Polski Koncern Naftowy ORLEN
Spółka Akcyjna

Motion of the Management Board of the Company to the Ordinary General Meeting of Polski Koncern Naftowy ORLEN S.A.

Proposal for the distribution of profit of PKN ORLEN S.A. for the year 2016

Submitted on behalf of
the Management Board:

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President of the Management Board

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CFO

Introduction

Pursuant to Article 395 § 2 point 2 of Commercial Companies Code and § 7 item 7 point 3 of the Articles of Association of the Company, the Management Board of Polski Koncern Naftowy ORLEN S.A. (PKN ORLEN) applies to the Shareholders of the Company to adopt the resolution on the distribution of net profit generated by PKN ORLEN S.A. for the financial year 2016 in the amount of PLN 5,364,455,552.64 (in words: five billion three hundred sixty-four million four hundred fifty-five thousand five hundred fifty-two zloty 64/100) in the following manner:

- to allocate the amount PLN 1,283,127,183.00 (in words: one billion two hundred eighty-three million one hundred twenty-seven thousand one hundred eighty-three zloty 00/100) for payment of dividend (PLN 3.00 per 1 share);
- to allocate the remaining amount of net profit, i.e. PLN 4,081,328,369.64 (in words: four billion eighty-one million three hundred twenty-eight thousand three hundred sixty-nine zloty 64/100) for the supplementary capital of the Company.

The Concern's Strategy for 2017-2021 and its dividend policy assume gradual increase of the amount of dividend per share to be paid, taking into account accomplishment of strategic financial ratios and macro-economic forecasts. The strategy does not associate the level of dividend with net profit, since in the business of Concern's operation net profit is subject to high volatility and may include non-cash elements, such as revaluation of assets, reserves and credits, which means that net profit number does not adequately reflect results and cash generated by the Company.

Continuation of the adopted dividend payment strategy is a strategic element for the Company related to Company's positive perception by investors. That approach has allowed to build the trust for PKN ORLEN making it understandable to the markets and reaching the expectations of the various investors and at the same time contributing to the stock price growth and improving overall return from investment.

The results achieved in 2016 and the Concern's optimistic forecasts of financial results in the future, allowed to meet market expectations of further increase in the amount of dividend per share and to propose dividend increase by 50% over previous year, i.e. to 3 PLN per share.
In the company's belief such proposal should continue to contribute to positive image of the Company among investors and to constitute a fair compromise between the market expectations and the strategic targets of the Company.

Recommendation

Taking into account that the year 2016 was closed by PKN ORLEN with the net profit of PLN 5,364,455,552.64 (PLN 5,739,707,774.74 at the consolidated level), given the Company's good liquidity and average capitalisation of PKN ORLEN in 2016 amounting PLN 29,323,733 thousand (average share stock value amounted to 68,56 PLN in 2016) and a continued sharp growth of the stock price of PKN ORLEN in 2017, taking into account the foundations of the dividend policy, the expectations of financial markets and with the assumption that the financial ratios will be maintained on the safe levels, the Management Board of PKN ORLEN recommends to the Ordinary General Meeting to adopt the resolution regarding the following distribution of above net profit for 2016:

- to allocate the amount PLN 1,283,127,183.00 for payment of dividends (which is equivalent to PLN 3.00 PLN per 1 share);
- to allocate the remaining amount of net profit, i.e. PLN 4,081,328,369.64 for the supplementary capital of the Company.

The Management Board of the Company proposes to set the day of 14 July 2017 as a dividend day and the day of 4 August 2017 as a dividend payment date.