PKN ORLEN Group – company overview

March 2011
Agenda

- Company overview

Key segments

New businesses entry

Summary
Leading refining & petchem company operating in the biggest market in CEE

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

- Strategically located on key pipeline network. **Access to the crude oil terminals** in Gdansk (Poland) and Butinge (Lithuania).
- Operates 7 refineries in Poland, Lithuania and the Czech Republic, including the largest and highly advanced one.
- Capable of processing in all refineries **any kind of crude oil**. Currently the most economic is REBCO.
- **Petrochemical assets fully integrated** with the refining operations.
- Operates ca. 2,600 retail sites in Poland, Czech Republic, Germany and Lithuania.

**KEY FACTS**

**PRODUCTION:**
- Refining: ca. 30.0 mt/y
- Petrochemical: ca. 3.5 mt/y

**FINANCIALS IN YEAR 2010:**
- Revenues: PLN 83.5 bn
- EBITDA: PLN 5.5 bn
- Net profit: PLN 2.5 bn

**SHAREHOLDERS STRUCTURE**

- Free float: 72.48%
- State Treasury: 27.52%
The strategy for 2009-2013 assumes further core business development, divestment of non-core assets and entry into new attractive business areas.

<table>
<thead>
<tr>
<th>Main objectives of PKN ORLEN Group</th>
<th>Priorities</th>
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<tbody>
<tr>
<td>Debt reduction</td>
<td>2009 – 2010</td>
</tr>
<tr>
<td>Release of capital employed through working capital optimisation, assets disinvestment in chemical and telecom segments, solving the issue of obligatory reserves</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>
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<tr>
<td>Entry into new business areas</td>
<td></td>
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</tbody>
</table>
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Refining segment

KEY FACTS

- PKN ORLEN processing capacity: ca. 30 mt/y (Plock plant in Poland – 15.1 mt/y, Unipetrol – 5.3 mt/y and ORLEN Lietuva – 10.2 mt/y).
- Market share*: gasoline (PL: 65%, CZ: 35%, LT: 79%) and diesel (PL: 60%, CZ: 28%, LT: 84%).
- Nelson complexity index: Plock 9.5, Kralupy 8.1, Litvinov 7.0, ORLEN Lietuva 10.3.
- Refinery flexibility to process many kinds of crude oil.
- Fuel production in line with 2009 Euro standards in all refineries.

* As of 31.12.2010
Petrochemical segment

ASSETS

CORE BUSINESS – GROWTH DRIVERS

- Strengthening position through full integration with refinery.
- Investments in world class assets.
- Building regional leader position.

NON STRATEGIC BUSINESS - EXIT

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

KEY FACTS

- PKN ORLEN production capacity: ca. 3.5 mt/y (Plock - 1.9 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% of market share in domestic consumption.
- Polyolefins sales within Basell network.
- PX/PTA technological start up is pending (start of products sales in 2q2011). Planned capacities: 400 kt and 600 kt respectively.
Retail segment

**ASSETS**

**OPERATING DATA**

<table>
<thead>
<tr>
<th>EBIT (PLN m)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>641</td>
<td>880</td>
<td>825</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales volumes (th t)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6229</td>
<td>6713</td>
<td>7025</td>
</tr>
</tbody>
</table>

**KEY FACTS**

- Biggest retail network (no of filling stations)*: Poland - 1714, Germany - 515, Czech Republic - 337, Lithuania - 35.
- Market share*: Poland - 32%, Czech Republic - 14%, Lithuania - 4% and Northern Germany - 9%.
- 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 m participants*

* As of 31.12.2010
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  Summary
"Multi-utility" is a foundation for further PKN ORLEN’s value growth

Strategic rationales

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
- Strong competitive pressure and high volatility in margins
- Operational synergies and diversification of activities
- PKN ORLEN’s security

Concept of "multi-utility"

Current PKN ORLEN’s areas of activities
- Upstream (E&P)
- Electric power generation
- Refining
- Petrochemicals
- Logistics
- Sales of fuel and petrochemicals

New segments
- Integrated fuel - energy company
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

**Examples**
- Central and Eastern Europe
- North Africa (?)
- North America

**Targets**
- Limitation of project risk
- Focus on most prospective assets
At present, PKN ORLEN is involved in a relatively small number of E&P projects and of limited risk, but the project portfolio is to grow

**Description of selected projects**

1. **Off-shore project on Baltic shelf (Latvia)** on one of the biggest oil fields in the Baltic Sea
   - Large hydrocarbon reserves: 250m bbl
   - Project is being realized in cooperation with a Middle East partner - the biggest private E&P company from Kuwait

2. **On-shore E&P project in Poland (Lublin area)**
   - of exploration activities conducted by the biggest oil companies: Chevron and ExxonMobil

3. **On-shore E&P project in Poland (Sieraków area)-JV with PGNiG**
   - The most prospective exploration area in Poland, next to the largest discovered reserves of oil and gas in Poland
   - Exploitable resources up to 26m bbl

4. **Shale gas exploration project in Poland**
   - Five exploration licenses secured by PKN ORLEN in the most prospective areas (Lublin province and the southern part of Mazovia)
   - PKN ORLEN aims to engage with an experienced partner for further exploration (letters of intent already signed with about 15 companies)
   - Wood Mackenzie’s estimations of 1.36 trillion m$^3$ of unconventional gas stretching across northern and central Poland (Poland’s annual gas consumption is 14 bn m$^3$, 72% of gas imported)
Building new segments

UPSTREAM PROJECTS

Latvian shelf – work out data from exploration gathered so far.
- The drill is planned at the turn of 2011/2012.

