



PKN ORLEN Growth Strategy

ORLEN. FUELLING THE FUTURE

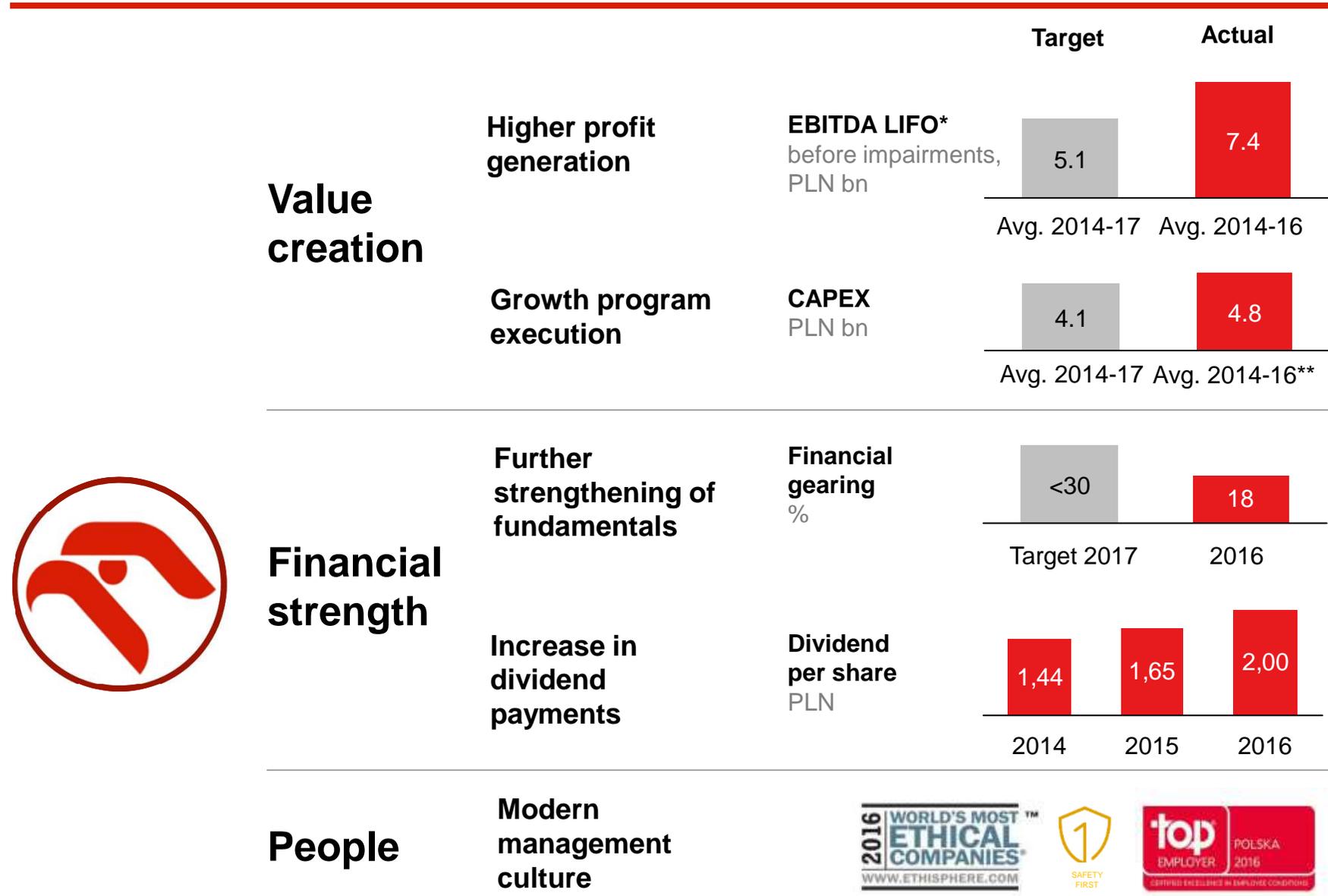
Warsaw, 15th December 2016



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- 1** PKN ORLEN today
- 2** PKN ORLEN of the future
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PKN ORLEN results exceeded strategic targets for 2014-2017



* Value of fixed assets before impairments: PLN (-) 5.4 bn in 2014, PLN (-) 1.0 bn in 2015, PLN (-) 2.1 bn annual average between 2014-2016
 ** Includes acquisitions in Upstream between 2014-2015 amounting to PLN 2.1 bn, resulting in annual average of PLN 0.7 bn in 2014-2016 timeframe
 Source: PKN ORLEN

PKN ORLEN became the most valuable company on the Warsaw Stock Exchange for the first time on 21 November 2016



| | Strategy 2014-2017 announcement* | 21st November 2016 | |
|--|---|--------------------|--------------|
|  Share price PLN | 43.1 | 75.4 | +75% |
|  Market value PLN bn | 18.4 | 32.2 | PLN +13.8 bn |
|  Dividend payments PLN bn | 2014: PLN 0.6 bn 2015: PLN 0.7 bn 2016: PLN 0.9 bn | | PLN 2.2 bn |

* PKN ORLEN Strategy 2014-2017 was announced on 23rd July 2014. Presented share price is from the previous day 22 July 2014.
 Source: PKN ORLEN, Warsaw Stock Exchange

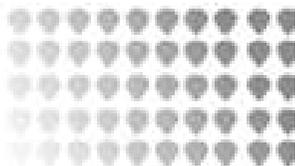
PKN ORLEN has a strong position for further growth



- Integrated downstream assets
- in **three countries**
- in Central Europe



30 m tons throughput of various types of crude oil



Over **50 products** from refinery & petrochemicals sold in more than **60 countries around the world**



