



## Good operating results despite still variable macro environment

PKN ORLEN consolidated financial results for 3 quarter 2010

**Jacek Krawiec, CEO**

**Sławomir Jędrzejczyk, CFO**

29 October 2010



**ORLEN**

# Agenda

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- ▶ **Achievements in 3Q 2010**

**Macroeconomic environment**

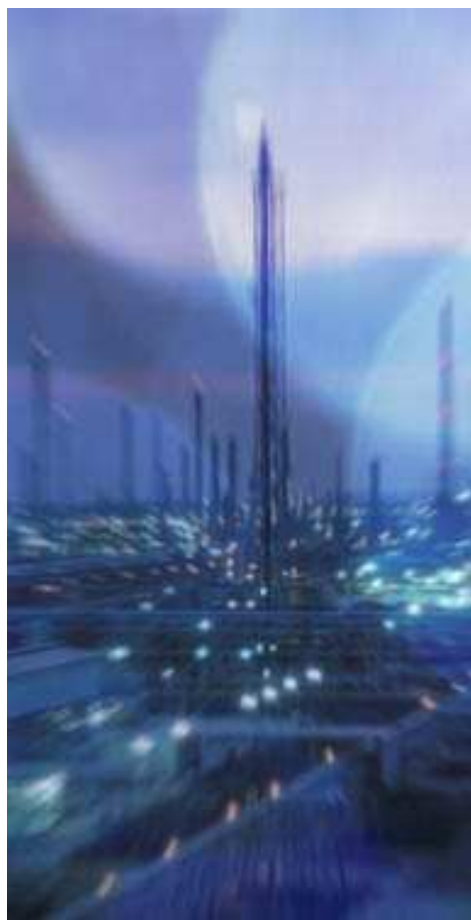
**Financial and operating results in 3Q 2010**

**Liquidity**

**Summary**



## PKN ORLEN achievements in 3Q 2010



▶ **Very good results:**

- ▶ PLN 1.3 bn of net profit
- ▶ PLN 0.7 bn of operating profit acc. to LIFO

▶ **Variable macro environment::**

- ▶ decrease in **model refining margin and URAL/Brent differential in total** comparing to 2Q10, however increase y/y
- ▶ further **increase in petrochemical margin** up to 753 EUR/t

▶ **Sales volumes increased** by 4%. The highest total sales volumes since the beginning of 2009.

▶ **Utilisation ratio increased** in ORLEN Lietuva, Unipetrol and full capacity in Plock refinery.

▶ **Maintaining net debt below PLN 10 bn** due to working capital optimization.

▶ **Financial gearing reduction** to 42%.



# Agenda

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## Achievements in 3Q 2010

- ▶ **Macroeconomic environment**

## Financial and operating results in 3Q 2010

## Liquidity

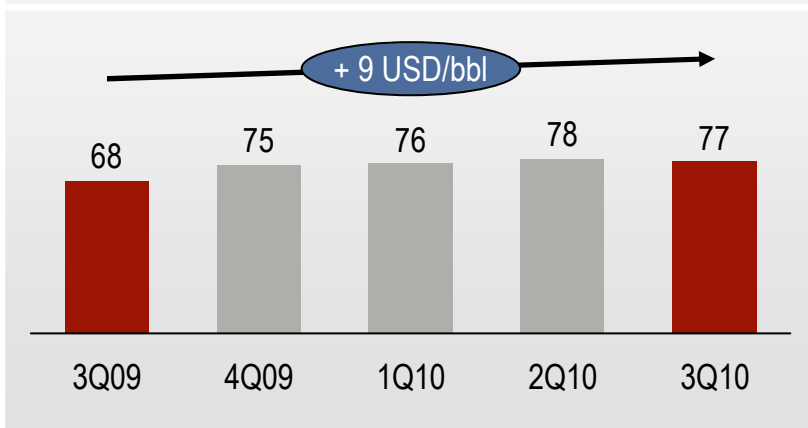
## Summary



# Improvement of macroeconomic factors in 3Q 2010

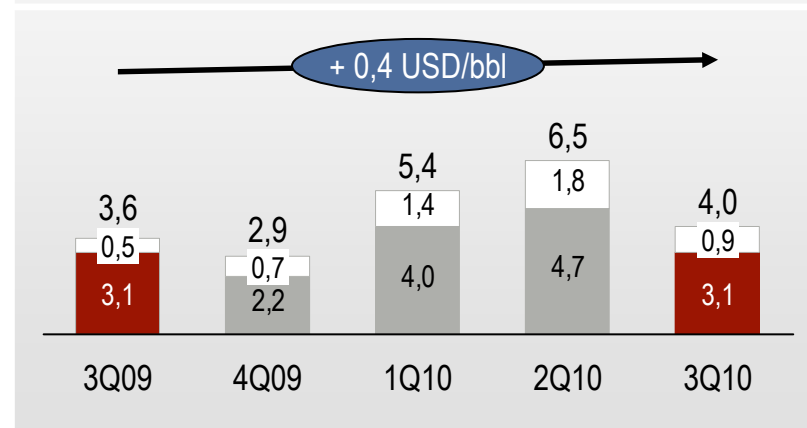
## Crude oil price increase

Average Brent Crude Oil price, USD/bbl



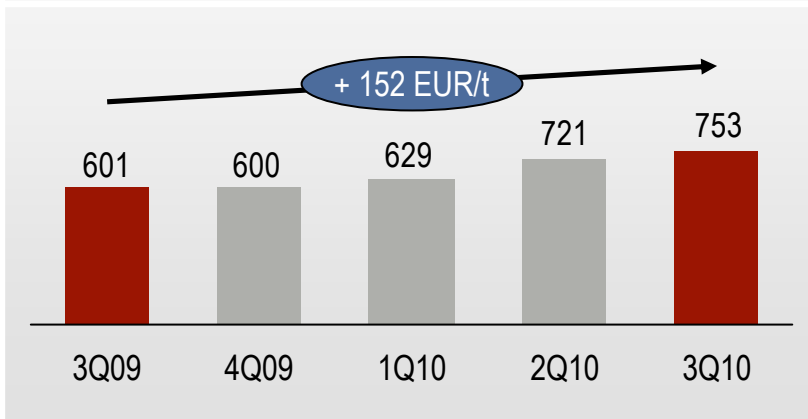
## Refining margin and U/B differential increase

