



## **Consolidated financial results for PKN ORLEN 3Q 2008**

*Jacek Krawiec, CEO*

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*13 November 2008*



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## Agenda

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**Key developments in 3Q 2008**

**Main factors shaping financial results in 3Q 2008**

**Supporting slides**



**PKN ORLEN operating profit (corrected by inventories valuation effect) amounted to over PLN 800 m in 3Q 2008.**

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### **External factors shaping the results**

- Reversal of growth trend of crude oil prices caused reduction in reported operating profit.
- Change in exchange rates negatively affected reported result.
- Change in margins had positive influence on reported operating profit.

### **Operating achievements**

- Increase in revenues of over 30%
- Growth in sales volumes of over ten percent both in wholesale and in retail
- Full production capacity utilization
- Maintain debt ratios at conservative levels



# Project realization in 3Q 2008

In 3Q 2008 there have been consistently implemented actions aimed at growing in fuels production and sales, especially diesel and goods and services in retail segment.

Segment	Actions
Refining	<ul style="list-style-type: none"><li>• Building Diesel Hydrodesulphurization unit (HON) VII and hydrogen unit at the Plant in Plock</li><li>• Processing tests on many different kinds of crudes at the Plant in Plock</li><li>• Modernization of Diesel Hydrodesulphurization unit in Mazeikiu Nafta</li></ul>
Petrochemicals	<ul style="list-style-type: none"><li>• Realization of planned maintenance shutdown of olefins unit</li><li>• Building of PX production unit and PTA production unit in Plock</li><li>• Building of benzene extraction unit and C5 fraction unit in Unipetrol Group</li></ul>
Retail	<ul style="list-style-type: none"><li>• Opening of 22 new fuel stations</li><li>• 50 fuel stations modernized, rebranded and rebuilt</li></ul>
Chemicals	<ul style="list-style-type: none"><li>• Maximization of fertilizing products sales</li><li>• Building of oxygen plant and enhancing of fertilizers unit's capacity</li><li>• Modernization of production lines in PVC complex</li></ul>



## Agenda

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Key developments in 3Q 2008

**Main factors shaping financial results in 3Q 2008**

Supporting slides



## Net profit for 3 quarters higher by over PLN 600 m.

PLN m	3Q 07	3Q 08	change y/y	1-3Q 07	1-3Q 08	change y/y
	1	2	3=2/1	4	5	6=5/4
Revenues	17 265	23 058	34%	46 891	63 086	35%
EBITDA <sup>1</sup>	1 438	1 120	-22%	4 305	4 526	5%
Net profit excl. minority shareholders	593	21	-96%	1 778	2 388	34%
Cash from operations (Cash Flow)	629	238	-391	2 538	2 505	-33
Capital expenditures (CAPEX)	815	1 138	323	1 986	2 564	578

EBITDA for 3Q 2008 lower by over PLN 300 m y/y due to inventories valuation effect.  
 Net profit for 3Q 2008 lower due to reduction of operating profit and exchange rate losses on liabilities and debts.  
 Stable level of cash from operations for 3 quarters 2008.

1) Operational profit before amortization



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## Debt ratios remain at conservative levels.

PLN m	3Q 07	3Q 08	change y/y	1-3Q 07	1-3Q08	change y/y
	1	3	3=2/1	4	5	6=5/4
EBITDA margin (%) <sup>1</sup>	8,3%	4,9%	-3,4p.p.	9,2%	7,2%	-2,0p.p.
Profit per share (PLN)	1,26	0,17	-87%	4,42	5,81	31%
ROACE (%) <sup>2</sup>	6,3%	7,1%	0,8p.p.	6,4%	7,1%	0,7p.p.
Financial gearing (%) <sup>3</sup>	33,6%	35,7%	2,1p.p.	34,2%	39,4%	5,2p.p.
Net debt / EBITDA <sup>4</sup>	1,50	1,76	0,26	1,50	1,76	0,26
Net debt (PLN bn)	7,33	9,69	2,36	7,33	9,69	2,36

Increase in debt due to continuation of investment programme and revaluation of foreign currency credits.  
Improvement in profit per share for 3 quarters by one third.

1) Operational profit before amortization / revenues

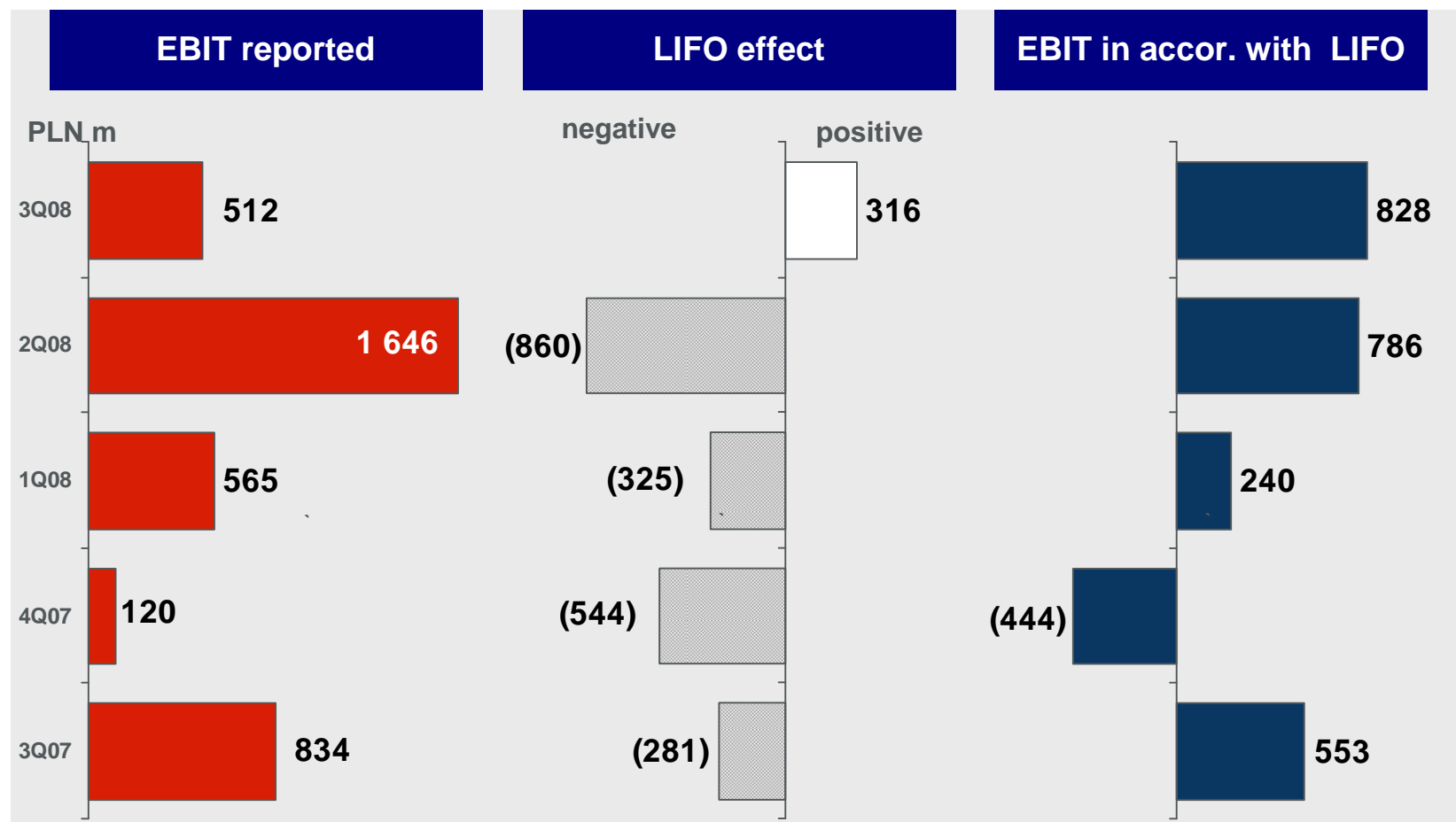
2) ROACE (return on average capital employed) = operational profit after taxes for four quarters / average capital employed in the period (equity + net debt).