Over **2 700 fuel stations**

The largest retail network in Central Europe

1.4 m transactions per day



Loyal customer base



100 m boe 2P reserves in Poland and Canada



Over **20 th.** highly-skilled employees



The future demands a multidimensional perspective as well as periodic revision and communication of goals



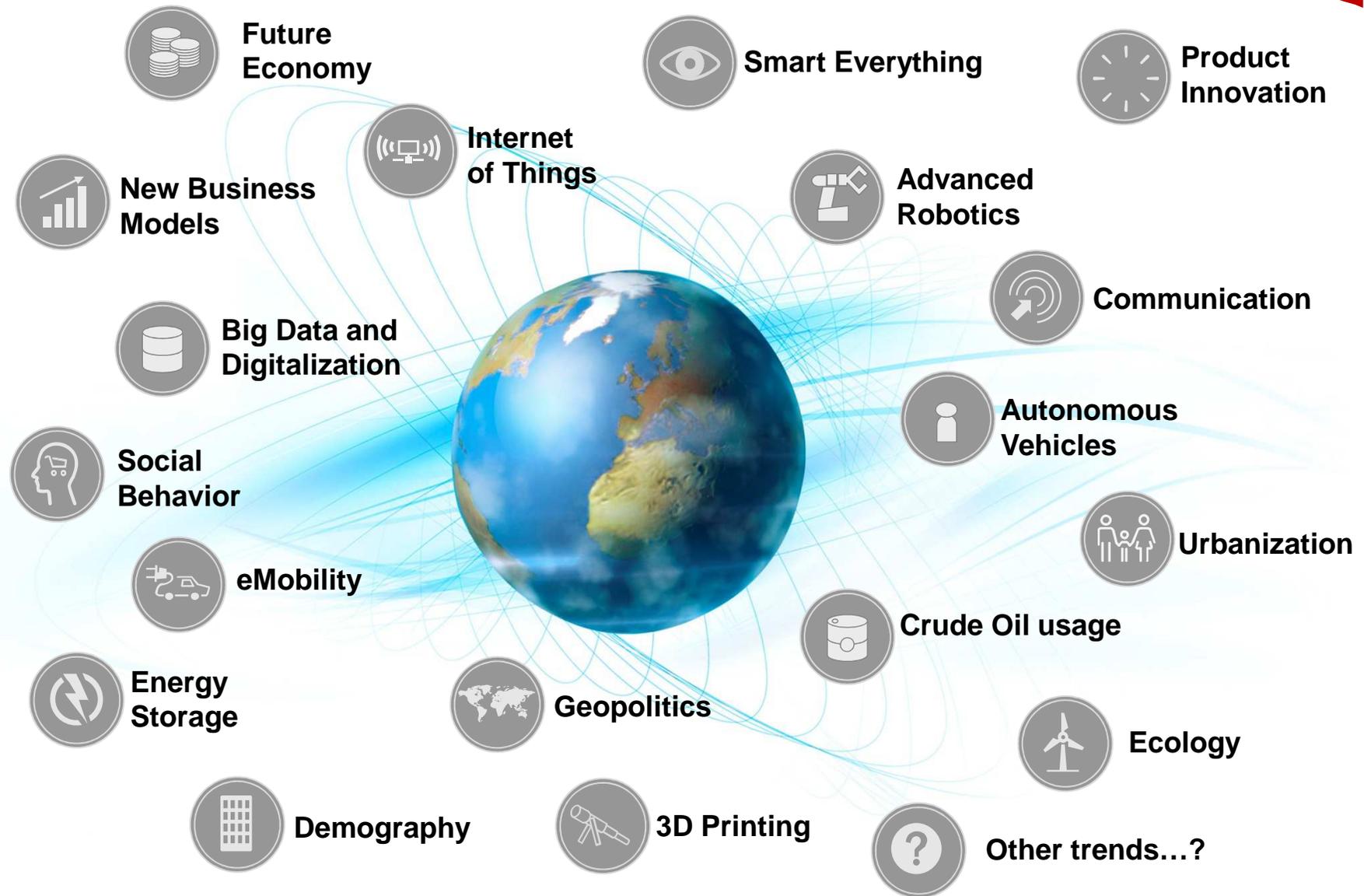
- Macro assumptions
- Financial & investment plan
- Implementation of growth projects

- Macro trends
- Business plans
- Long-term investment assumptions

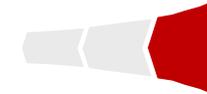
- Energy sources
- Consumer behavior
- Technological breakthroughs

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 - **Vision 2030+**
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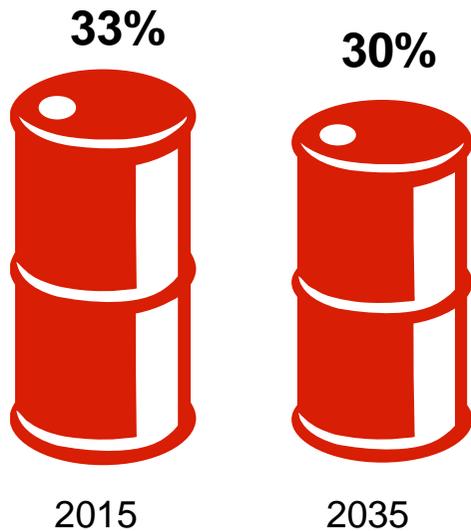
Changes in the world have accelerated and our lives are impacted by new trends, which are more difficult to predict