Model refining margin and Ural/Brent differential, USD/bbl



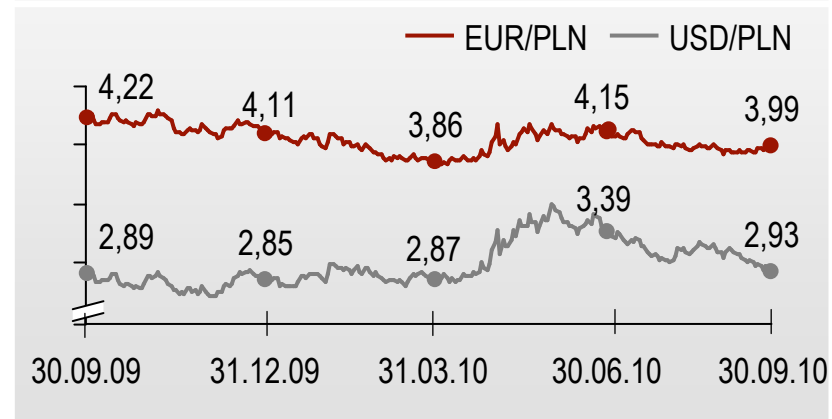
## Petrochemical margin increase

Model petrochemical margin, EUR/t



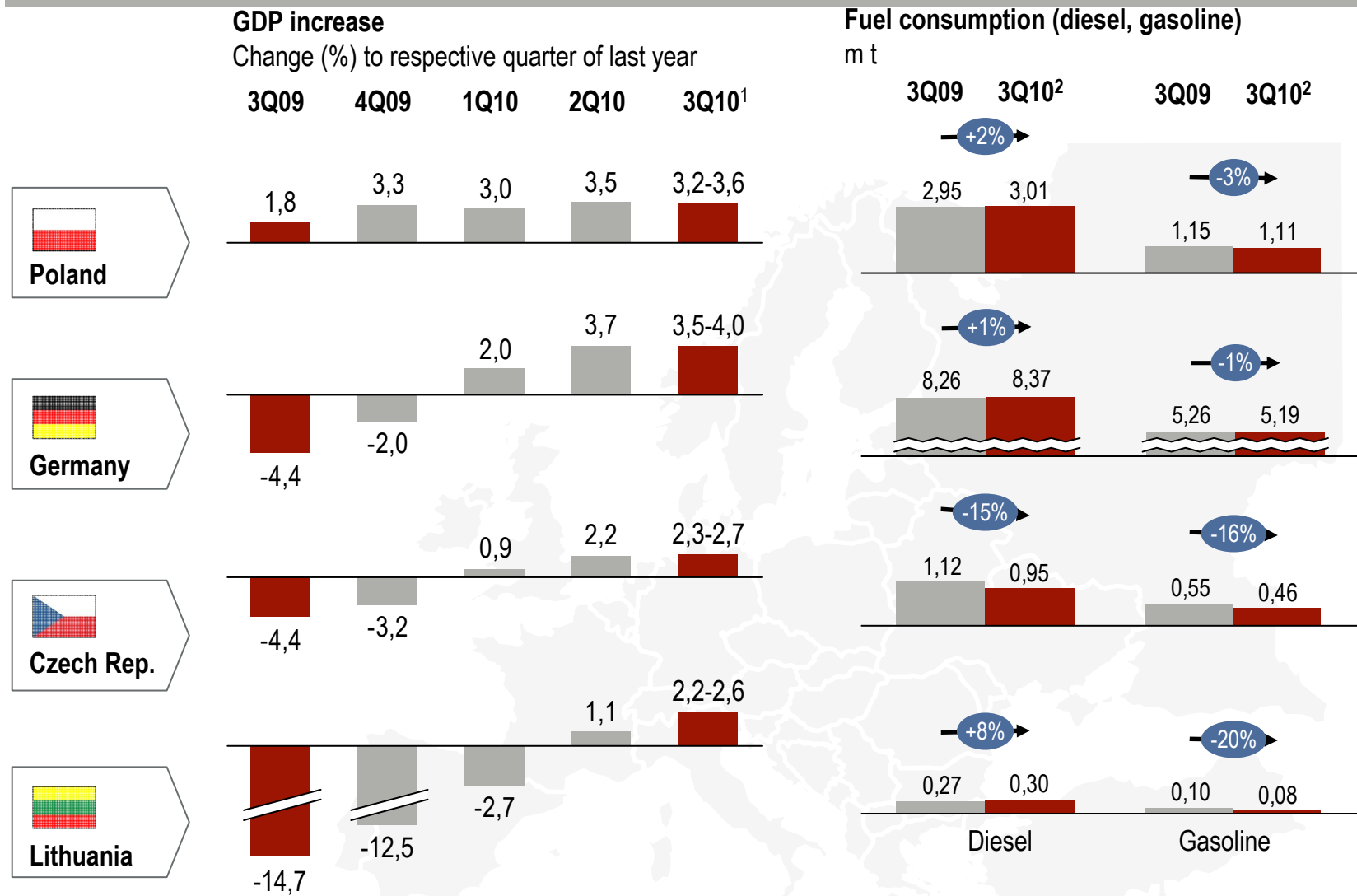
## Appreciation of PLN against USD and EUR

USD/PLN and EUR/PLN exchange rate



**ORLEN**

# Increase of diesel consumption due to GDP growths



<sup>1</sup> Estimates based on: Statistical Office (GUS); Eurostat; The Energy Market Agency (ARE); Oil Telegram; Statistical Office (CSU); Lithuanian Statistical Office.

<sup>2</sup> Source: Poland – Polish Organisation of Oil Industry and Trade (POPiHN); Germany – estimates based on July and August; Czech Rep. - estimates based on July; Lithuania - Lithuanian Statistical Office.



# Agenda

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**Achievements in 3Q 2010**

**Macroeconomic environment**

▶ **Financial and operating results in 3Q 2010**

**Liquidity**

**Summary**



## The highest operating profit acc. to LIFO since the beginning of 2009

PLN m	3Q09	2Q10	3Q10	Change y/y
<b>Revenues</b>	18 649	21 068	22 106	18%
<b>EBIT</b>	423	1 123	789	+ 0,4 bn
<b>EBIT acc. to LIFO</b>	116	682	736	+ 0,6 bn
<b>Net foreign exchange differences</b>	726	-1 041	695	- 0,1 bn
<b>Net profit</b>	940	43	1 258	+ 0,3 bn

- ▶ Increase of revenues by 18% (y/y) due to macro factors improvement i.e. crude oil prices, margins, PLN exchange rate against USD and higher sales volumes.
- ▶ Increase of EBIT acc. to LIFO by PLN 0.6 bn (y/y) achieved due to higher sales in all segments of operations and cost optimisation.
- ▶ Stabilization of crude oil prices reduced difference between reported EBIT and EBIT acc. to LIFO to PLN 50 m.
- ▶ Positive foreign exchange differences booked in P&L, mainly unrealized, due to revaluation of debt as well as trading and investment positions as a result of strong PLN appreciation against foreign currencies amounted PLN 0.7 bn.
- ▶ Increase of net profit by PLN 1.2 bn (q/q) and PLN 0.3 bn (y/y).





## Good results achieved in all segments of operations

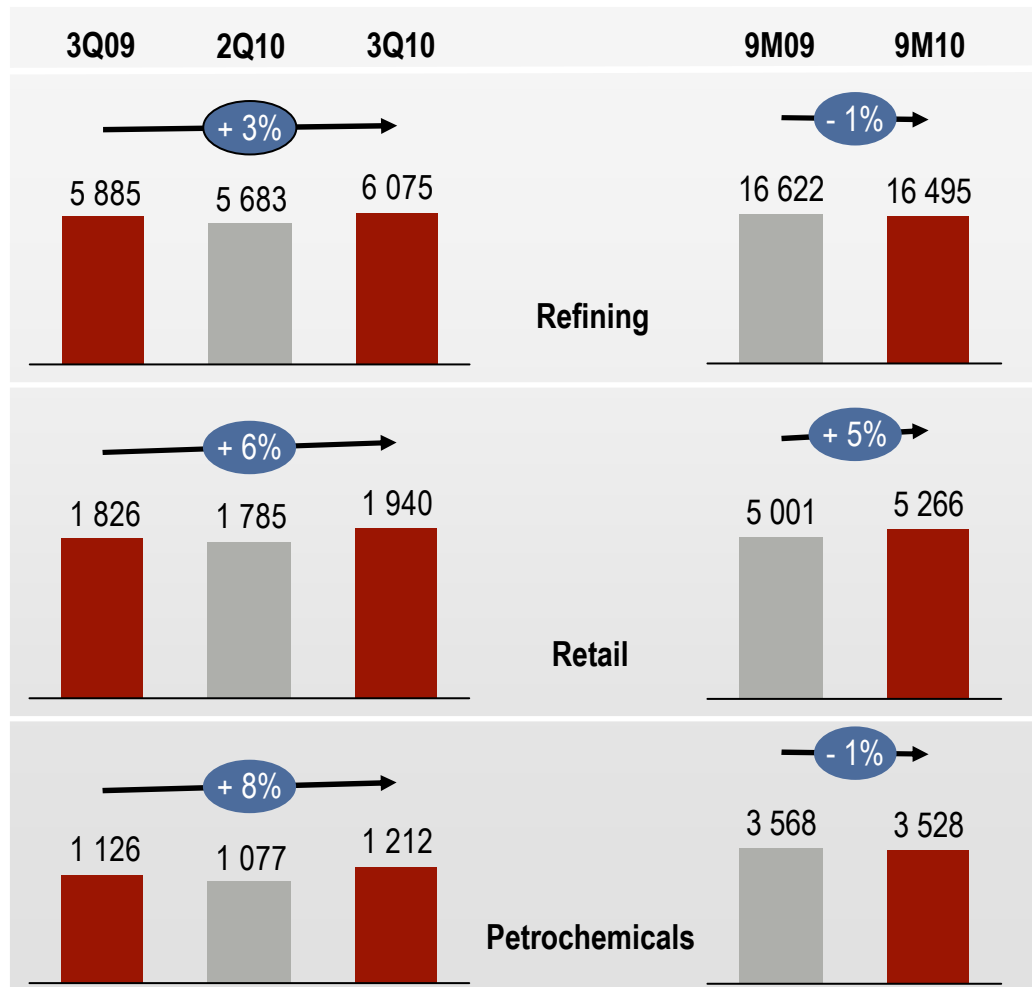
3Q09	2Q10	3Q10	change y/y	PLN m	9M09	9M10	change y/y
423	1123	789	87%	<b>EBIT, inc. following segments:</b>	763	2 376	211%
116	682	736	534%	EBIT acc. to LIFO	-226	1467	-
137	983	462	237%	<b>Refining</b>	791	1 871	137%
-134	530	402	-	Refining acc. to LIFO	-79	983	-
363	216	309	-15%	<b>Retail</b>	673	600	-11%
65	122	142	118%	<b>Petrochemicals</b>	-180	369	-
29	134	149	414%	Petrochemicals acc. to LIFO	-299	348	-
-142	-198	-124	13%	<b>Corporate functions</b>	-521	-464	11%