3) Financial gearing = net debt / equity based on average balance sheet level in the period.

4) Interest-bearing borrowings less cash and less short term investments / (EBITDA + dividends received from Polkomtel).



## Very good operating profit for the Company in accordance with LIFO in 3Q 2008 confirms efficiency improvement.



EBIT in accor. with LIFO in 3Q 2008 higher by 50% y/y and 5% q/q.





## Inventories valuation effect reduced reported operating profit.

PLN m	3Q 2007	2Q 2008	3Q 2008	change y/y [%]	change q/q [%]
	1	2	3	4=3/1	5=3/2
<b>EBIT, of which:</b>	<b>834</b>	1 646	<b>512</b>	<b>-39%</b>	-69%
<b>Refining<sup>1</sup></b>	<b>462</b>	1 407	<b>184</b>	<b>-60%</b>	-87%
<b>Retail</b>	<b>175</b>	109	<b>247</b>	<b>41%</b>	127%
<b>Petrochemical</b>	<b>294</b>	35	<b>104</b>	<b>-65%</b>	197%
<b>Chemical</b>	<b>56</b>	73	<b>87</b>	<b>55%</b>	19%
<b>Others<sup>2</sup></b>	<b>-22</b>	74	<b>29</b>	-	-61%
<b>Non-attributable<sup>3</sup></b>	<b>-131</b>	-52	<b>-139</b>	<b>6%</b>	167%

**Weaker result in refining segment due to inventories valuation.**

**Worsening of result in petrochemicals mainly due to maintenance shutdown at the olefin unit.**

**Significant improvement of operating result in retail and chemicals due to the increase in volumes and margins improvement.**

1) Production, Wholesale and Logistics.

2) Departments responsible for media, PKN ORLEN's social services, subsidiary services.

3) Non-attributable includes the corporate centre of PKN ORLEN and subsidiaries not included in other segments.



## Sales dynamics growth significantly higher than market growth.

kt	3Q 2007	2Q 2008	3Q 2008	change y/y [%]	change q/q [%]
	1	2	3	4=3/1	5=3/2
<b>Sales volume, total</b>	<b>7 823</b>	8 622	<b>8 608</b>	<b>10%</b>	0%
<b>Wholesale</b>	<b>5 406</b>	6 064	<b>6 088</b>	<b>13%</b>	0%
<b>Retail sales</b>	<b>1 201</b>	1 317	<b>1 376</b>	<b>15%</b>	4%
<b>Petrochemical sales</b>	<b>736</b>	848	<b>621</b>	<b>-16%</b>	-27%
<b>Chemical sales</b>	<b>480</b>	393	<b>523</b>	<b>9%</b>	33%

Considerable increases in volumes of wholesale and retail sales.  
Reduction of volumes in petrochemical segment due to planned maintenance shutdown.



## Crude oil processing increased by 20 % and production of highly profitable middle distillates by 17%.

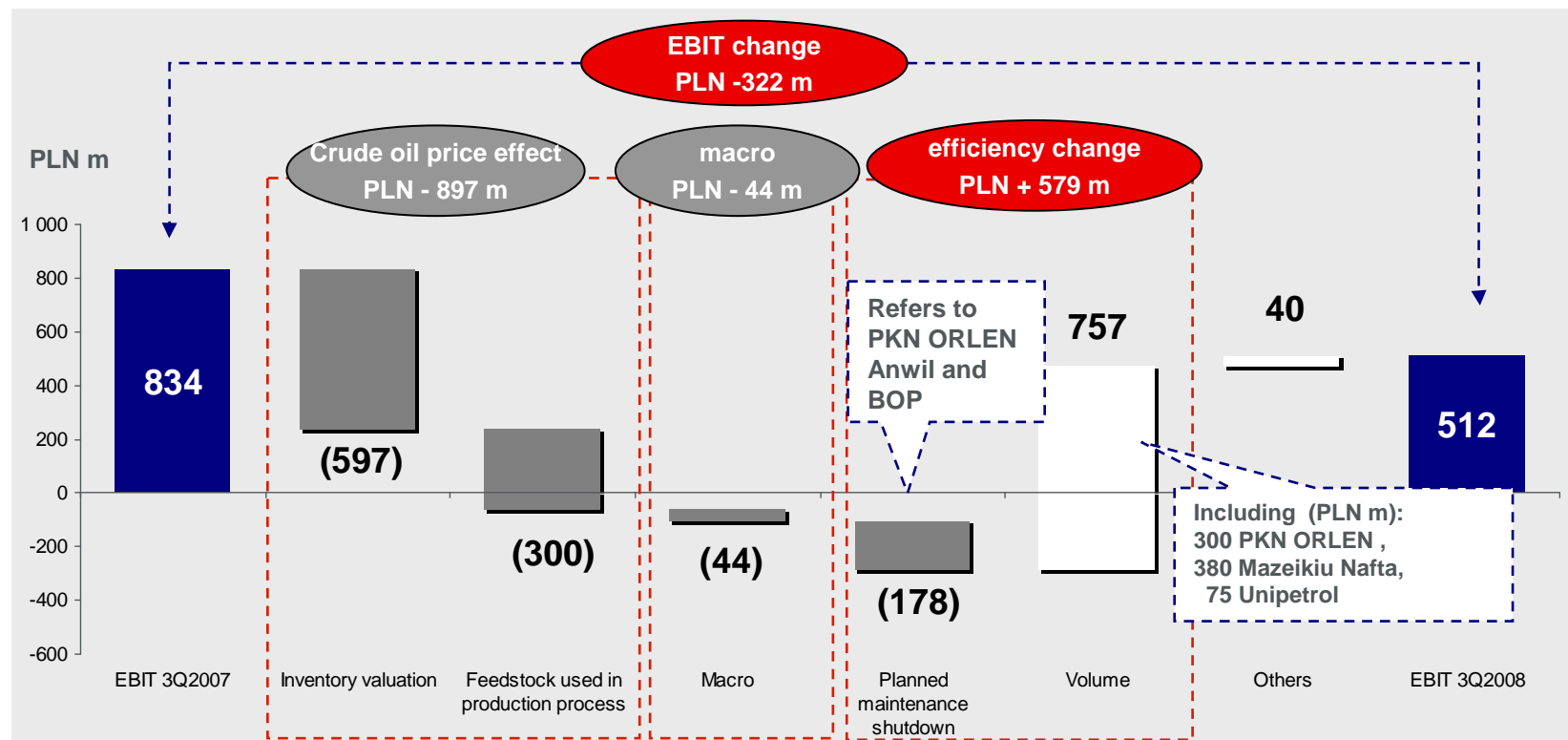
kt	3Q 2007	2Q 2008	3Q 2008	change y/y [%]	change q/q [%]
	1	2	3	4=3/1	5=3/2
<b>Crude oil throughput</b>	<b>6 093</b>	7 342	<b>7 342</b>	<b>20%</b>	0%
<b>Production, total</b>	<b>6 952</b>	7 550	<b>7 942</b>	<b>14%</b>	5%
<b>Refining products volume, of which:</b>	<b>5 356</b>	6 162	<b>6 292</b>	<b>17%</b>	2%
- Diesel, LHO, JET	<b>2 697</b>	3 170	<b>3 157</b>	<b>17%</b>	0%
- Gasoline, LPG	<b>1 513</b>	1 796	<b>1 868</b>	<b>23%</b>	4%
- Others <sup>1</sup>	<b>1 146</b>	1 196	<b>1 267</b>	<b>11%</b>	6%
<b>Petrochemical products volume</b>	<b>798</b>	890	<b>790</b>	<b>-1%</b>	-11%
<b>Chemical products volume</b>	<b>798</b>	498	<b>860</b>	<b>8%</b>	73%

**Share in middle distillates production- diesel, light heating oil and aviation fuel (JET) - in 3Q 2008 at the high level (50%) of refining production.**

1) Includes heavy heating oil, base oil and others refinery products.