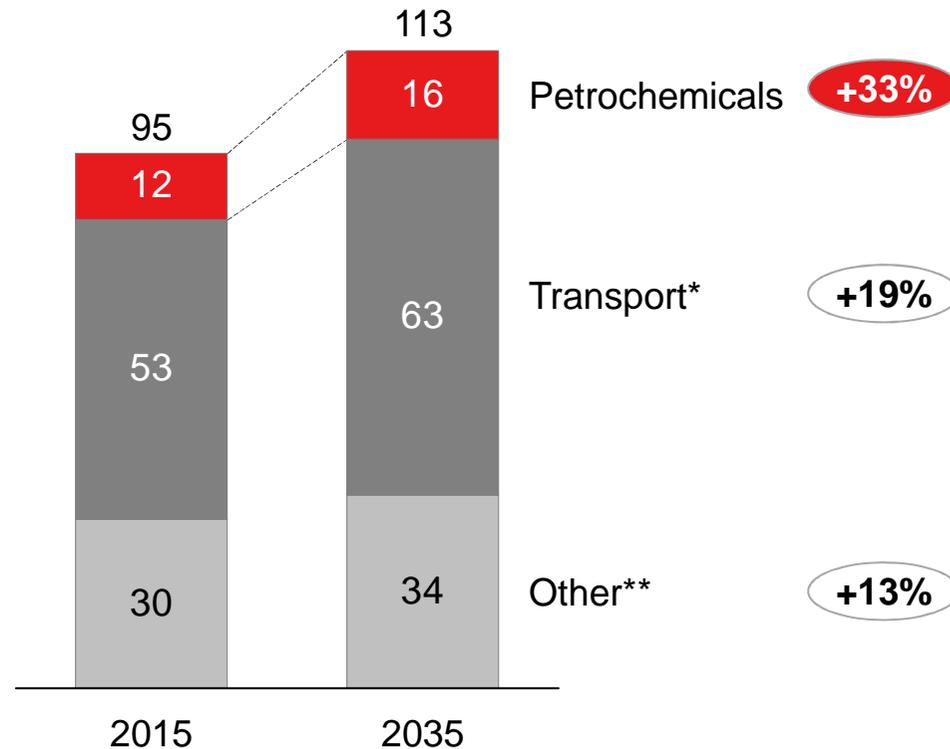
The world's economic development will affect crude oil usage, however its role will remain important



Share of crude oil in global energy mix
%



Oil consumption by sector
m boe/d

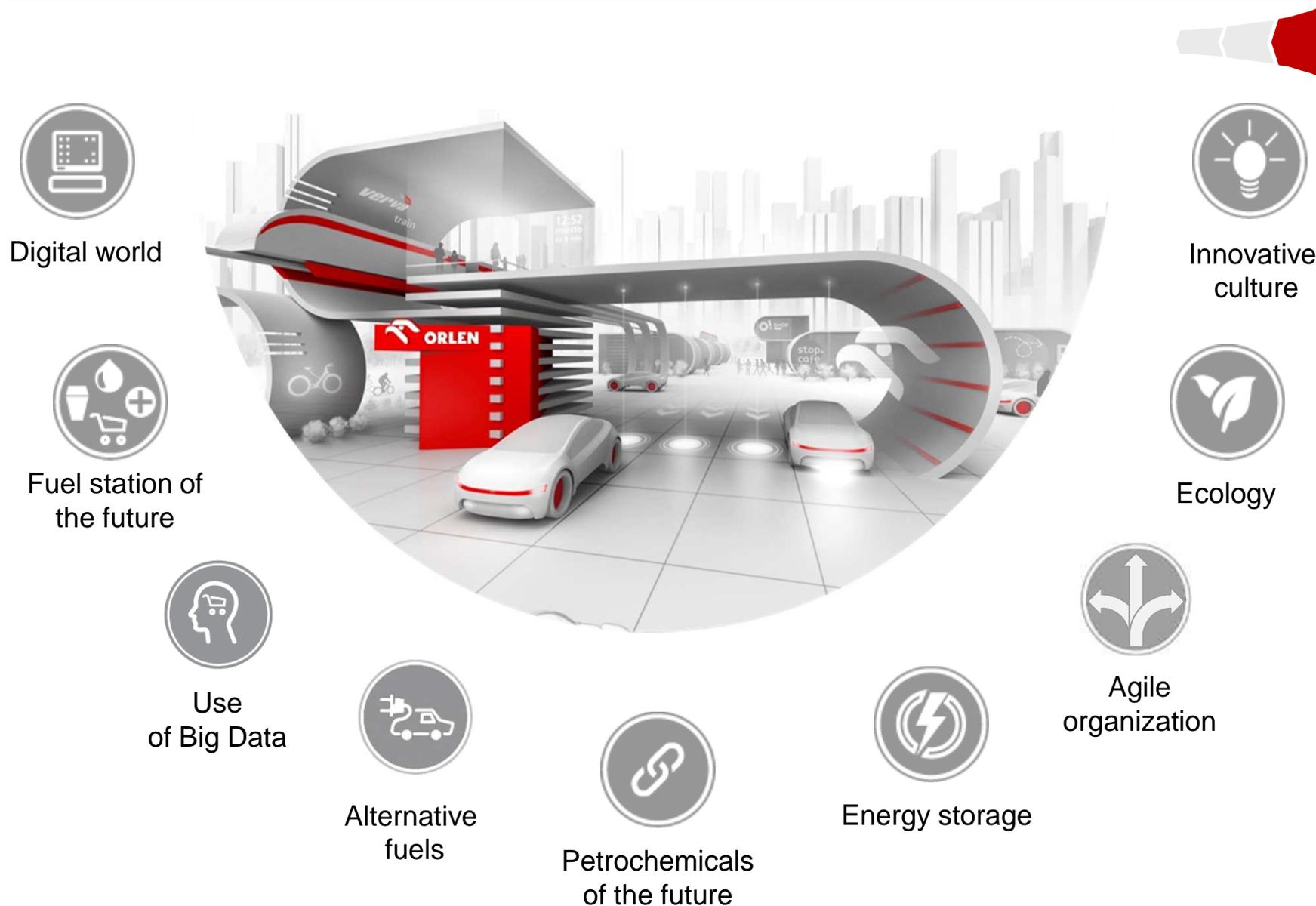


* Transport: passenger, road freight (Heavy Duty Vehicles and Light Duty Vehicles), air, sea, rail.