- ▶ Increase of operating result acc. to LIFO in refining segment by PLN 536 m (y/y) thanks to macro environment improvement, better product slate, higher sales volumes and costs optimisation.
- ▶ Good results in retail due to sales and market share increase offset by unfavourable impact of lower fuel margins due to growing fuel prices (y/y).
- ▶ Increase in result of petrochemical segment achieved due to higher margins on petrochemical products by 25% (y/y) and sales volumes increase.
- ▶ Lower costs of corporate functions by PLN 57 m (y/y) cumulatively as a result of lower negative impact of other operating activity balance including one-off effects.



# The highest total sales volumes since the beginning of 2009

## Sales volumes th t

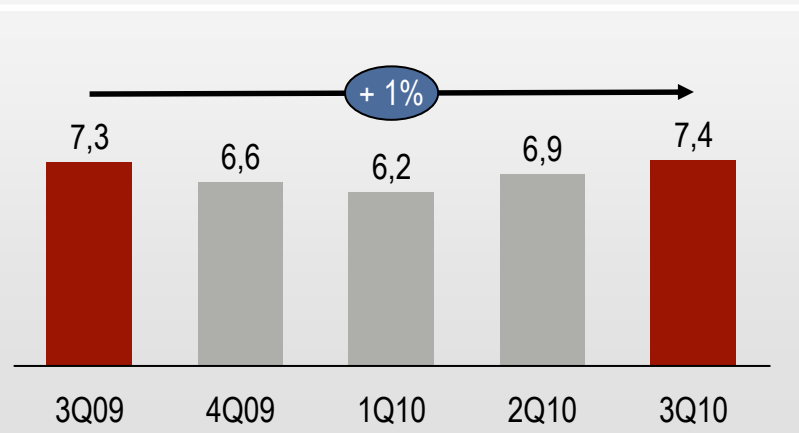


- ▶ Total sales volumes in 3Q10 increased by 4% (y/y) to the level of 9.2 m t as a result of gradual economic revival and higher throughput.
- ▶ Increase of refining sales volumes by 3% (y/y) recorded mainly by Unipetrol and ORLEN Lietuva.
- ▶ Increase of retail sales volumes by 6% (y/y) achieved mainly on the Polish and German market at lower volumes in Czech Rep. and Lithuania with simultaneous decrease in unit fuel margins.
- ▶ Recorded increase of diesel and drop of gasoline consumption on the majority of operating markets.
- ▶ Increase of petrochemical sales by 8% (y/y) achieved thanks to higher sales of olefins, polyolefins and fertilizers.
- ▶ Sales of plastics still limited due to breakdown of production units in Anwil in June 2010.

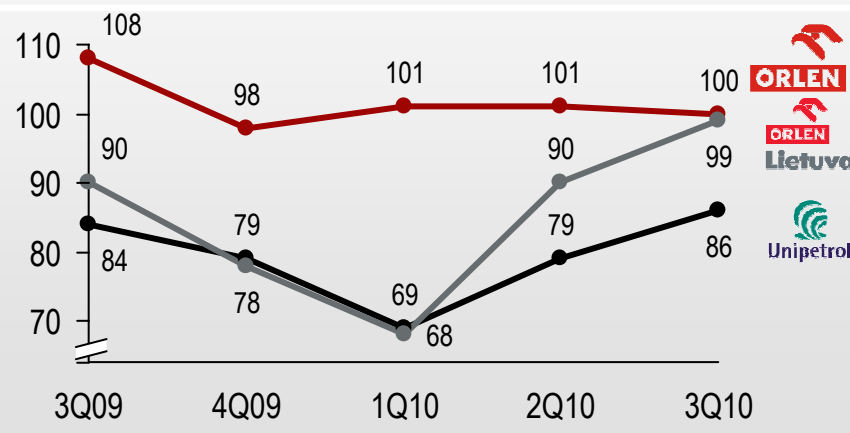


# Utilisation ratios increase and better product slate

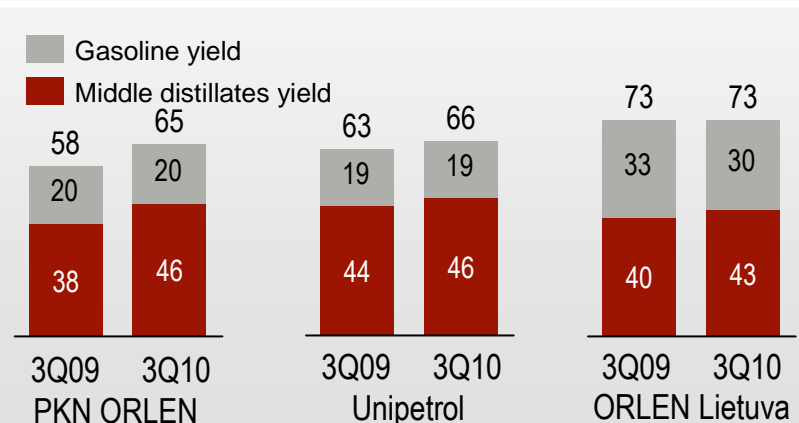
**Crude oil throughput**  
m t



**Utilisation ratio**  
%



**Fuel yield**  
%



## Comments

- ▶ Crude oil throughput increase in PKN ORLEN Group by 1% (y/y) and 7% (q/q) to the highest level from the beginning of 2009.
- ▶ Utilisation ratio increase (q/q) in ORLEN Lietuva by 9 pp (up to 99%), Unipetrol by 7pp (up to 86%) and full utilisation in Plock's refinery.
- ▶ Fuel yield improvement (y/y) in Plock refinery by 7pp (up to 65%) and Unipetrol by 3pp (up to 66%) with stable fuel yield on the level of 73% in ORLEN Lietuva.
- ▶ Significant increase in middle distillates yield.



# Agenda

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**Achievements in 3Q 2010**

**Macroeconomic environment**

**Financial and operating results in 3Q 2010**

▶ **Liquidity**

**Summary**



# Safe level of indebtedness and financial ratios

## Safe financial situation

- ▶ Covenant net debt / (EBITDA + dividend from Polkomtel) on safe level below 2.0.
- ▶ Systematic decreasing of financial leverage to the level of 30-40% assumed in strategy.
- ▶ Available credit facilities in PKN ORLEN amount to over EUR 1 bn.
- ▶ Preparing the refinancing process of credit lines due from 2012.