## Efficiency growth in the Company through increased refining and retail sales.



**Reported operating profit (EBIT) in 3Q 2008 was under the strong influence of crude oil changes, due to inventories valuation and energy feedstock costs used in production process.**

Inventory valuation effect (LIFO): PLN (-) 597 m, including PLN 316 m in 3Q 2008 and PLN (-) 281 m in 3Q 2007.

Macroeconomic effect: PLN (-) 44 m includes: exchange rates change PLN (-) 602 m, change in cracks and Ural/Brent differential PLN 530 m and effect on hedging PLN 28 m.

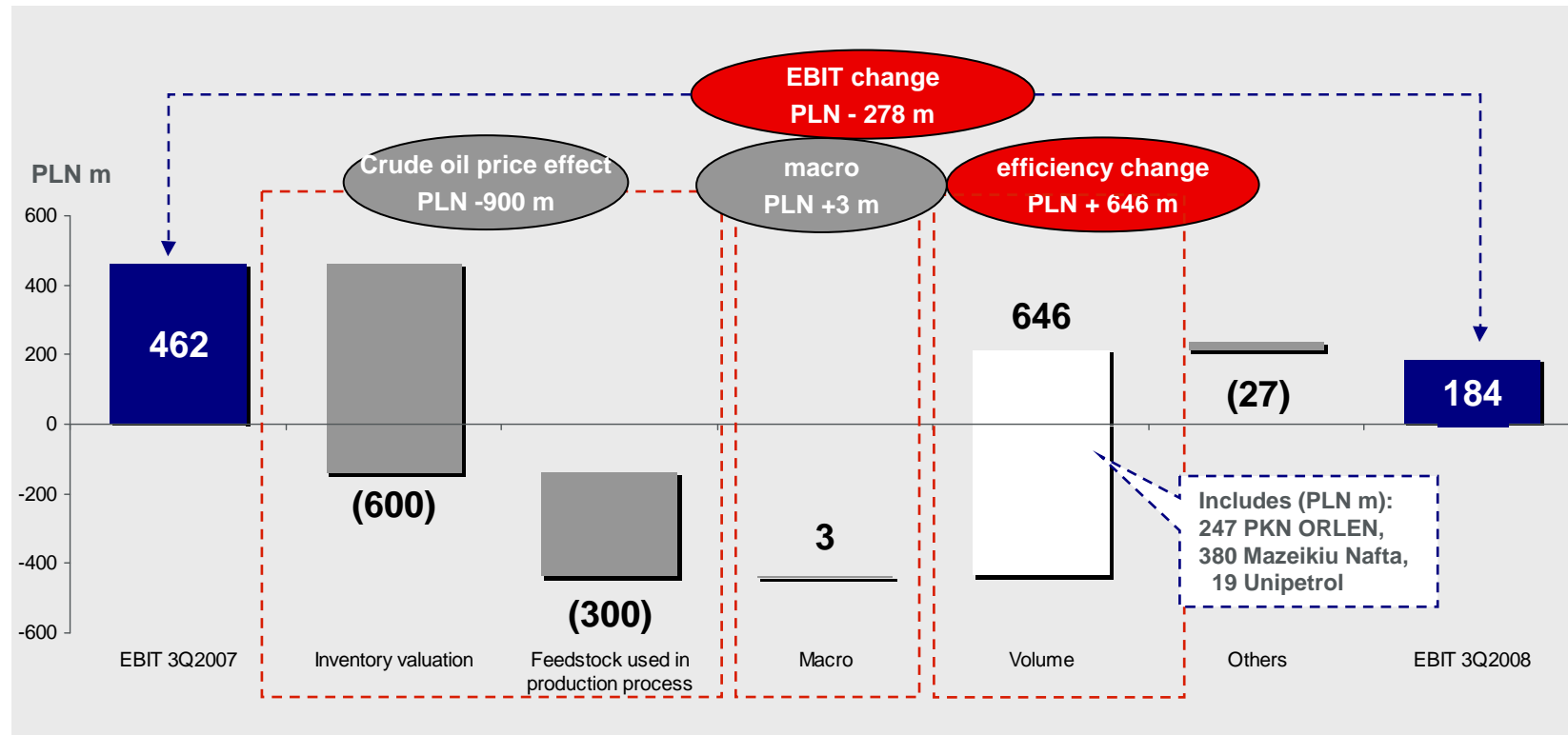
Planned maintenance shutdown: PLN 178 m refers to shutdowns at PKN ORLEN, BOP and Anwil.

Others include: other companies from the group, consolidation corrections and result on other operating activity.



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## Refining. Full utilization of production capacities.



**Influence of macroeconomic environment balanced out by exchange rates change and change in cracks and Ural/Brent differential.**