** Other: use of heavy and light distillates in industry and power generation (such as bitumen, coke, lubricating oils, fuels in power plants, gas for industrial purposes, as well as use in refineries)

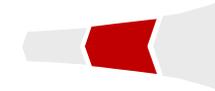
Source: IHS CERA, PKN ORLEN

PKN ORLEN will consistently adjust its business model in response to changes in the world



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Pillars of PKN ORLEN's Strategy for 2017-2021



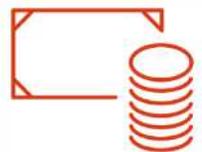
Value creation

- Integrated assets and strong market position in Downstream
- Development of offer and high customer satisfaction in Retail
- Cautious continuation in Upstream



People

- Innovations creating value
- Focus on safety and the environment
- Commitment to PKN ORLEN values



Financial strength

- Stable financial fundamentals
- Secure financing
- Dividend payments

Value creation in 2017- 2021: Downstream Integrated assets and strong market position



Feedstock security

- Crude oil supply diversification
- Securing natural gas supply



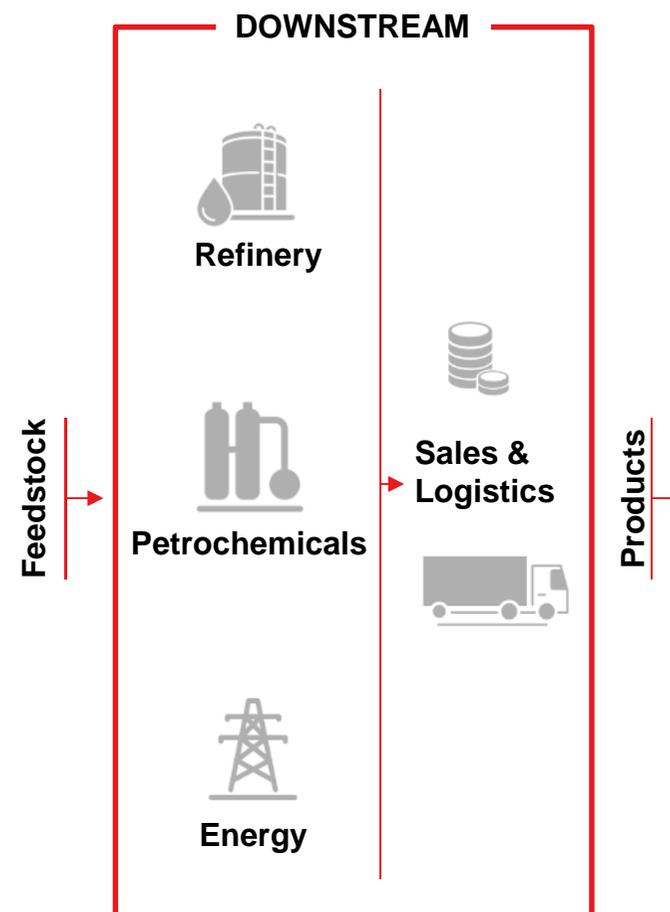
Operational excellence

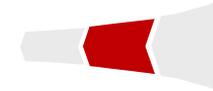
- Integrated management of production assets in Poland, Czech Republic and Lithuania
- Increasing resilience to market and regulatory challenges due to further improvement of key operational indicators
- Higher conversion and increasing high-margin product yields



Strong market position

- Increasing market share in home markets including attractive product portfolio
- Infrastructure expansion for better access to customers and strengthening of competitive advantage





Modern network of fuel stations

- Further development of own and franchise network
- Quality fuels implementation
- Adaptation to sell alternative fuels



Unique customer experience

- New products and services implementation
- Offer personalization due to Big Data
- Customer satisfaction increase and further development of loyalty program



Operational excellence

- Consistent improvement of breakeven point
- New technologies usage



Production increase in Poland and Canada

- Production level and 2P reserves increase
- Focus on the most profitable projects



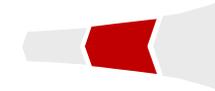
Cautious continuation

- Flexible response to changes in crude oil and gas markets
- Level of investment adjusted to macro situation



Operational excellence

- Continuous improvement of key operational indicators
- Achieving of synergies between Poland and Canada



Innovation culture

- Development of knowledge-based organization
 - Release of internal potential
 - Promotion of employee initiative
-



Internal innovation

- Technological and organizational processes improvements
 - R&D project portfolio development
 - Harnessing synergies within the Group
-