Polish lowland – exploratory drill has been started.
- Next 2 appraisal drills are planned at the turn of 2011/2012.

Lublin region – seismic and hole data integration is finished.
- Data analysis and choice of drills’ locations is in progress.
- The drill is planned in the 2 half 2011 and next one in 1H2012.

Shale gas – seismic works are started.
- First analysis findings in mid 2011.
- Drills planned in 2H2011.

ENERGY

- Advanced preparation of investment in Włocławek, final decision to make in 3q 2011
- Process of the power plant builder selection is in progress.
- We have the environmental decision and agreement for connection to the energy network.
- Decision about the selection of the contractor to be made at the turn of 3/4q2011.
- Start up of building in Włocławek in 2012.
- Start-up in 2014, investment at the level of PLN 1,5 billion.
PKN ORLEN is developing Energy segment through engagement in new projects and efficiency increase of existing assets

Implementation of strategy

- **Involvement in new projects**
  - in the energy sector through co-participation in the construction of new generating units
  - A construction of a new gas-fueled power plant in Włocławek (460 MW)
  - Potentially other unit in Płock

- **Efficiency improvement of existing assets thanks to optimization of current activities**
  - Investment program in power plant in Płock (~1 bn PLN), which will improve efficiency, meet environmental standards (emitted emissions are to be reduced by ~90%), lead to the increase in power capacities (up till 2017 planned 20% increase in electricity production capacities and 7% in thermal power) and balance the needs of PKN ORLEN
  - Restructurization and modernization of energy assets in Unipetrol
  - Optimization of repairs in other foreign assets

**Strategy’s directions**

- Achieving maximum synergies with refining part
- Assurance of energy safety of PKN ORLEN
- Infrastructure adaptation to more stringent environmental requirements
- Modernization of current infrastructure for further development of energy activity
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PKN ORLEN is an attractive investment

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>DEVELOPMENT OPPORTUNITIES</th>
</tr>
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<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 petrochemical.</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 through the sale of non core assets.</td>
</tr>
<tr>
<td>• The largest retail network.</td>
<td>• Development of new segments through cooperation with sector partners.</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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We take 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**
- 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
- Expansion into German retail market.
- Joint venture with Basell – Basell Orlen Polyolefins.

**2002**
- 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.

**2005**
- Acquisition of Lithuanian refinery - Mazeikiu Nafta (renamed in 2009 into 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.

**Regional Business 2006+**
- 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.
Supply Routes Diversification
Sea Oil Terminals in Gdansk and Butinge Guarantee Alternative Supply Routes
Unipetrol – continuation of operating efficiency improvement

ASSETS

- Ongoing strict cost control, leading to positive free cash flow and similar level of CAPEX as in 2009.
- Continuation of the long-term trend in staff reduction.
- Steadily growing market share in Czech retail to over 14% from below 10% in 2005.
- Revival of demand in 2010 is fuelling some optimism to polyolefins, with continuous substitution of traditional materials by plastics.
ORLEN Lietuva - maximizing the possessed potential

assets

KEY FACTS

- ORLEN Lietuva manages ca. 500 km of pipelines in the territory of Lithuania (both crude oil and product pipelines).
- Access to the strategically important crude oil import / export terminal at Butinge.
- Products supply within Lithuania is managed by use of railway or tankers.
- The potential product pipeline to Klaipeda would improve logistics of final products.
- Costs optimization – among others, main turnaround moved to 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, Source: EIA, IMF, PKN ORLEN analysis.
New power plants are mostly required in the northern Poland

Existing and planned generation capacity until 2015

- 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%

### Dividend payout ratio 1999 - 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend payout ratio</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>3,3</td>
</tr>
<tr>
<td>2001</td>
<td>3,0</td>
</tr>
<tr>
<td>2003</td>
<td>20,3</td>
</tr>
<tr>
<td>2005</td>
<td>15,4</td>
</tr>
<tr>
<td>2007</td>
<td>0,0</td>
</tr>
<tr>
<td>2009</td>
<td>0,0</td>
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### Dividend per share 1999 - 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>0,05</td>
</tr>
<tr>
<td>2001</td>
<td>0,05</td>
</tr>
<tr>
<td>2003</td>
<td>0,12</td>
</tr>
<tr>
<td>2005</td>
<td>0,14</td>
</tr>
<tr>
<td>2007</td>
<td>0,65</td>
</tr>
<tr>
<td>2009</td>
<td>2,13</td>
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<tr>
<td></td>
<td>1,62</td>
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<td></td>
<td>0,0</td>
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<td>0,0</td>
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<td>0,0</td>
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</table>
PKN ORLEN has 24.39% stake in Polkomtel as a non-core investment.
PKN ORLEN’s intention is to dispose all shares hold in Polkomtel.
Polish Shareholders, i.e. KGHM Polska Miedz S.A., PKN ORLEN, PGE Polska Grupa Energetyczna S.A. and WĘGLOKOKS S.A. currently hold in total over 75% of registered capital of Polkomtel S.A.
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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