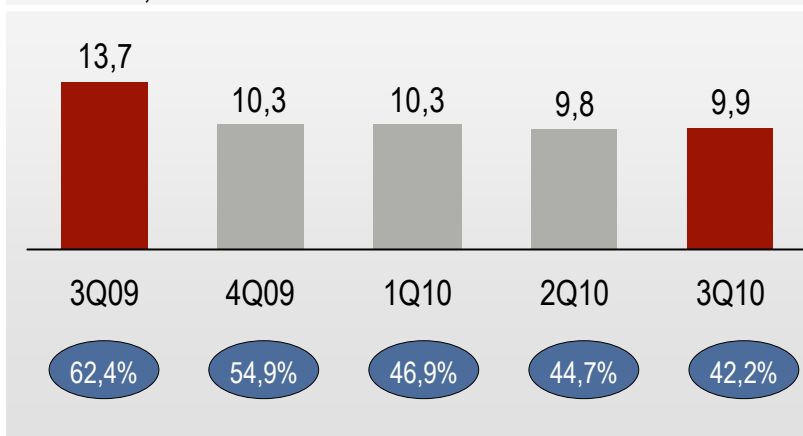
## Impact of PLN strengthening on debt

- ▶ Revaluation of credits decreased debt in 3Q10 by PLN 1 bn (q/q).
- ▶ Positive net foreign exchange differences entered into profit and loss account amounted to PLN 0.7 bn of which: PLN 0.2 bn from EUR denominated debt and PLN 0.5 bn from settlements revaluation in foreign currencies.
- ▶ Positive, mainly unrealized, net foreign differences due to revaluation of USD denominated debt connected with ORLEN Lietuva investment and foreign subsidiaries credits amounted to PLN 0.8 bn and were booked in balance sheet into equity.

## Net debt and financial leverage

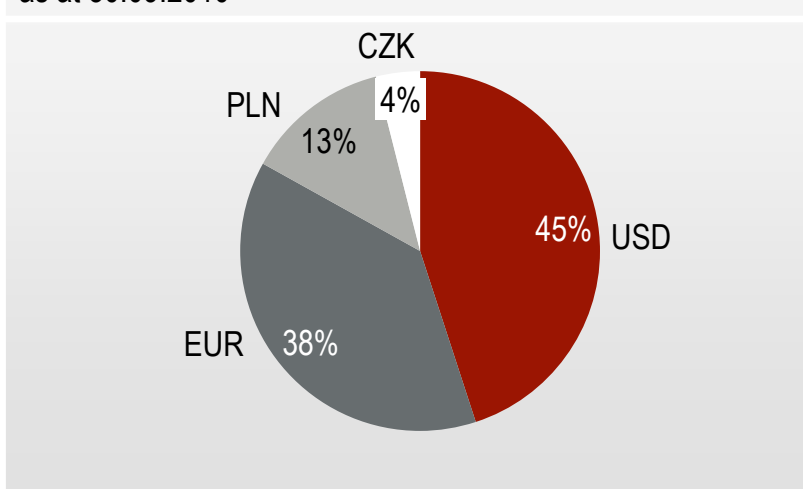
in PLN bn, %

 Financial leverage



## Gross debt structure by currency

as at 30.09.2010



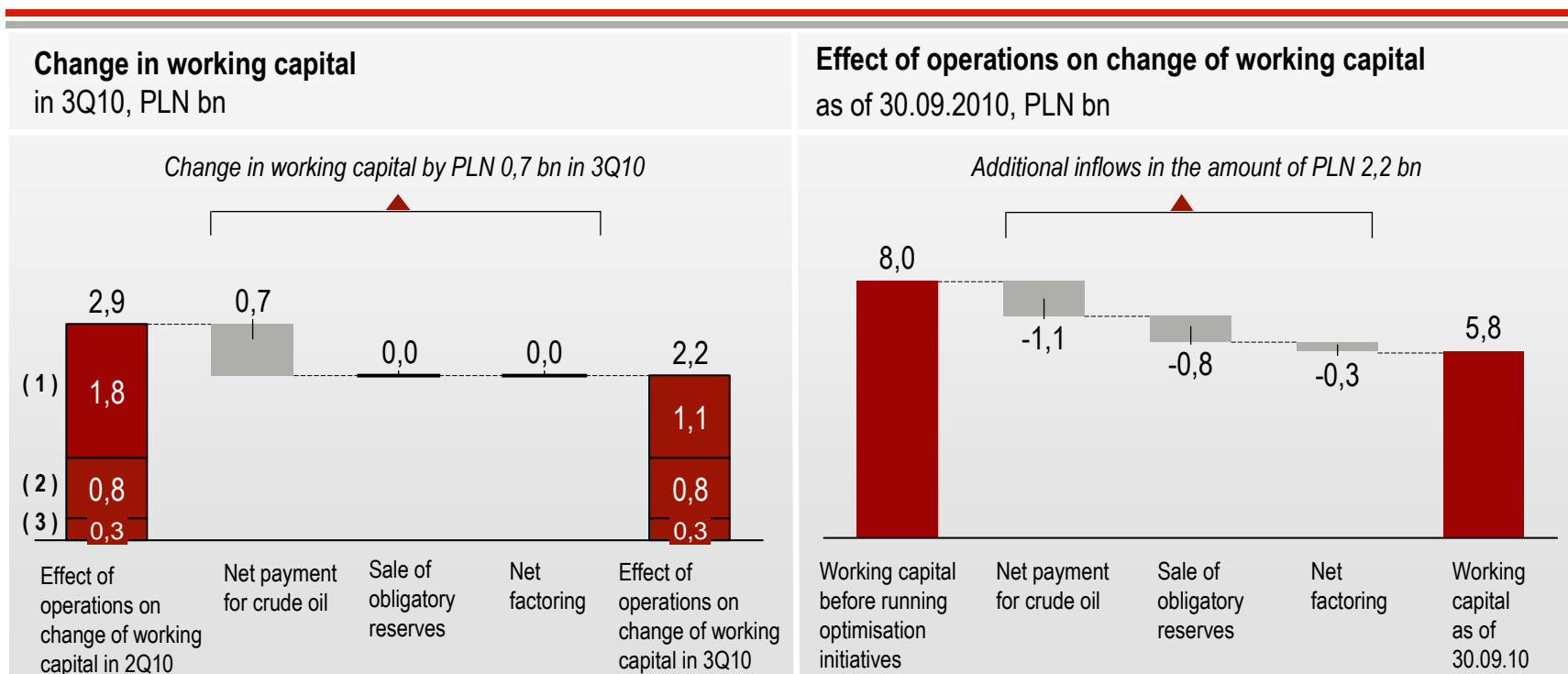
## Positive free cash flow in 2010 at the level of PLN 1 bn.

3Q09	2Q10	3Q10	change v/y	PLN m	9M09	9M10	change v/y
1 355	1 209	1 625	270	<b>Cash flow from operations before working capital change</b>	2944	3 846	902
-2 182	1 259	-1 225	957	Working capital change	-699	-562	137
-827	2 468	400	1 227	Cash flow from operations	2245	3284	1 039
-380	-381	-1 339	-959	<b>Cash flow from investments</b>	-2940	-2 295	645
-813	-600	-680	133	<b>Capital expenditures (CAPEX)</b>	-2812	-2057	755
-1 207	2 087	-939	268	<b>Free cash flow</b>	-695	989	1 684

- ▶ Consistently high cash flow from operations before working capital change significantly exceeding PLN 1 bn in the quarter.
- ▶ Working capital changes mainly due to effects of introduced optimization initiatives.
- ▶ Increase of cash flow from investments in 3Q10 as a result of payment of deferred liabilities from 2009 at the amount of PLN 0.6 bn.
- ▶ Decrease of cash flow from investments in 2010 by PLN 0.6 bn despite continuation of key projects.



# Continuation of initiatives decreasing working capital



- ▶ Additional inflows from deferred net payment for crude oil decreased in 3Q10 by PLN 0.7 bn and amounted to PLN 1.1 bn.
- ▶ Operations in factoring remained on unchanged level at the end of 3Q10 and generated PLN 0.3 bn of additional inflows.
- ▶ Sale of first tranche of obligatory reserves in 1Q10 decreased working capital by PLN 0.8 bn. Inflows from sale of another tranche are planned for 4Q10.
- ▶ Implemented from 2009 operations in working capital generated at the end of 3Q10 additional inflows at the amount of PLN 2.2 bn.

- (1) Extension of payment for crude oil
- (2) Sale of obligatory reserves
- (3) Accelerating of receivables inflow – factoring



# Agenda

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# Consistent realization of actions increasing PKN ORLEN value

## Subsidiaries



### ORLEN Lietuva

- ▶ EBIT according to LIFO improved in 2010 by over USD 50 m (y/y).
- ▶ Reduction of fixed costs and employment optimization.
- ▶ Increase of utilisation ratio in 3Q10 by 9 pp to 99%.