External innovation

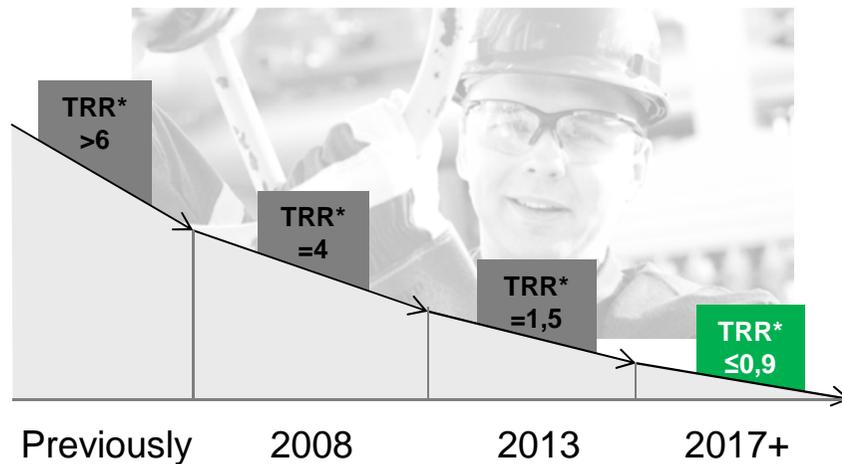
- Cooperation within the external innovation ecosystem
- Efficient implementation of modern business solutions
- Usage of special tools for project completion (Accelerator, Crowdsourcing, Innovation Lab)

People

Focus on safety and the environment



Work safety



Zero tolerance for the threat of accidents

No accidents at work

Process safety

Environmental protection



Continuous adaptation to new environmental requirements



Reducing environmental impact



Development of ecological sensitivity

*Total Recordable Rate – indicator expressing the security level in a company, measured as the number of accidents x 1,000,000/number of work hours

People

Commitment to PKN ORLEN values



RESPONSIBILITY

We respect our customers, shareholders, the natural environment and local communities



PROGRESS

We explore new opportunities



PEOPLE

Our advantages are know-how, teamwork and integrity



ENERGY

We are enthusiastic about what we do

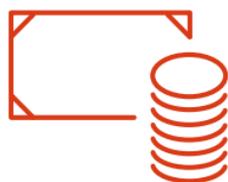


DEPENDABILITY

You can rely on us

Financial strength

Flexibility and readiness for market challenges



Solid fundamentals

- Investment grade rating
- Financial gearing below 30%



Secured financing

- Diversified funding
- Possibility of inorganic growth



Dividend payment

- Steady dividend per share increase
- Dividend level depends on financial situation

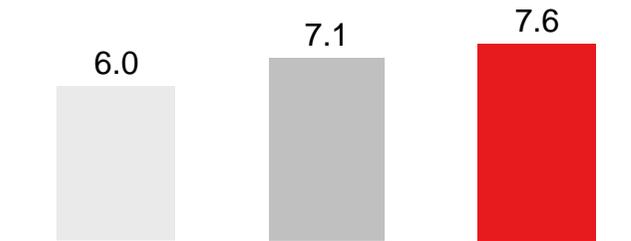
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Increase of yearly average EBITDA LIFO by PLN 0.5 bn in 2017- 2018



EBITDA LIFO by segment PLN bn

Downstream



Retail

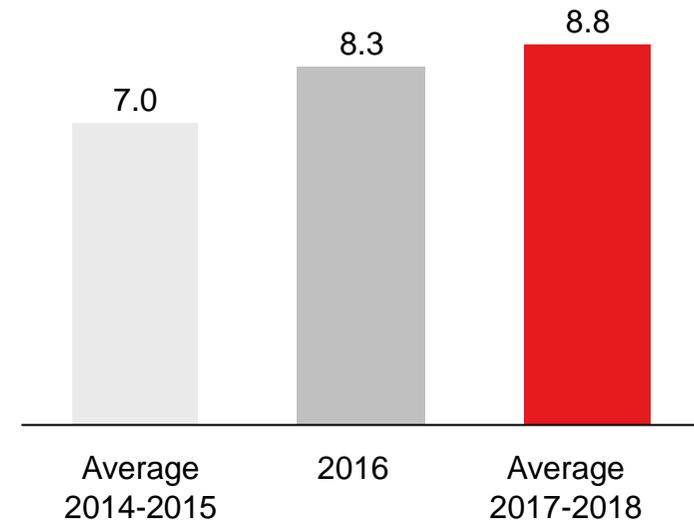


Upstream



Average 2014-2015 2016 Average 2017-2018

PKN ORLEN*

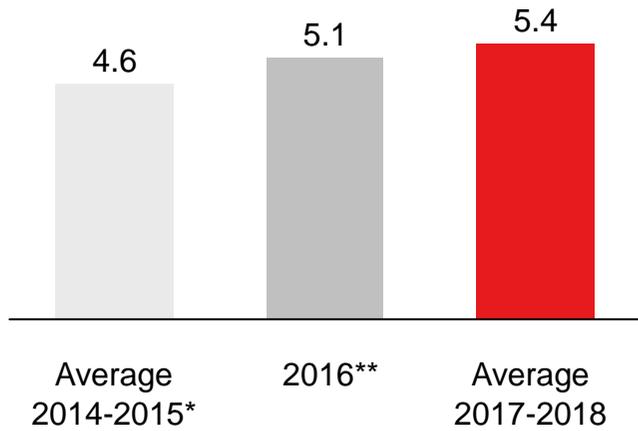


*Change in EBITDA LIFO avg 2017-2018 vs. 2016: PLN (-) 0.6 bn - macro, PLN 1.1 bn – efficiency, development and others
 Corporate Center costs taken into account: average 2014-2015: PLN (-) 0.6 bn, 2016: PLN (-) 0.7 bn, average for 2017-2018: PLN (-) 0.9 bn
 Value of fixed assets before impairments: PLN (-) 5.4 bn in 2014, PLN (-) 1.0 bn in 2015; PLN (-) 2.1 bn annual average between 2014-2016
 Source: PKN ORLEN

