENGTHS</th>
<th>DEVELOPMENT OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive market of new EU countries with growth potential.</td>
<td>Efficiency improvements through operational excellence and integration of assets.</td>
</tr>
<tr>
<td>Leading position in the Central and Eastern EU region in the downstream refining and petrochemicals.</td>
<td>Further development in the core business and value chain extension.</td>
</tr>
<tr>
<td>World class refinery assets integrated with petrochemical business.</td>
<td>Release of capital employed in non core assets.</td>
</tr>
<tr>
<td>The largest retail network, gaining market share.</td>
<td>Development of upstream and energy segment.</td>
</tr>
<tr>
<td>Strategically located on key pipeline network. Access to the crude oil terminal in Gdańsk (Poland) and Butinge (Lithuania).</td>
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</table>

Pole position for further growth
Thank You for Your attention

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Agenda

- Supporting slides
From domestic leader to EU regional player

**Domestic Business to 2002**
- 1999
  - Merger of Petrochemia Plock (Polish largest refinery) with CPN (Polish largest retailer) created PKN.
  - IPO of 30% of equity on Warsaw Stock Exchange and London Stock Exchange.
  - Introduction of the new brand ORLEN.
- 2000
  - Second public offer of PKN ORLEN on WSE and LSE increased free float up to 72%.

**“Internationalization” 2002-2005**
- 2002
  - Expansion into German retail market.
  - Joint venture with Basell – Basell Orlen Polyolefins.
- 2005
  - Acquisition of majority stake in Unipetrol (Czech holding).
  - Introduction and start of PKN ORLEN Retail Sales Development Plan for Poland.
  - Introduction and start of Unipetrol Partnership Program.

**Regional Business 2006+**
- 2006+
  - Acquisition of Lithuanian refinery - Mazeikiai Nafta (from 2009 ORLEN Lietuva).
  - Implementation of segmental management.
  - Implementation of two-tier branding strategy in retail segment in Poland and the Czech Republic.
  - CAPEX, OPEX, working capital and headcount optimization.
  - Launch of petrochemical PX/PTA complex.
Supply Routes Diversification
Sea Oil Terminals in Gdansk and Butinge Guarantee Alternative Supply Routes

- Sea terminal [capacity]
- Oil pipeline [capacity]
- Projected Oil pipeline

- Refinery of PKN ORLEN Group
- Refinery (capacity m tonnes p.a.; Nelson complexity index)

Source: Oil & Gas Journal, PKN Orlen own calculations, Concawe, Reuters, WMRC, EIA, NEFTE Compass, Transneft.ru
ORLEN Lietuva - maximizing the possessed potential

KEY FACTS

- ORLEN Lietuva manages ca. 500 km of pipelines in the territory of Lithuania (both crude oil and product pipelines).
- Crude oil deliveries via sea from Primorsk to Butinge.
- Products supply within Lithuania is managed by use of railway or tankers.
- Long-term contract until the end of 2024 for reloading of petroleum products with Klaipedos Nafta was signed in 2011.
- The potential product pipeline to Klaipeda would improve logistics of final products.
- Costs optimization and improvement of operating parameters.
Unipetrol – continuation of operating efficiency improvement

ASSETS

KEY FACTS

- Ongoing strict cost control including staff reduction.
- Growing market share in the Czech retail from below 10% in 2005 to over 14% in 2011.
- Negative free cash flow due to weaker profitability caused by unfavourable macro environment and higher capital expenditures dedicated mainly to maintenance as well as development projects during the cyclical turnaround in 2011.
Relatively low rate of energy consumption per capita and need for new power plants indicates high potential for growth in the energy generation sector.

Currently energy consumption per capita on PKN ORLEN’s market is by ~ 40% lower than in developed countries. Forecasts indicate 2-3% increase in the electricity demand in Poland until 2030 p.a.

The profitability of the sector is increasing in the result of the expected imbalance between supply and demand.

44% of existing power plants in Poland is over 30 years. Old units of 11-15 GW (~30-40% existing capacity) have been planned to be closed. Power capacities increase planned until 2020 of ~20 GW (includes both modernization of existing and construction of new plants). Top Polish energy companies (i.e. PGE, Tauron, Enea, Energa) have announced plans of extensive capital investments into increase of capacities, summing up to ~90 bn PLN.

Despite the current economic slowdown, an increase in the wholesale electricity prices is expected in the coming years.

1) Developed countries comprise: EU-15, Norway, Switzerland and Slovenia.
2) PKN Orlen’s markets comprise: Poland, Czech Republic, Baltics.
Source: EIA, IMF, PWC, PKN ORLEN analysis.
New power plants are mostly required in the northern Poland.

Northern Poland has a historical **power deficit**.

The current production capacity is concentrated mainly in the south of the country.

Some of the planned greenfield capacities are located north, near Anwil plant in Włocławek.
Dividend policy:
PKN ORLEN aims to pay dividends equal or higher than 50% of FCFE

Reference point for dividend policy – PKN ORLEN investment goals and opportunities:
- taking into account mergers and acquisitions
- allowing for maintaining the optimal capital structure determined by the following ratios:
  - Covenant: Net Debt/EBITDA max. 3.5
  - Gearing: Net Debt / Equity of 30% - 40%

* In the annual financial statement published on 29.03.2012 The Management Board of PKN ORLEN recommended no dividend payout from net profit. The ultimate decision belongs to shareholders and will be made during AGM on 30.05.2012.
Effective execution of two-tier branding strategy as a response to market polarization

PKN ORLEN branding strategy

- Successful rebranding of heritage network of mixed brands into premium ORLEN and economical BLISKA networks.
- Market research is to help to determine the final branding strategy.
- Building a solid foundation for the future development of high quality ORLEN network.
- Focus on economical STAR network with competitive prices and superior customer service.
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