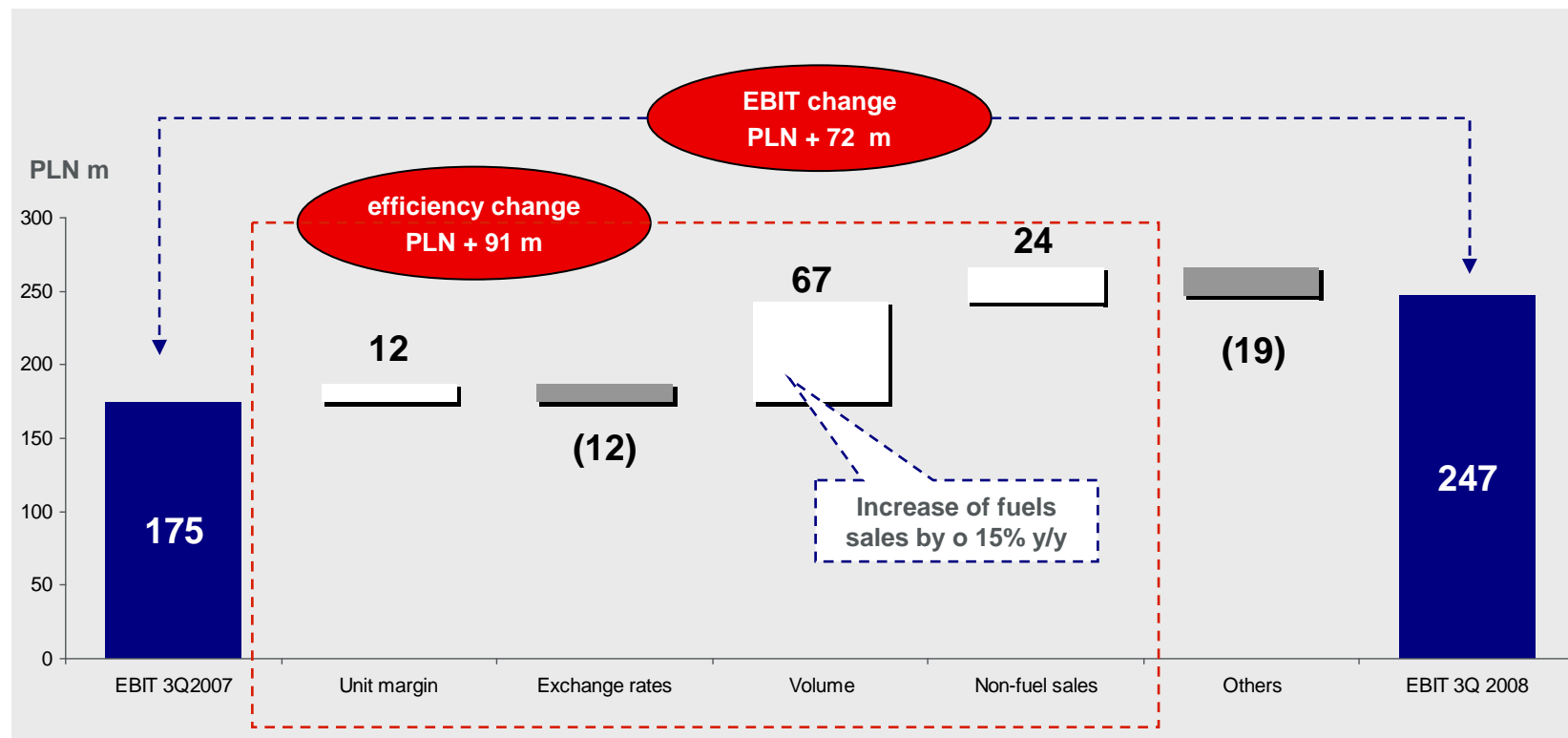
Inventory valuation effect (LIFO): PLN (-) 600 m, including PLN 317 m in 3Q 2008 and PLN (-)283 m in 3Q 2007.

Macroeconomic effect : PLN 3 m includes: exchange rates change PLN (-) 483 m and change in cracks and Ural/Brent differential PLN 476 m and effect on hedging PLN 10 m.

Others include: other companies from the group, consolidation corrections and result on other operating activity.



## Retail. Very good segment result due to maintenance of high sales increases.

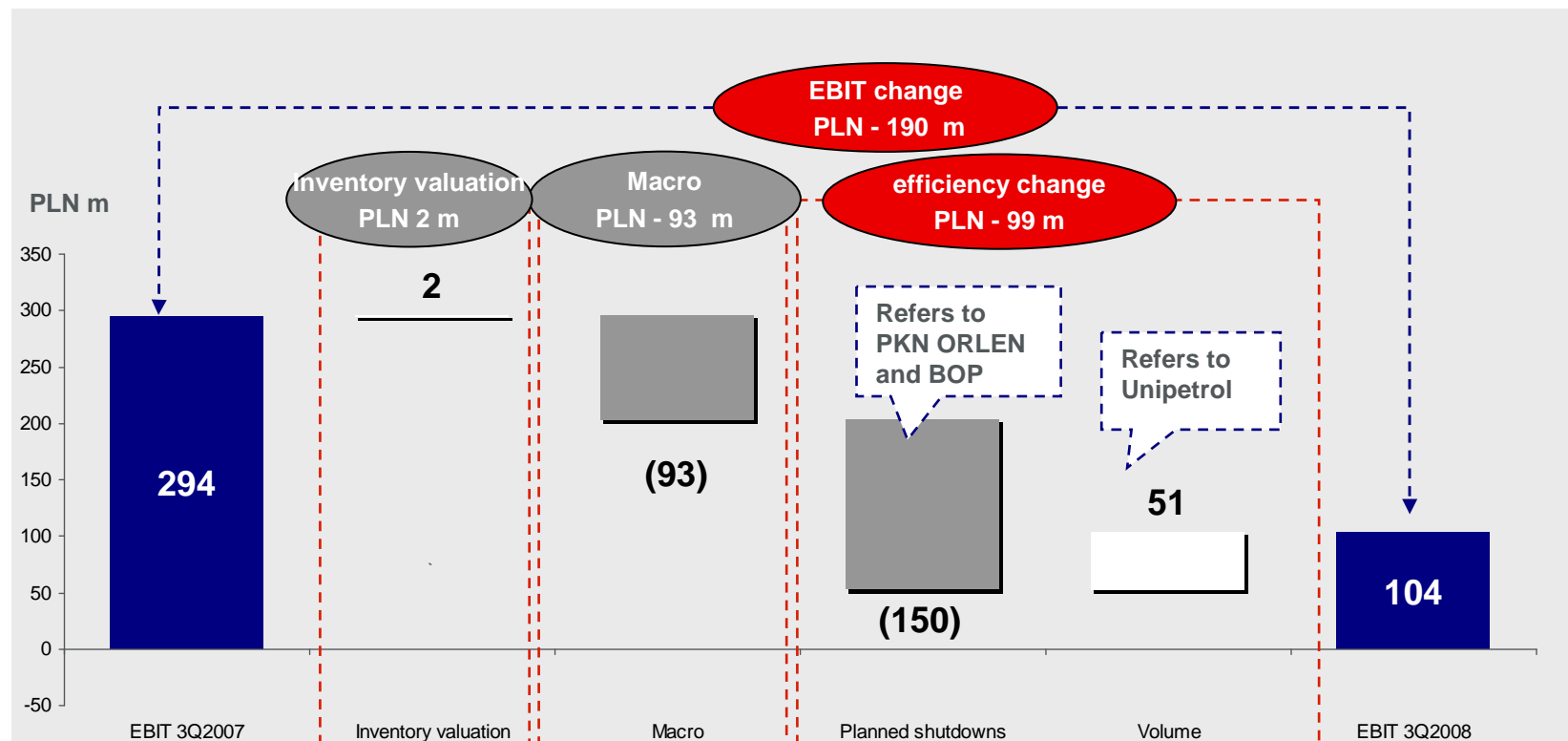


Strategy of retail segment development in the region being consistently implemented allows for stable growth of share in fuels market and in non-fuel sales.

Others includes: consolidation corrections and result on other operating activity.



## Petrochemicals. Lower operational result as a consequence of realized planned maintenance shutdown.



**PLN appreciation is one of important external elements which make up operational result in petrochemical segment.**

LIFO effect: PLN 2 m in 3Q 2008.

Macroeconomic effect: PLN (-) 93 m, of which: exchange rate change PLN (-) 121 m, cracks change PLN 41 m and hedging effect PLN 18 m.