### Unipetrol

- ▶ EBIT according to LIFO improved in 2010 by almost CZK 2,7 bn (y/y).
- ▶ Increase of utilisation ratio in 3Q10 by 7pp to 86%.
- ▶ Further increase of high-margin VERVA fuel.
- ▶ Polyolefin sales increase by 18% (y/y).

## Further reduction of debt



### Obligatory inventories

- ▶ Second tranche planned to be sold in 4Q10.
- ▶ Continuation of works on changes to the Act.

### Polkomtel

- ▶ Finalization and distribution of marketing materials in 4Q10.
- ▶ Cooperation between all shareholders in the sale process.
- ▶ Interest from financial and strategic investors.

### Anwil

- ▶ Analysis of possibilities of the Company split are in progress.

## Development investments



### Installations

- ▶ PX/PTA – technological start-up.
- ▶ HON VII – technological start-up finalization.

### Upstream

- ▶ Shale gas – analytical works and preparations for drilling planned for 2011.
- ▶ Upstream projects in Poland and Latvia shelf – seismic analysis and assessment of potential reserves.

### Energy

- ▶ Continuation of project works for plant in Wloclawek – gathering information on potential partners and contractors.

# Summary

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## ▶ Significant improvement of results

- ▶ PLN 0.7 bn – the best operating result acc. to LIFO since the beginning of 2009.
- ▶ PLN 1.3 bn of net profit – improvement by PLN 0.3 bn (y/y).
- ▶ Increase of sales volumes by 5% and improvement of production ratios.

## ▶ Large safety buffer for liquidity

- ▶ Effective implementation of the initiatives reducing working capital and optimizing investment expenditures.
- ▶ Decrease of debt by PLN 3.8 bn (y/y) and financial gearing to 42%.
- ▶ Condition from debt agreements [net debt / (operating profit + depreciation + dividend from Polkomtel)] on safe level below 2.0.

## ▶ Consistent realization of actions increasing PKN ORLEN value

- ▶ Continuation of key investment programs and disposal projects.
- ▶ Preparation of projects in energy and upstream sector.

## ▶ Positive opinion of PKN ORLEN operations

- ▶ Title of „IT Leader” awarded by Computerworld magazine for IT application in industry sector.
- ▶ Raising the BB+ rating outlook from negative to stable by Fitch agency.





Thank You for Your attention

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# Agenda

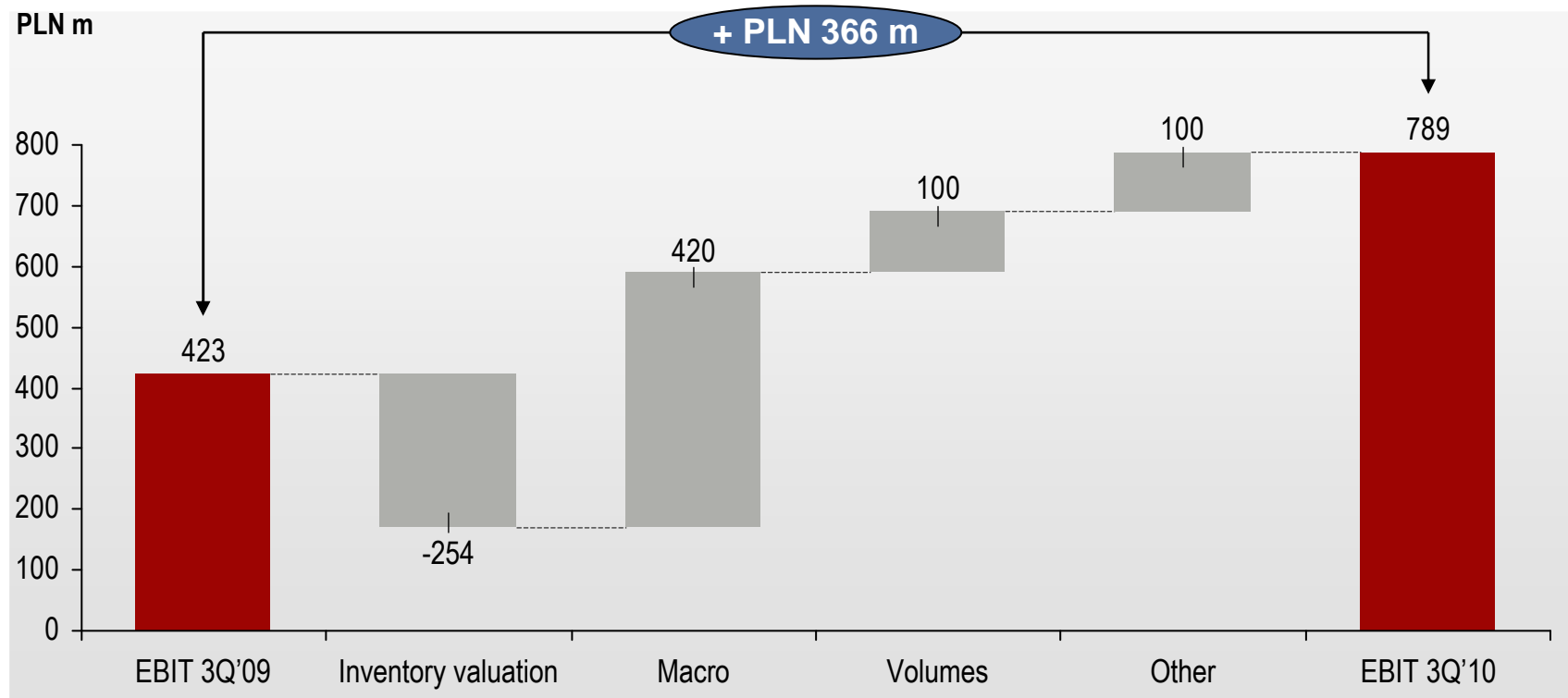
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- ▶ **Supporting slides**



# PKN ORLEN

## Improvement of macroeconomic environment and the Company's efficiency



- ▶ Lower impact of inventories valuation (y/y) due to stabilization of crude oil prices in the last 4 quarters has been compensated by the positive impact of market factors and higher sales volumes by over 4%.
- ▶ Positive effects of fixed costs and salaries savings programs and lower depreciation.

Inventories valuation effect: PKN ORLEN PLN (-) 239 m, ORLEN Lietuva PLN 46 m, Unipetrol PLN (-) 62 m, other PLN 1 m.

Macroeconomic effect: exchange rate PLN 43 m, margins PLN 308 m, differential PLN 69 m.