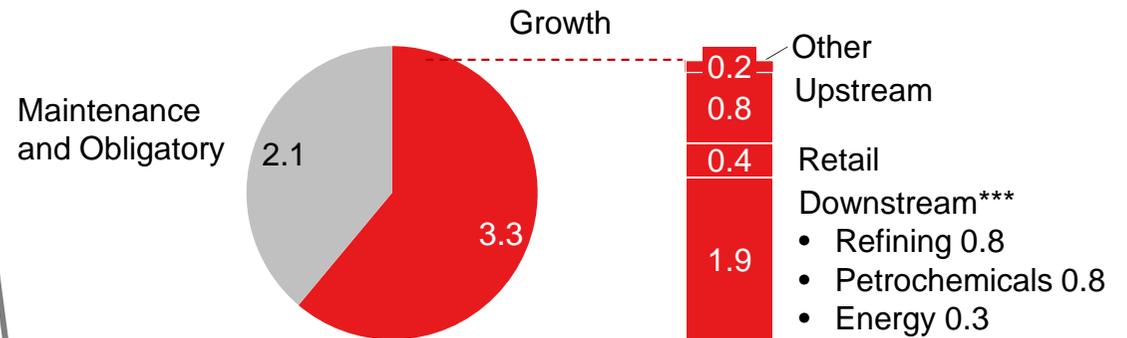
CAPEX dedicated to growth



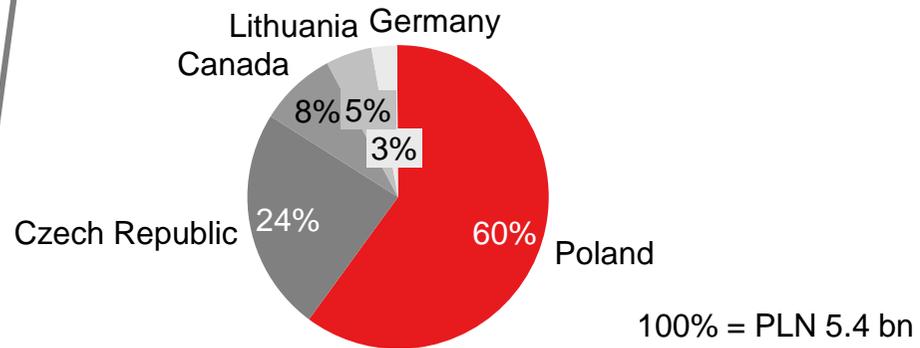
CAPEX
PLN bn



CAPEX by type of investment average for 2017-2018, PLN bn



CAPEX by country average for 2017-2018, %



* Includes acquisitions in Upstream between 2014-2015 amounting to a total of PLN 2.1 bn, resulting in annual average of PLN 1.1 bn

** Includes restoration expenses of Steam Cracker in Unipetrol amounting to PLN 0.6 bn

*** Largest investments in Downstream: Refining (Glycol, Visbreaking), Petrochemicals: (PE3, Metathesis, PPF Splitter, expansion of fertilizers), Energy (CCGT Płock)

Source: PKN ORLEN

DOWNSTREAM

Targets for 2017-2018



SALES & LOGISTICS*

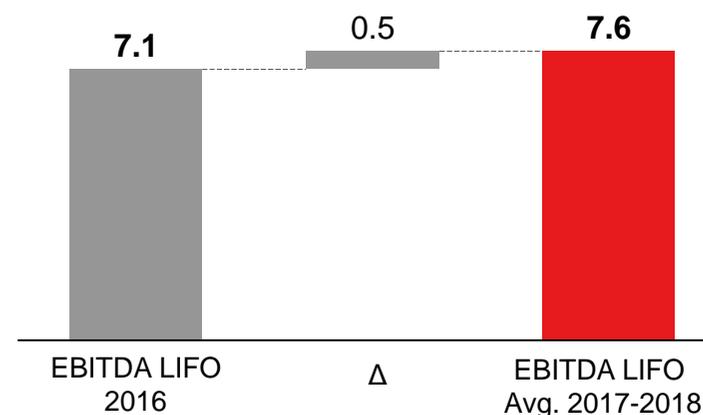
- Fuel market share: increase by over 5 pp
- Utilization of grey zone reduction
- Petrochemical sales: increase by over 1.2 m tons
- Energy sales: over 3,4 TWh
- Unit logistics cost : improvement by 6%

PRODUCTION*

- Investment realization:
 - PKN ORLEN: CCGT Płock, Visbreaking, Metathesis
 - ORLEN Lietuva: PPF Splitter
 - Unipetrol: Polietylen 3
 - Anwil: revamp of fertilizer unit
 - ORLEN Południe: Glycol unit
- Preparation of new growth projects
- Improvement of key indicators:
 - Crude oil throughput: increase by over 3 m tons
 - White products yield: increase by 1 pp
 - Energy intensity index: improvement by 1 point
 - Operational availability: improvement by 2 points