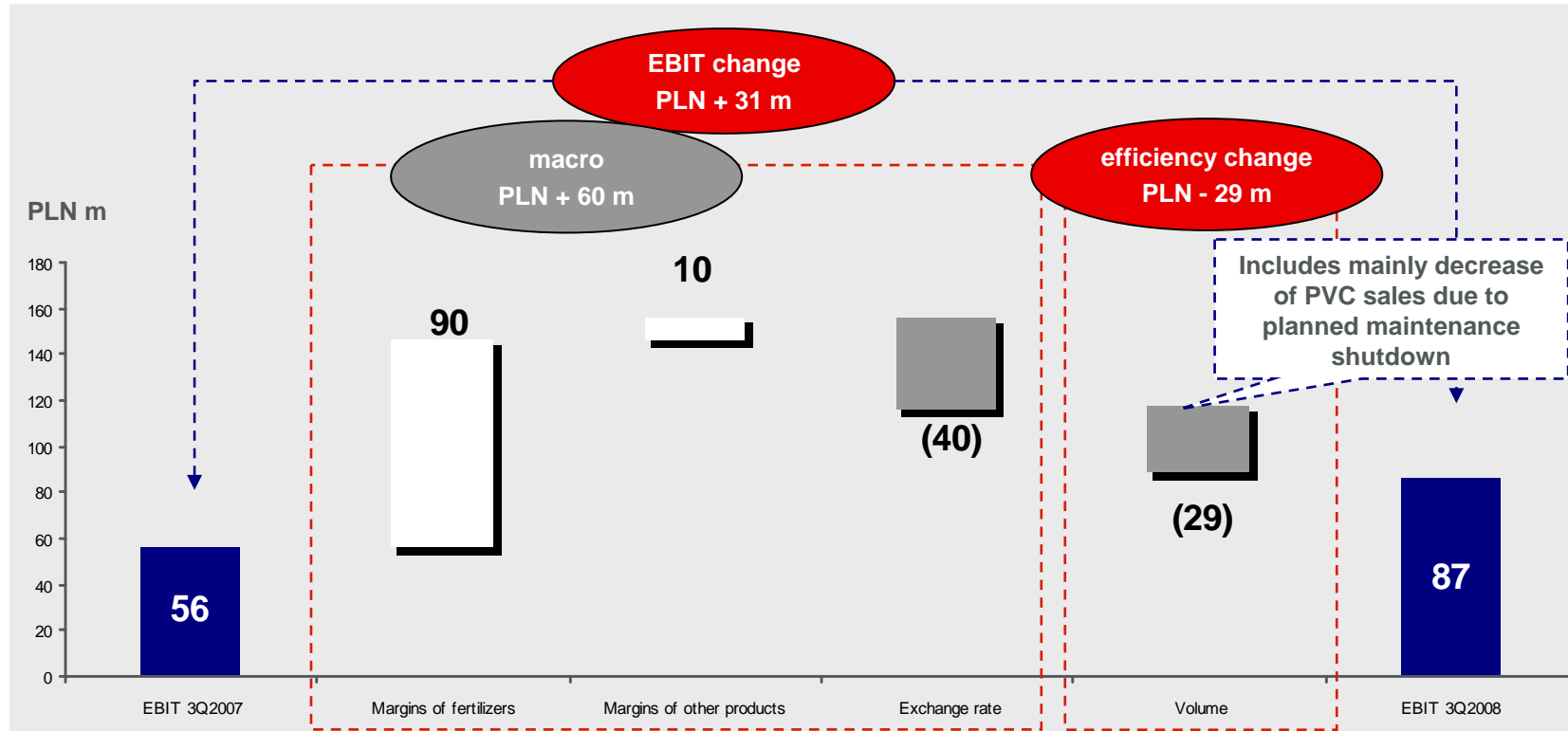
Planned shutdowns: PLN 150 m includes lost margin for lower products sale in PKN ORLEN and BOP.

Others include: other companies of the Group, consolidation adjustments and result of other operational activity.



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# Chemicals. Improvement in results supported by margin changes of chemical products.



EBIT in segment increased by PLN 31 m mainly due to using good economic trend in the fertilizers market.





## Operational perspectives for 4Q 2008

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### Operational perspectives for 4Q 2008

- **Crude oil processing in 4Q 2008**

- We expect crude oil processing in PKN ORLEN Group at the same level as in 3Q 2008. We expect continued high levels of utilization.

- **Planned maintenance and modernization shutdowns in 4 Q 2008**

- Olefin Unit in Litvinov, 25 days (finished).
- Diesel Hydrodesulphurization unit in Mazeikiu Nafta, 3 weeks (finished).





## Thank You for Your attention

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## Agenda

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**Key developments in 3Q 2008**

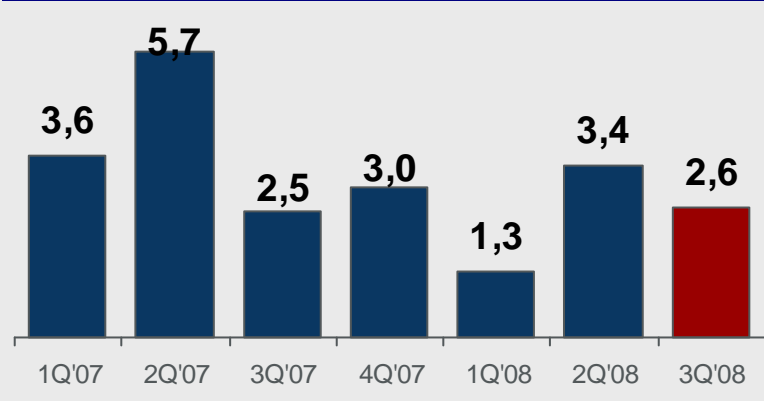
**Main factors shaping financial results in 3Q 2008**

**Supporting slides**

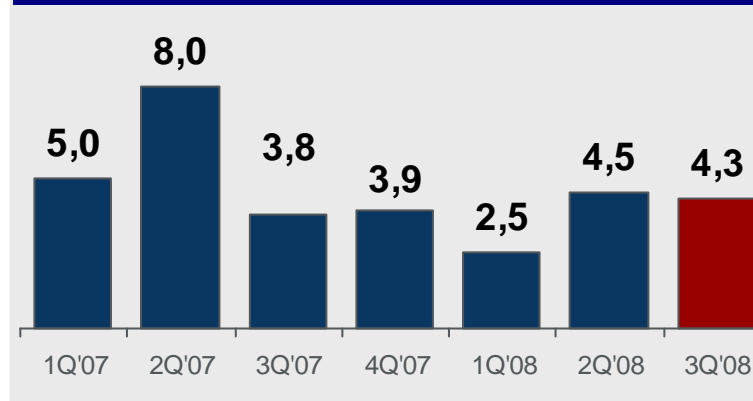


## Macroeconomic environment in refining

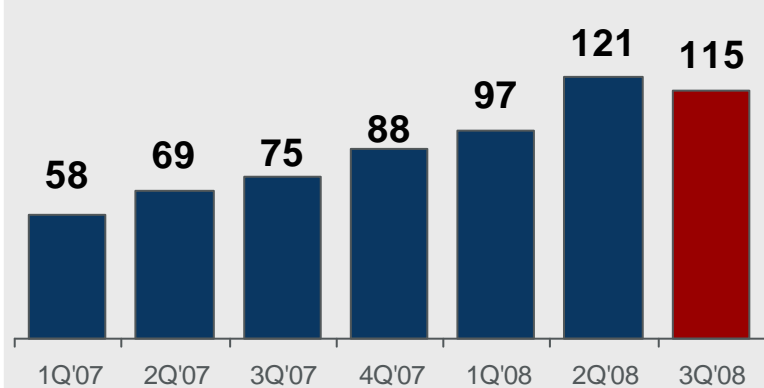
**PKN ORLEN model refining margin (Group) <sup>1)</sup>**  
Increase by 4% y/y to 2.6 USD/b in Q3'08