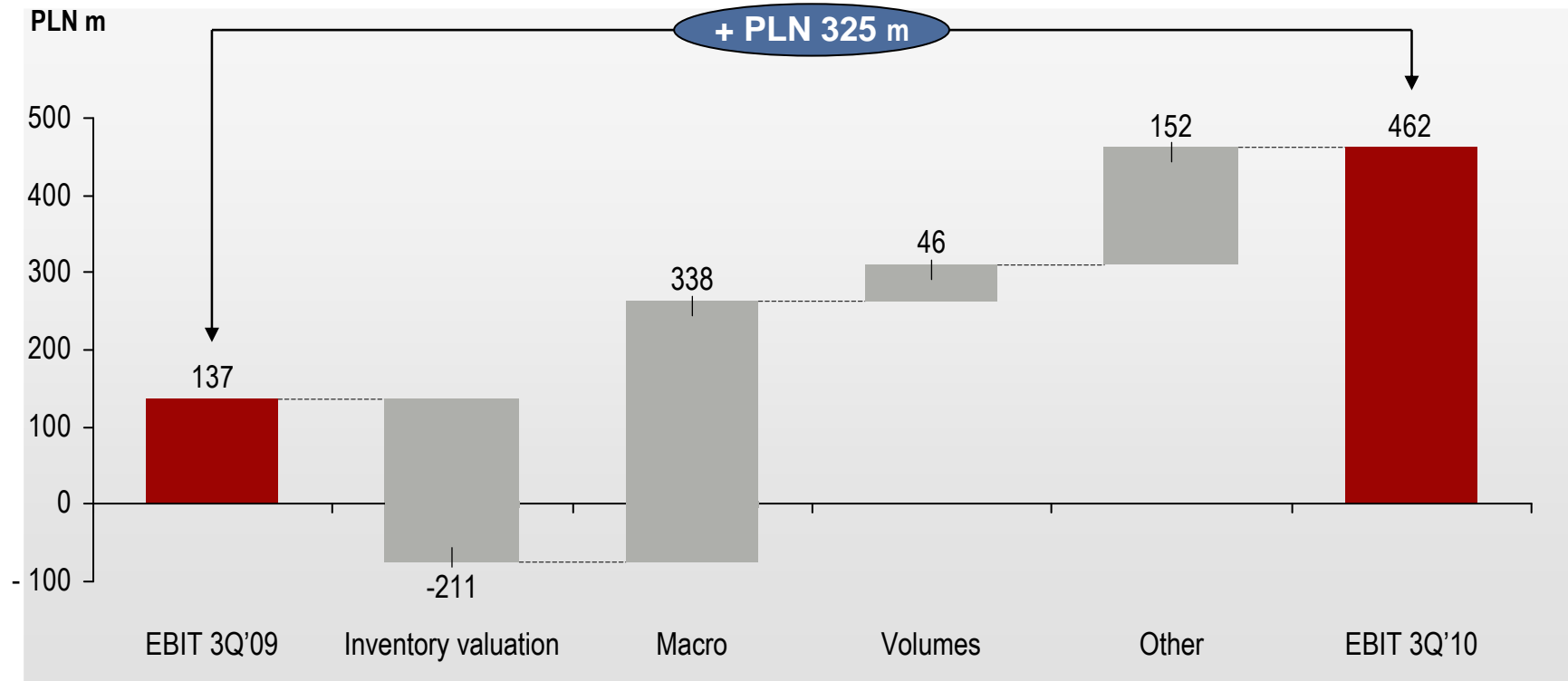
Other: lower costs of corporate functions PLN 18 m, amortization PLN 13 m, net other operating activity PLN 53 m.



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# Refining segment

## Product slate improvement at full capacity utilization



- ▶ Positive effect of market factors, i.e. refining margins and differential.
- ▶ Lower impact of inventories valuation (y/y) due to stabilization of crude oil prices in the last 4 quarters.
- ▶ Sales volumes increase by over 3%.

Inventories valuation effect: PKN ORLEN PLN (-) 239 m, ORLEN Lietuva PLN 46 m, Unipetrol PLN (-) 62 m, other PLN 1 m.

Macroeconomic effect: exchange rate PLN 49 m, margins PLN 220 m, differential PLN 69 m.

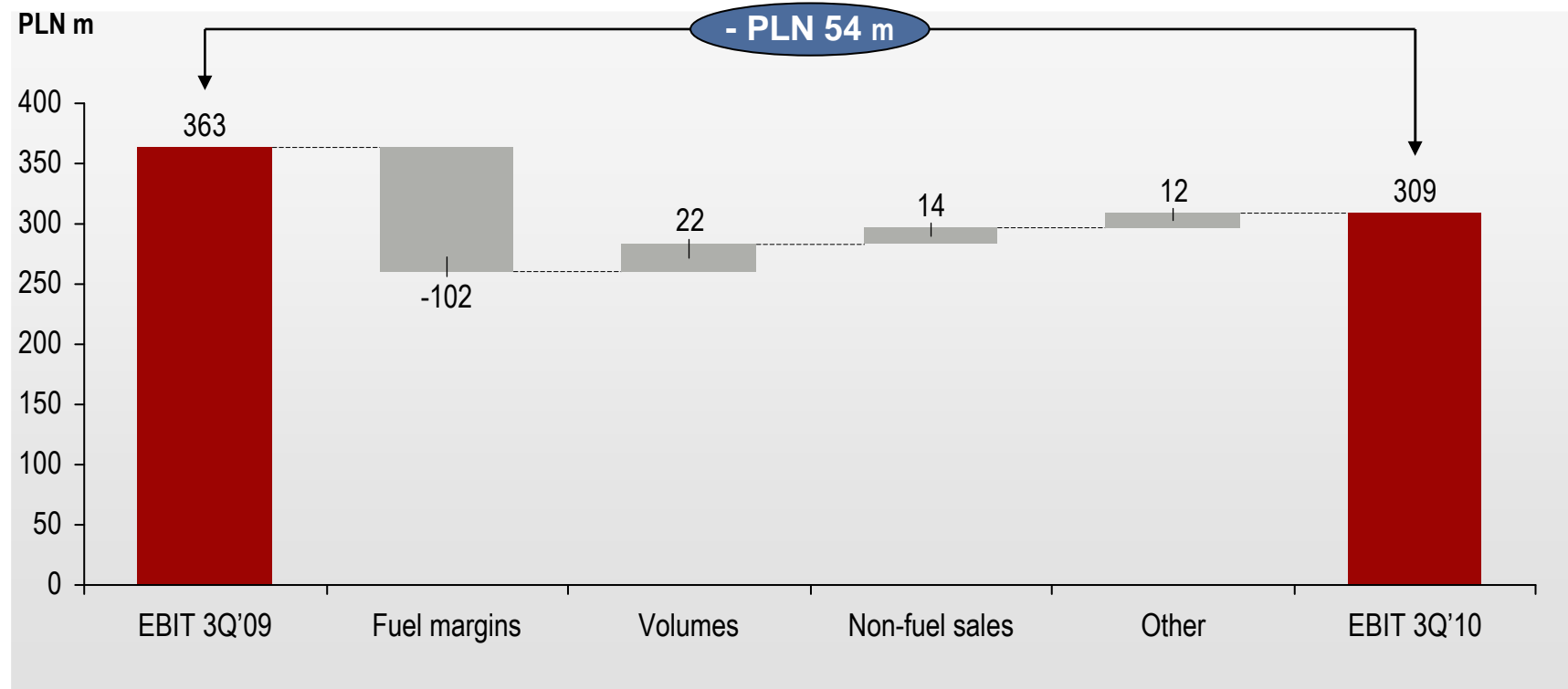
Other: efficiency improvement PLN 97 m (including lower costs of biocomponents), fixed costs and salaries PLN 17 m, net other operating activity PLN 17 m.