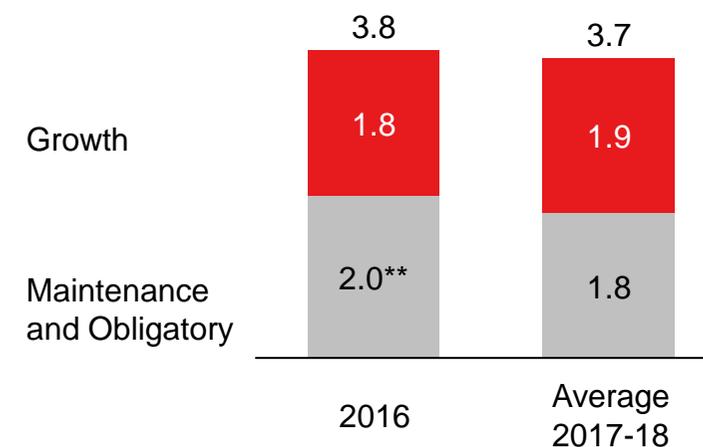
EBITDA LIFO

PLN bn



CAPEX in Downstream

PLN bn, yearly average



* Quantitative indicators show the relationship between the 2018 target and 2016
 ** Includes restoration expenses of Steam Cracker in Unipetrol amounting to PLN 0.6 bn
 Source: PKN ORLEN

RETAIL

Targets for 2017-2018



MODERN NETWORK OF FUEL STATIONS*

- Organic growth of fuel stations network: increase by ~100 new stations
- Fuel market share: increase by over 1pp
- Fuel stations adaptation to sell alternative fuels

UNIQUE CUSTOMER EXPERIENCE*

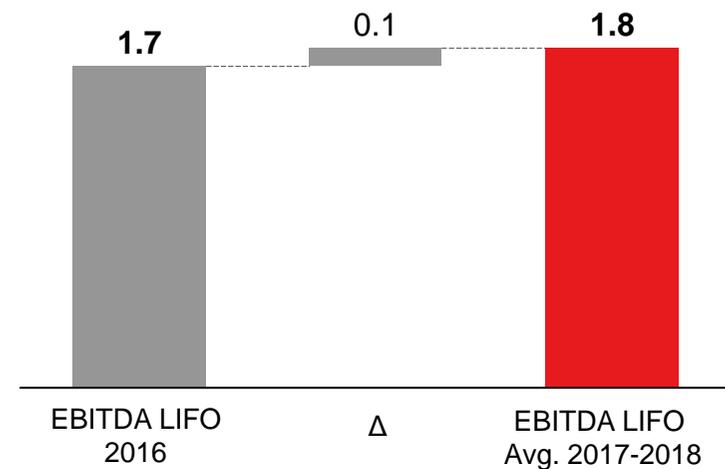
- Improvement of shop format and Stop Cafe
- Non-fuel margin: increase by 17%
- Implementation of new products and services:
 - financial services
 - e-commerce platform and click&collect services
 - car sharing and car fleet management
 - mobile payments, remote orders
 - flexible and personalized offer based on Big Data
- International fleet program

OPERATIONAL EXCELLENCE*

- Cost effectiveness improvement
- Unit margin: increase by 8%

EBITDA LIFO

PLN bn



CAPEX in Retail

PLN bn, yearly average



* The quantitative indicators show the relationship between the 2018 target and 2016

UPSTREAM

Targets for 2017-2018



PRODUCTION INCREASE IN POLAND AND CANADA*

- Increase in production level to 15.7 th. boe/d, i.e. by 2.4 th. boe/ d
 - Poland: 0.3 th. boe/ d
 - Canada: 2.1 th. boe/ d

- Increase in hydrocarbon 2P reserves to 113 m boe, i.e. by 9.3 m boe
 - Poland: by 7.1 m boe
 - Canada: by 2.2 m boe

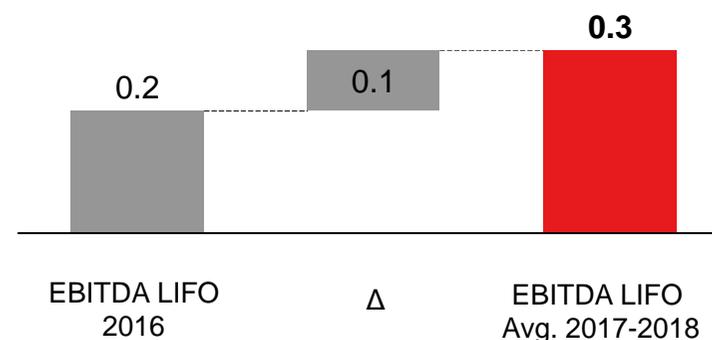
- Increase in number of wells (net) up to 26:
 - Poland: 8 wells
 - Canada: 18 wells

OPERATIONAL EXCELLENCE*

- Achieving an operating netback of over 70 PLN / boe

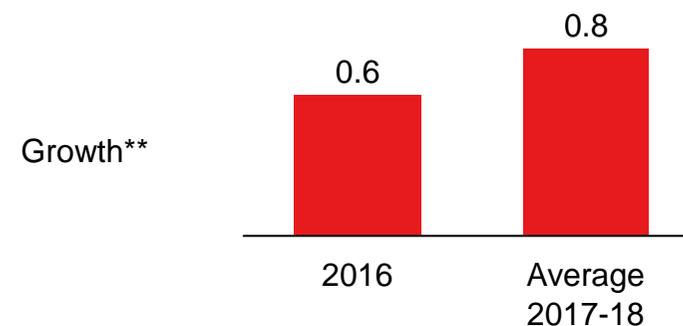
EBITDA LIFO

PLN bn



CAPEX in Upstream

PLN bn, yearly average



* The quantitative indicators show the relationship between the 2018 target and 2016

** Including: 2016 - Poland PLN 0.2 bn and Canada PLN 0.4 bn and average 2017-2018 - Poland PLN 0,4 bn, Canada PLN 0.4 bn
Source: PKN ORLEN

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Effective realization of the Strategy for 2014-2017 is as a strong base for further growth