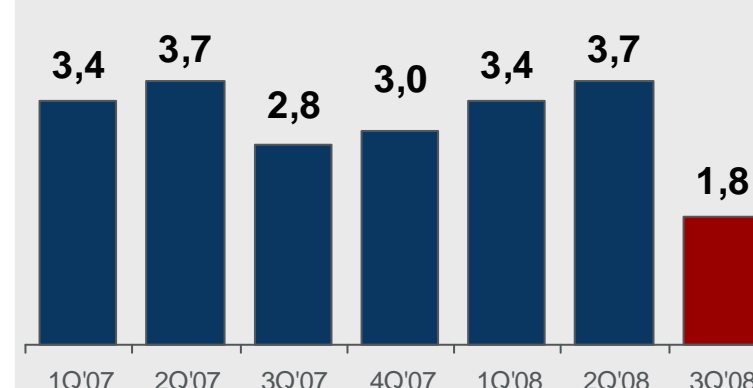
**PKN ORLEN model refining margin (Plock) <sup>2)</sup>**  
Increase by 13% y/y to 4.3 USD/b in Q3'08



**Brent Crude Oil price**  
Increase by 54% y/y to 115 USD/b in Q3'08



**Brent-Ural differential <sup>3)</sup>**  
Decrease by 35% y/y to 1.8 USD/b in Q3'08



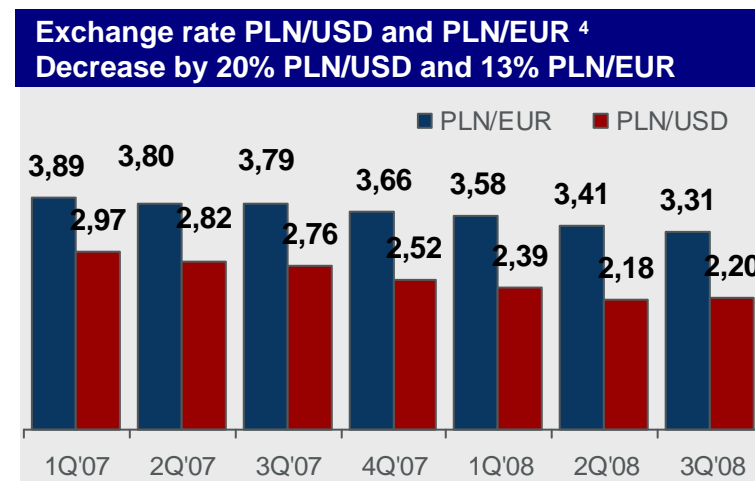
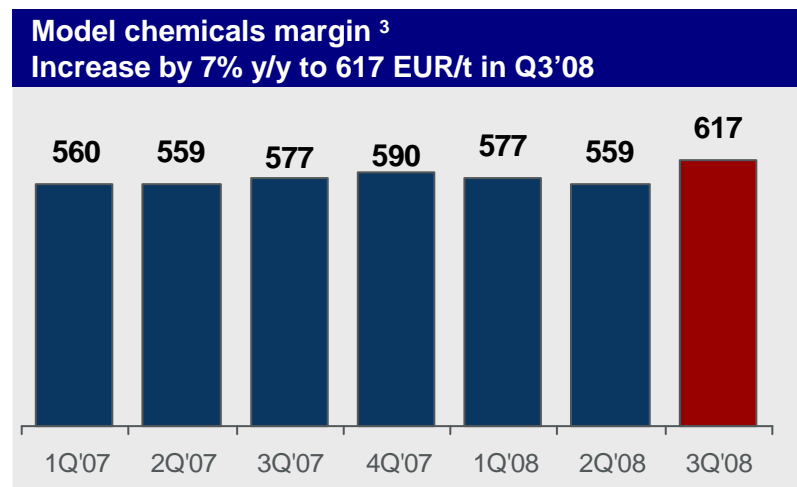
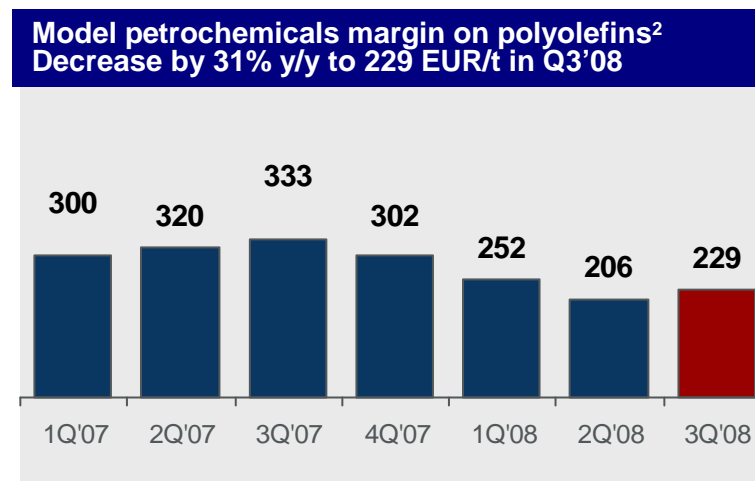
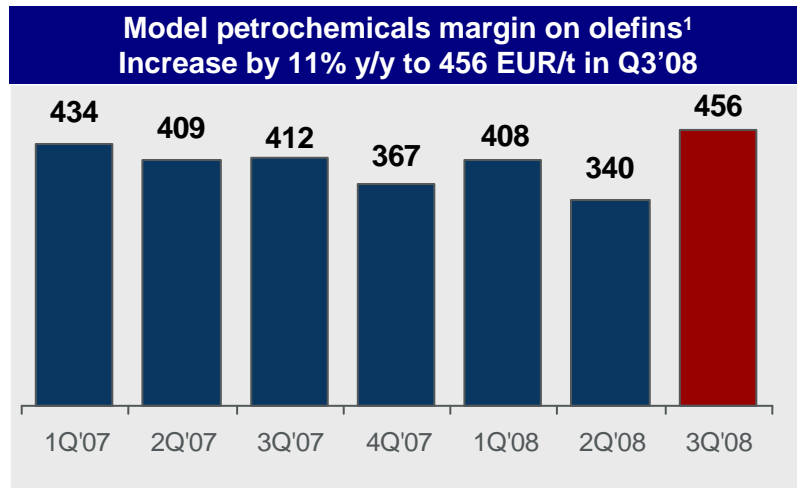
1) PKN ORLEN Group model refining margin = revenues (88% Products = 22% Gasoline + 11% Naphtha + 38% Diesel + 3% LHO + 4% JET + 10% HHO) less costs (100% feedstock = 88% Brent Crude + 12% internal consumption); price of products based on market quotations.

2) PKN ORLEN (Plock) model refining margin = Products (88.36%) vs. Brent Dtd (100%). Products contain Premium Unl (25.21%), USLD (23.20%), Naphtha (16.51%), LHO (15.31%), HSFO (5.44%) i Jet (2.69%). source: CIF NWE quotations, except HSFO FOB ARA

3) Brent Dtd quotation minus Ural Rdam quotation.



# Macroeconomic environment in petrochemicals and chemicals



1) Model petrochemicals margin on olefins = revenues (100% Products = 50% Ethylene, 30% Propylene, 15% Benzene, 5% Toluene) minus costs (100% input = 70% Naphtha + 30% LS VGO); products' prices according to quotations.

2) Model petrochemicals margin on polyolefins = revenues (100% Products = 50% HDPE, 50% Polypropylene) minus costs (100% input = 50% Ethylene + 50% propylene); products' prices according to quotations.

3) Model chemicals margin = revenues PVC (100%) minus costs (47% Ethylene); products' prices according to quotations.

4) Source: NBP.