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# Retail segment

## Market pressure on fuel margins level

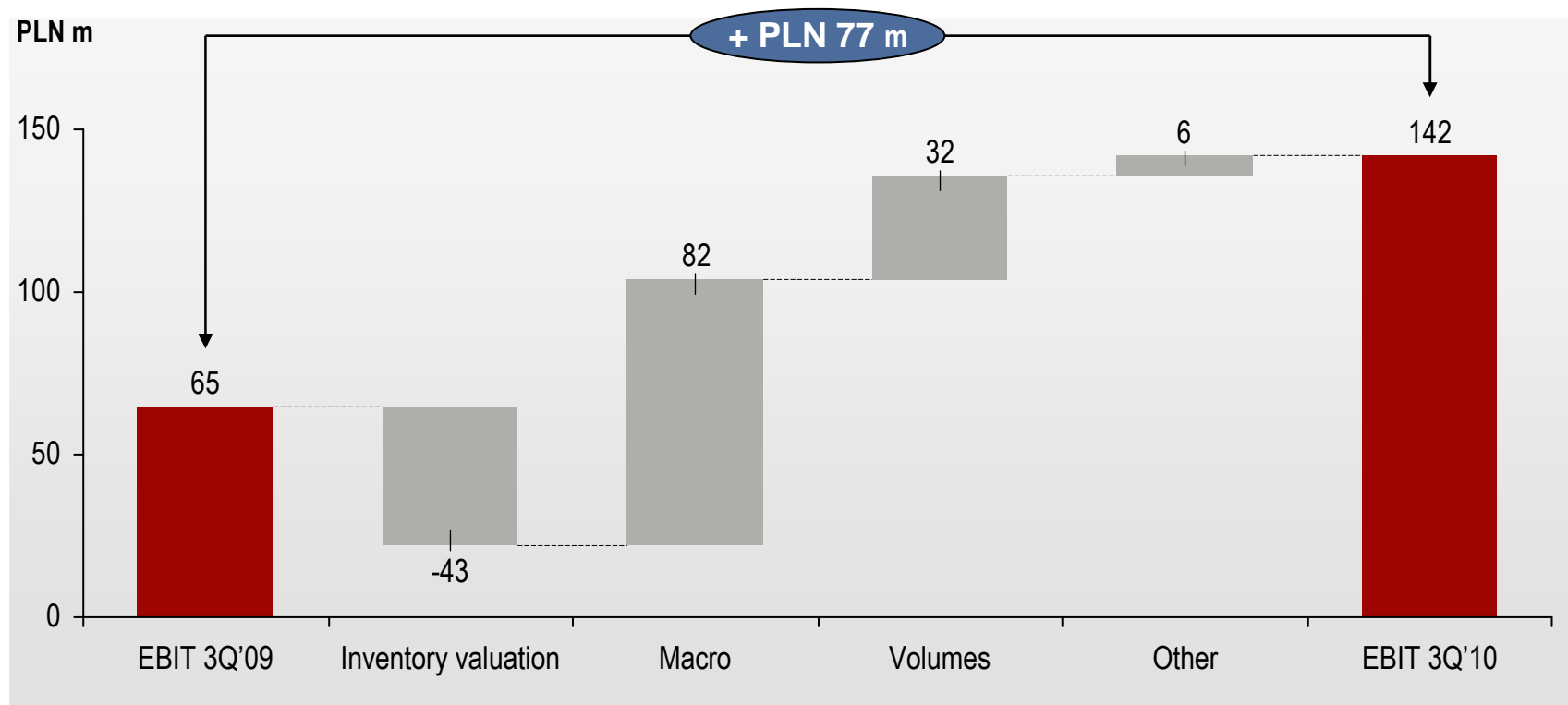


- ▶ Active commercial activity allowed to increase sales volume by 6% (y/y).
- ▶ In 3 quarter 2010 PKN ORLEN retail market share grew by 1.2pp in comparison to the previous year due to higher efficiency of petrol stations.
- ▶ Hard pressure on fuel margins (y/y) visible on all markets.
- ▶ Further increase of non-fuel margin, visible especially on the Polish and German market, achieved thanks to extended food and beverages offer and effective shop sales management.



## Petrochemical segment

### Olefins, polyolefins and fertilizers sales growth and drop in PVC



- ▶ Increase in volume sales of the segment – stable and high level of olefins and polyolefins sales and periodical increase in demand for fertilizers. Lower PVC sales (y/y) due to breakdown of production units in Anwil in June.
- ▶ Positive effects of fixed costs and salaries savings programs.
- ▶ Noted improvement of petrochemical sales contributed to increase of operating profit by PLN 80 m (y/y).



Inventories valuation effect: PKN ORLEN PLN 0 m, Unipetrol PLN (-) 43 m.  
Macroeconomic effect: exchange rate PLN (-)6 m, margins PLN 88 m.

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## Main P&L elements breakdown by key companies in 3Q 2010

IFRS, PLN m	PKN ORLEN (unconsolidated)	Unipetrol <sup>3)</sup>	ORLEN Lietuva <sup>3)</sup>	Others & consolidation excludings	ORLEN Group 3Q10	ORLEN Group 3Q09
<b>Revenues</b>	<b>16 835</b>	<b>3 639</b>	<b>4 706</b>	<b>-3 074</b>	<b>22 106</b>	<b>18 649</b>
<b>EBITDA</b>	<b>878</b>	<b>169</b>	<b>48</b>	<b>308</b>	<b>1 403</b>	<b>1 050</b>
<b>Depreciation &amp; amortisation</b>	<b>216</b>	<b>163</b>	<b>125</b>	<b>110</b>	<b>614</b>	<b>627</b>
<b>EBIT</b>	<b>662</b>	<b>6</b>	<b>-77</b>	<b>198</b>	<b>789</b>	<b>423</b>
Financial revenues <sup>1)</sup>	1 316	5	33	-627	727	764
Financial costs	-64	-10	-35	-34	-143	-162
<b>Net profit</b>	<b>1 564</b>	<b>6</b>	<b>-19</b>	<b>-293</b>	<b>1 258</b>	<b>940</b>
LIFO adjustment <sup>2)</sup>	<b>-47</b>	<b>44</b>	<b>-43</b>	<b>-7</b>	<b>-53</b>	<b>-307</b>

1) Consolidation excludings resulting mainly from transferring of PLN 582 m of positive exchange rates differences from debts in USD to equity as a result of establishment of protecting connection with ORLEN Lietuva investment and elimination of dividend in the amount of PLN (-) 79 m received in PKN ORLEN Group.

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

3) Presented data show Unipetrol Group and ORLEN Lietuva results acc. to IFRS after taking into account adjustments made for PKN ORLEN Group consolidation.

## Operating results breakdown by key segments and companies in 3Q 2010

IFRS, PLN m	PKN ORLEN (unconsolidated)	Unipetrol <sup>4)</sup>	ORLEN Lietuva <sup>4)</sup>	Others & consolidation excludings	ORLEN Group 3Q10	ORLEN Group 3Q09
<b>EBIT</b>	<b>662</b>	<b>6</b>	<b>-77</b>	<b>198</b>	<b>789</b>	<b>423</b>
<i>EBIT acc. to LIFO</i>	615	50	-120	191	736	116
<b>Refinery<sup>1)</sup></b>	<b>416</b>	<b>-33</b>	<b>-45</b>	<b>124</b>	<b>462</b>	<b>137</b>
<i>Refinery acc. to LIFO</i>	374	-1	-88	117	402	-134
<b>Retail</b>	<b>237</b>	<b>28</b>	<b>2</b>	<b>42</b>	<b>309</b>	<b>363</b>
<b>Petrochemicals<sup>2)</sup></b>	<b>108</b>	<b>6</b>	<b>0</b>	<b>28</b>	<b>142</b>	<b>65</b>
<i>Petrochemicals acc. to LIFO</i>	103	18	0	28	149	29
<b>Corporate Functions<sup>3)</sup></b>	<b>-99</b>	<b>5</b>	<b>-34</b>	<b>4</b>	<b>-124</b>	<b>-142</b>

1) Refining: refining production, refining wholesale, supportive production and oils (in total – production and sales).

2) Petrochemicals: petrochemical production, petrochemical wholesale and chemicals (in total – production and sales).

3) The corporate functions: except current supporting functions also a part of non-attributed operations, which weren't allocated to separate basic segments.

4) Presented data show Unipetrol Group and ORLEN Lietuva results acc. to IFRS after taking into account adjustments made for PKN ORLEN Group consolidation.



**ORLEN**

# ORLEN Lietuva Group

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

3Q09	2Q10	3Q10	change y/y	IFRS, USD m	9M09	9M10	change y/y
1 227	1 429	1 529	25%	Revenues	3 063	4 008	31%
-14	41	16	-	EBITDA	68	59	-13%
-36	18	-7	81%	EBIT	10	-8	-
-35	33	-21	40%	EBIT acc. to LIFO	-72	-16	78%
-25	-11	9	-	Net result	13	-28	-

- ▶ Positive net result in the amount of USD 9 m.
- ▶ Fixed cost and salaries lower in 3Q10 by USD 13.3 m (y/y).
- ▶ Employment optimization program continuation: reduction of employment by 78 persons in 3Q10 (227 persons in 2010).
- ▶ Further improvement of operational indicators : utilisation increase to 99%, energy efficiency improvement and own losses reduction.
- ▶ Stable fuel yield at the level of 73%.

1) Presented data show ORLEN Lietuva Group results acc. to IFRS in accordance with values published on Lithuanian market and do not include correction increasing depreciation and amortization costs as a result of completed valuation of ORLEN Lietuva Group fixed assets on the date of acquisition by PKN ORLEN and fixed assets impairment loss included in 2008. Correction increasing depreciation and amortization costs for 9 months 2010 made for the PKN ORLEN Group consolidation was ca. USD 55.