- Higher generated profit
- Growth program execution
- Strong financial fundamentals and increase in dividend payments



Dynamic changes in business environment and increasing uncertainty require consistency and flexibility

- On-going change in the energy market and increased significance of alternative fuels
- In the foreseeable future crude oil is believed to remain the most important resource in the production of fuels and dynamically developing petrochemicals
- The answer of PKN ORLEN is: a long-term development vision, strategic objectives for 2017-2021, financial and operational targets for 2017-2018 and the periodic update and communication of plans



New strategy consistently based on three pillars: Value creation, People and Financial strength

- Value creation – integrated assets and strong market position in Downstream, development of offer and high customer satisfaction in Retail, cautious continuation in Upstream
- People – innovations creating value, focus on safety and the environment, commitment to PKN ORLEN values
- Financial strength – stable financial fundamentals, secure financing, dividend payments



Yearly average targets for 2017–2018: EBITDA LIFO: PLN 8.8 bn | CAPEX: PLN 5.4 bn



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PKN ORLEN macro assumptions



| Macroeconomic factor | Unit | Avg. 2014-16 | Avg. 2017-18 |
|--|-----------|--------------|--------------|
| Model Downstream margin | USD / bbl | 12.2 | 11.3 |
| Brent/Ural differential | USD / bbl | 2.1 | 2.2 |
| Model Refining margin and differential | USD / bbl | 7.5 | 7.5 |
| Model Petrochemical margin | EUR / t | 906 | 793 |
| Brent crude oil price | USD / bbl | 65 | 55 |
| Canadian Light Sweet oil price | CAD/ bbl | 70 | 62 |
| Natural gas price in Poland | EUR/MWh | 19.6 | 15.7 |
| AECO gas price | CAD/GJ | 2.9 | 2.4 |
| CO ₂ emission allowance price | EUR/t | 6.4 | 6.5 |
| Wholesale electricity price (base) | PLN/MWh | 161 | 158 |
| USD/PLN exchange rate | USD/PLN | 3.60 | 3.88 |
| EUR/PLN exchange rate | EUR/PLN | 4.24 | 4.27 |

Source: PKN ORLEN based on IHS: IHS Global Energy Scenarios dataset— Energy outlook to 2040, Rivalry scenario

Definitions of the Key Performance Indicators (KPI)



| Business segment | Unit | Definition |
|--|-------------|---|
| Upstream | | |
| Production of hydrocarbons | boe/d | Daily volume of hydrocarbons production, i.e. oil and gas, expressed in barrels of oil equivalent (boe) |
| 2P Reserves | boe | Proven and probable reserves |
| Netback | CAD/ boe | Average realized price reduced by the costs of production (transportation, marketing, production costs) and production taxes per barrel of oil equivalent amount |
| Downstream | | |
| Market share | % | The ratio of sold products to the total number of product units sold on the particular market . In the case of fuel market, the share is calculated for Poland, the Czech Republic and Baltic countries |
| Crude oil throughput | m tons | The volume of crude oil processed in PKN ORLEN refineries |
| Total unit logistics cost | PLN/t | Total logistics cost per unit of transported fuel |
| White products yield | % | Yield of dry and wet gas, gasoline, fuel fraction, diesel and light heating oil (LHO) to crude oil throughput |
| Energy Intensity Index (EII based on Solomon methodology) | point | Solomon Energy Intensity Index (EII) allows to compare the energy efficiencies of a refinery with the best players in the industry |
| Operational Availability Index (OA based on Solomon methodology) | point | Operational availability of installation per time unit illustrates how long installation was excluded from the working cycle (renovations, repairs, inspections etc.) |
| Retail | | |
| Market share in home markets | % | Retail sales volumes in markets (Polish, German, Czech and Lithuanian) / cumulative retail consumption in these markets. It refers to gasoline and diesel |
| Change in non-fuel sales margin | % | Change in non-fuel margin between periods. Non-fuel sales include: shop margin, bistro margin, revenues from deliverers, car wash revenues and other services and revenues. |
| Unit margin | gr/l | Net revenues from fuel sale at petrol stations reduced by wholesale purchase price per unit of fuel |

Glossary of abbreviations and acronyms



| Term / Acronym / Abbreviation | Definition |
|-------------------------------------|--|
| R&D | Research & Development |
| bbl | <i>barrel</i> – is an unit of fluid volume used in the oil trade. 1 barrel of oil = 42 U.S. gallons = 158.9683 l (~ 159 l). In Europe, the amount of oil is commonly expressed in tonnes |
| boe | <i>barrels of oil equivalent</i> – the conventional method of expressing calorific value of fuel |
| CAPEX | Capital expenditure |
| CCGT | <i>Combined Cycle Gas Turbine</i> |
| CDU | Crude distillation unit |
| Financial gearing | Net debt / equity calculated acc. to balance sheet amount at the end of the period |
| EBITDA LIFO | <i>Earnings Before deducting Interest, Taxes, Depreciation and Amortization</i> - operating income including amortization based on LIFO inventory valuation method. |
| EC | Combined Heat and Power plant |
| TWh | Terawatt hour electric power |
| Rating / Solomon benchmarking | A comparative analysis of refinery production areas (production efficiency, maintenance, margin, return on investment, operational expenditure) with the top indicators for the industry, giving a direct reference to peers |
| TRR | <i>Total Recordable Rate</i> – indicator expressing the security level in a company, measured as the number of accidents x 1,000,000/number of work hours |
| Hydrocarbons | Organic compounds consisting entirely of hydrogen and carbon. Crude oil and natural gas are mixtures of hydrocarbons |

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