## PKN ORLEN GROUP results by key companies for 3Q 2008

IFRS, PLN m	<i>PKN ORLEN (unconsolidated)</i>	Unipetrol	Mazeikiu Nafta	Others	Consolidation excludings	<i>PKN ORLEN Group</i>
	1	2	3	4	5	6
<b>Revenues <sup>1</sup></b>	<b>16 674</b>	<b>4 066</b>	<b>5 337</b>	<b>8 419</b>	<b>-11 438</b>	<b>23 058</b>
<b>EBITDA</b>	<b>481</b>	<b>219</b>	<b>42</b>	<b>357</b>	<b>21</b>	<b>1 120</b>
<b>Depreciation &amp; amortisation</b>	<b>234</b>	<b>149</b>	<b>117</b>	<b>111</b>	<b>-3</b>	<b>608</b>
<b>EBIT</b>	<b>247</b>	<b>70</b>	<b>-75</b>	<b>246</b>	<b>24</b>	<b>512</b>
Financial revenues	132	11	-8	38	-30	144
Financial costs <sup>2</sup>	-532	-11	-32	-27	-11	-613
<b>Net profit</b>	<b>-106</b>	<b>52</b>	<b>-134</b>	<b>196</b>	<b>63</b>	<b>71</b>
<b>Net profit ex.minority sharehold.</b>	<b>-106</b>	<b>51</b>	<b>-134</b>	<b>194</b>	<b>16</b>	<b>21</b>
<b>LIFO adjustment <sup>3</sup>, gross</b>	<b>-58</b>	<b>40</b>	<b>335</b>	<b>-1</b>	<b>-</b>	<b>316</b>

1) Consolidation excludes PLN (-) 11 438 m include about PLN (-) 6 372 m due to crude oil sales to Mazeikiu Nafta and Unipetrol

2) Financial costs in 3Q2008 includes PLN (-) 409 m from negative FX rate effect gains.

3) Calculated as a difference between operational profit based on LIFO and operational profit based on weighted average.



## PKN ORLEN GROUP results by key companies for 1-3Q 2008

IFRS, PLN m	<i>PKN ORLEN (unconsolidated)</i>	Unipetrol	Mazeikiu Nafta	Others	Consolidation excludings	<i>PKN ORLEN Group</i>
	1	2	3	4	5	6
<b>Revenues</b> <sup>1</sup>	<b>46 213</b>	<b>10 880</b>	<b>14 251</b>	<b>23 430</b>	<b>-31 688</b>	<b>63 086</b>
<b>EBITDA</b>	<b>2 526</b>	<b>661</b>	<b>428</b>	<b>895</b>	<b>16</b>	<b>4 526</b>
<b>Depreciation &amp; amortisation</b>	<b>693</b>	<b>451</b>	<b>333</b>	<b>330</b>	<b>-5</b>	<b>1 802</b>
<b>EBIT</b>	<b>1 833</b>	<b>210</b>	<b>95</b>	<b>565</b>	<b>21</b>	<b>2 724</b>
Financial revenues <sup>2</sup>	<b>1 236</b>	<b>53</b>	<b>12</b>	<b>71</b>	<b>-583</b>	<b>789</b>
Financial costs <sup>3</sup>	<b>-426</b>	<b>-131</b>	<b>-72</b>	<b>-80</b>	<b>16</b>	<b>-693</b>
<b>Net profit</b>	<b>2 268</b>	<b>97</b>	<b>10</b>	<b>452</b>	<b>-342</b>	<b>2 485</b>
<b>Net profit ex.minority sharehold.</b>	<b>2 268</b>	<b>97</b>	<b>10</b>	<b>452</b>	<b>-439</b>	<b>2 388</b>
<b>LIFO adjustment</b> <sup>2</sup> , gross	<b>-859</b>	<b>-7</b>	<b>6</b>	<b>-9</b>	<b>-</b>	<b>-869</b>

1) Consolidation excludes PLN (-) 31 688 m, includes about PLN (-)17 516 m due to crude oil sales to Mazeikiu Nafta and Unipetrol

2) Financial revenues in 1-3Q2008 includes PLN 432 m from positive FX rate effect gains.

3) Financial costs in 1-3Q2008 includes PLN (-) 47 m from negative FX rate effect gains.

4) Calculated as a difference between operational profit based on LIFO and operational profit based on weighted average.



## PKN ORLEN GROUP EBIT by segment for 3Q 2008

IFRS, PLN m	PKN ORLEN (unconsolidated)	Unipetrol	Mazeikiu Nafta	Others	PKN ORLEN Group
	1	2	3	4	5
<b>EBIT, of which:</b>	<b>247</b>	<b>70</b>	<b>-75</b>	<b>270</b>	<b>512</b>
<b>Refining<sup>1</sup></b>	<b>96</b>	<b>-11</b>	<b>-23</b>	<b>122</b>	<b>184</b>
<b>Retail</b>	<b>226</b>	<b>8</b>	<b>1</b>	<b>12</b>	<b>247</b>
<b>Petrochemical</b>	<b>18</b>	<b>66</b>	<b>-</b>	<b>20</b>	<b>104</b>
<b>Chemical</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87</b>	<b>87</b>
<b>Others<sup>2</sup></b>	<b>53</b>	<b>7</b>	<b>-53</b>	<b>22</b>	<b>29</b>
<b>Non-attributable<sup>3</sup></b>	<b>-146</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-139</b>

1) Production, wholesale and logistics.

2) Departments responsible for media, PKN ORLEN's social activities, subsidiary services.

3) The corporate center of PKN ORLEN and subsidiaries not mentioned in other segments.





## PKN ORLEN GROUP EBIT by segments for 1-3Q 2008

IFRS, PLN m	PKN ORLEN (unconsolidated)	Unipetrol	Mazeikiu Nafta	Others	PKN ORLEN Group
	1	2	3	4	5
<b>EBIT, of which:</b>	<b>1 833</b>	<b>210</b>	<b>95</b>	<b>586</b>	<b>2 724</b>
<b>Refining<sup>1</sup></b>	<b>1 283</b>	<b>118</b>	<b>257</b>	<b>173</b>	<b>1 831</b>
<b>Retail</b>	<b>423</b>	<b>17</b>	<b>-</b>	<b>20</b>	<b>460</b>
<b>Petrochemical</b>	<b>241</b>	<b>51</b>	<b>-</b>	<b>78</b>	<b>370</b>
<b>Chemical</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252</b>	<b>252</b>
<b>Others<sup>2</sup></b>	<b>184</b>	<b>24</b>	<b>-162</b>	<b>58</b>	<b>104</b>
<b>Non-attributable<sup>3</sup></b>	<b>-298</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-293</b>

1) Production, wholesale and logistics.

2) Departments responsible for media, PKN ORLEN's social activities, subsidiary services.

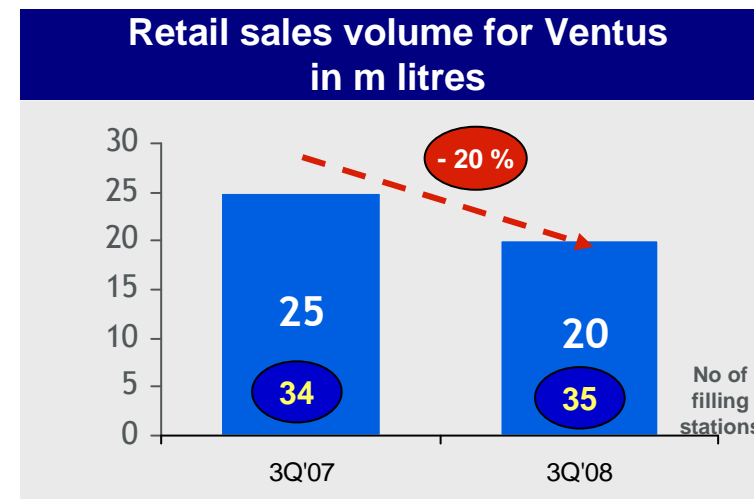
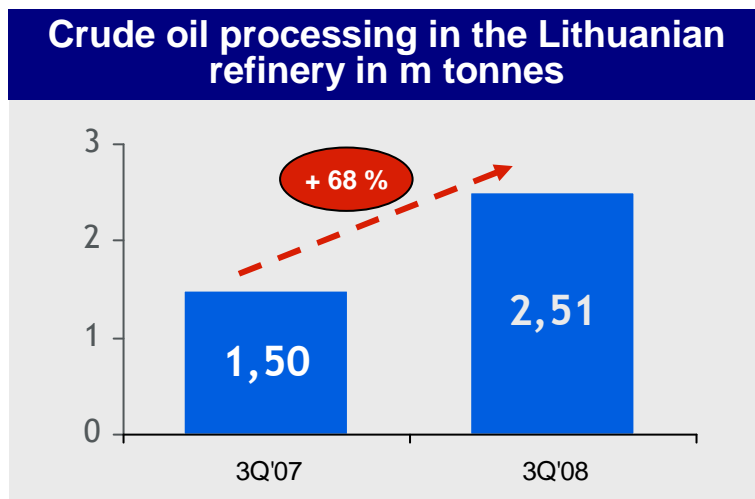
3) The corporate center of PKN ORLEN and subsidiaries not mentioned in other segments.



# MAZEIKIU NAFTA GROUP

## Key elements of the profit and loss account<sup>1</sup>

IFRS, USD m	3Q'07	3Q'08	change y/y	1-3Q'07	1-3Q'08	change y/y
	1	2	3=2/1	4	5	6=5/4
Revenues	1 113	2 389	115%	2 670	6 347	138%
EBITDA	80	24	-70%	87	201	131%
EBIT	70	6	-91%	58	154	166%
Net result	75	-26	-	57	101	77%



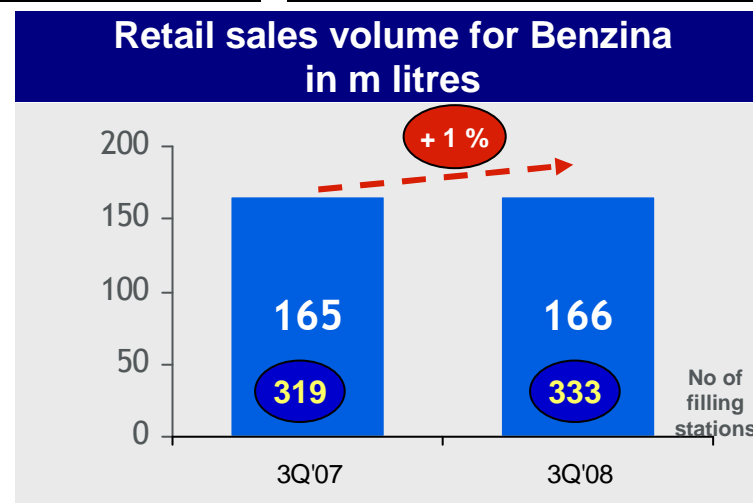
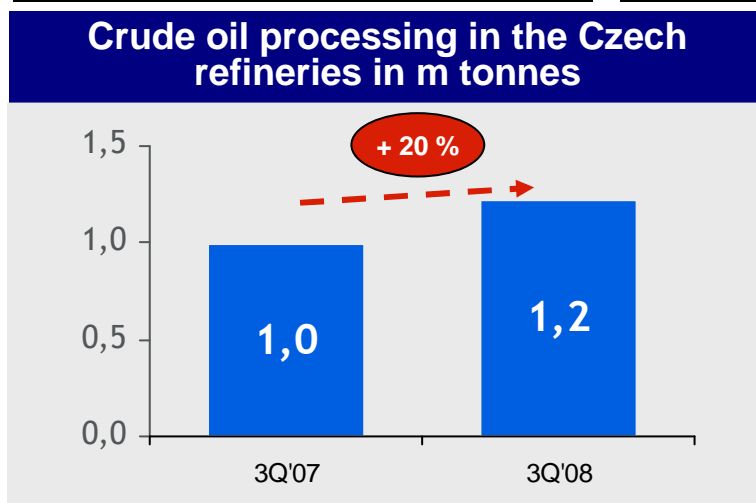
1) Note the above numbers are not subject to PKN Group consolidation. They present Mazeikiu Nafta Group results according to IFRS and historical cost.



# UNIPETROL GROUP

## Key elements of the profit and loss account<sup>1</sup>

IFRS, CZK m	3Q'07	3Q'08	change y/y	1-3Q'07	1-3Q'08	change y/y
	1	2	3=2/1	4	5	6=5/4
Revenues	22 156	29 899	35%	67 629	79 129	17%
EBITDA	1 752	1 638	-7%	7 818	4 831	-38%
EBIT	1 013	772	-24%	5 504	2 263	-59%
Net result	-1 267	557	-	1 800	1 265	-30%



1) Note the above numbers are not subject to PKN Group consolidation. They present Unipetrol Group results according to IFRS and historical cost.



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## Key production data

Key operating data	3Q'07	2Q'08	3Q'08	y/y [%]	Q/Q [%]
	1	2	3	4=3/1	5=3/2
<b>Refinery in Poland <sup>1</sup></b>					
Processed crude (tt)	3 513	3 606	<b>3 597</b>	2.4%	-0.2%
Utilisation	102%	102%	<b>102%</b>	0pp	0pp
Fuel yield <sup>4</sup>	76%	77%	<b>77%</b>	1pp	0pp
Middle distillates yield <sup>5</sup>	50%	51%	<b>50%</b>	0pp	-1pp
Gasoline yield <sup>6</sup>	26%	26%	<b>27%</b>	1pp	1pp
<b>Refineries in Czech Republic <sup>2</sup></b>					
Processed crude (tt)	991	1 179	<b>1 216</b>	22.7%	3.1%
Utilisation	72%	86%	<b>89%</b>	17pp	3pp
Fuel yield <sup>4</sup>	62%	63%	<b>65%</b>	3pp	2pp
Middle distillates yield <sup>5</sup>	42%	46%	<b>46%</b>	4pp	0pp
Gasoline yield <sup>6</sup>	20%	17%	<b>19%</b>	-1pp	2pp
<b>Refinery in Lithuania <sup>3</sup></b>					
Processed crude (tt)	1 500	2 464	<b>2 514</b>	67.6%	2.0%
Utilisation	70%	96%	<b>98%</b>	28pp	2pp
Fuel yield <sup>4</sup>	67%	68%	<b>69%</b>	2pp	1pp
Middle distillates yield <sup>5</sup>	37%	39%	<b>40%</b>	3pp	1pp
Gasoline yield <sup>6</sup>	30%	29%	<b>29%</b>	-1pp	0pp

1) Production data refers to refinery in Plock with refinery capacity assumptions of 13.8 m t/y in 2007 and 14.1 m t/y in 2008.

2) Production data refers to Ceska Rafinerska refinery [51% Litvinov (2.8 m t/y) and 51% Kralupy (1.7 m t/y) ] and 100% Paramo (1.0 m t/y): Total 5.5 m t/y

3) Production data refers to Mazeikiu Nafta refinery: 10 m t/y.

4) Fuel yield equals to middle distillates yield plus gasoline yield.

5) Middle distillates yield is a ratio of diesel, light heating oil (LHO) and JET production to crude oil throughput.

6) Gasoline yield is a ratio of gasoline production to crude oil throughput.



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