# UNIPETROL Group

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

3Q09	2Q10	3Q10	change y/y	IFRS, CZK m	9M09	9M10	change y/y
18 732	23 409	22 505	20%	Revenues	49 040	63 952	30%
866	1 669	1 170	35%	EBITDA	2 159	4 191	94%
5	802	238	4660%	EBIT	-394	1 556	-
-103	671	513	-	EBIT acc. to LIFO	-1 504	1 169	-
-35	520	175	-	Net result	-579	1 004	-

- ▶ CZK 0.5 bn of operating result acc. to LIFO achieved mainly in petrochemical and retail segments.
- ▶ Increase of refining sales by 3 % (y/y) thanks to higher diesel sales, light and heavy heating oil and bitumen.
- ▶ Significant increase of polyolefin sales volume by 18% (y/y).
- ▶ Further increase of high-margin fuels (VERVA) sales by 51% (y/y).
- ▶ Improvement of generating cash flow and low net debt/EBITDA ratio at the level of 0.09x.
- ▶ Gaining CZK 600 m from European Union funds granted for „Unipetrol as research and education centre” project.

1) Presented data show Unipetrol Group results acc. to IFRS in accordance with values published on Czech market and does not include correction connected with fixed assets of Unipetrol Group on the date of acquisition by PKN ORLEN. Correction increasing depreciation and amortization costs for 3 months 2010 made for the PKN ORLEN Group consolidation was ca. CZK 500 m.



## Key production data

Key production data	3Q09	2Q10	3Q10	change y/y	change q/q
<b>Refinery in Poland <sup>1</sup></b>					
Processed crude (tt)	3 870	3 506	3 664	-5%	5%
Utilisation	108%	101%	100%	-8 pp	-1 pp
Fuel yield <sup>4</sup>	58%	68%	65%	7 pp	-3 pp
Middle distillates yield <sup>5</sup>	38%	48%	46%	8 pp	-2 pp
Gasoline yield <sup>6</sup>	20%	20%	20%	0 pp	0 pp
<b>Refineries in Czech Republic <sup>2</sup></b>					
Processed crude (tt)	1 156	1 082	1 182	2%	9%
Utilisation	84%	79%	86%	2 pp	7 pp
Fuel yield <sup>4</sup>	63%	64%	66%	3 pp	2 pp
Middle distillates yield <sup>5</sup>	44%	46%	46%	2 pp	0 pp
Gasoline yield <sup>6</sup>	19%	18%	19%	0 pp	1 pp
<b>Refinery in Lithuania <sup>3</sup></b>					
Processed crude (tt)	2 250	2 257	2 481	10%	10%
Utilisation	90%	90%	99%	9 pp	9 pp
Fuel yield <sup>4</sup>	73%	73%	73%	0 pp	0 pp
Middle distillates yield <sup>5</sup>	40%	43%	43%	3 pp	0 pp
Gasoline yield <sup>6</sup>	33%	31%	30%	-3 pp	-1 pp

1) For 14,4 mt/y in 2010 and 14,3 mt/y in 2009 in PKN ORLEN quarterly. PKN ORLEN nameplate capacity in 2010 were presented so far as 15,1 mt/y and has been updated in 3q2010.

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 ORLEN Lietuva refinery: 10 m t/y.

4) Fuel yield equals middle distillates yield plus gasoline yield. Differences can occur due to rounding.

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

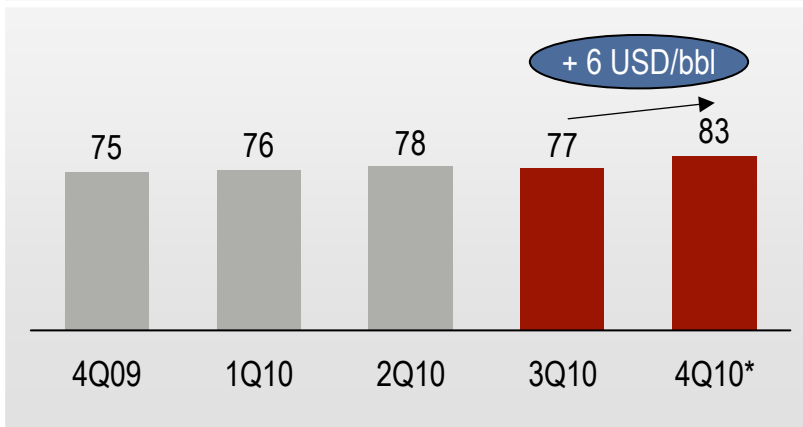
6) Gasoline yield is a ratio of gasoline production to crude oil throughput.



# Variable macro in 4Q 2010

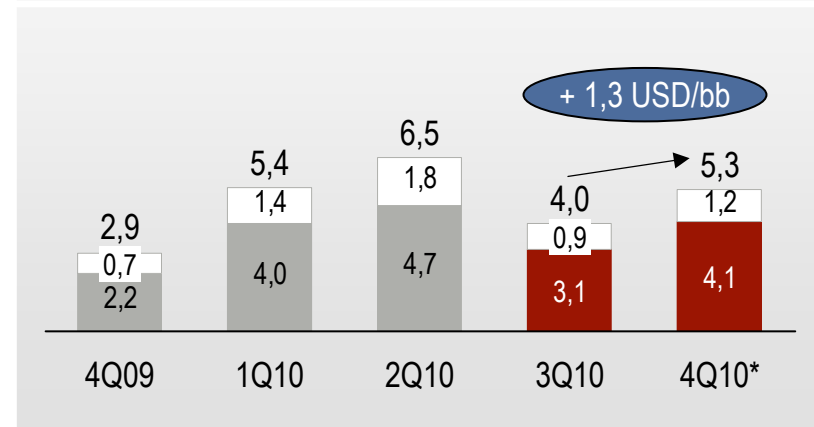
## Crude oil price increase

Average Brent Crude Oil price, USD/bbl



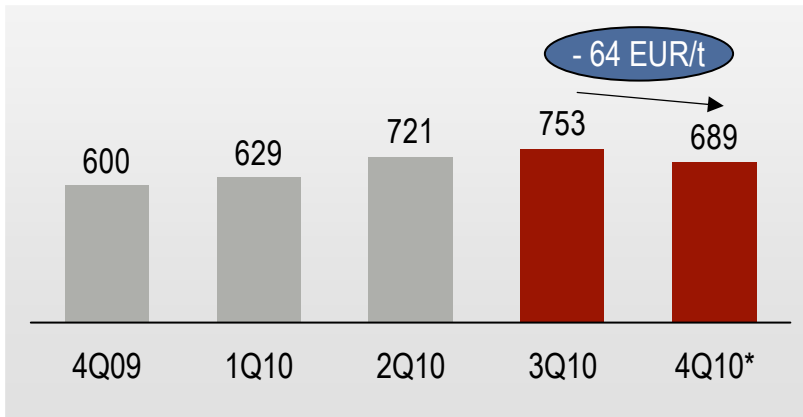
## Refining margin and U/B diff increase

Model refining margin and Ural/Brent differential, USD/bbl



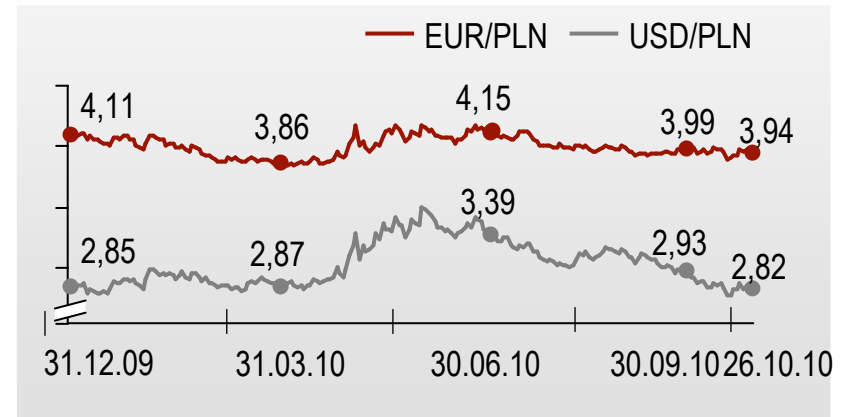
## Petrochemical margin decrease

Model petrochemical margin, EUR/t



## Appreciation of PLN against USD and EUR

USD/PLN and EUR/PLN exchange rate

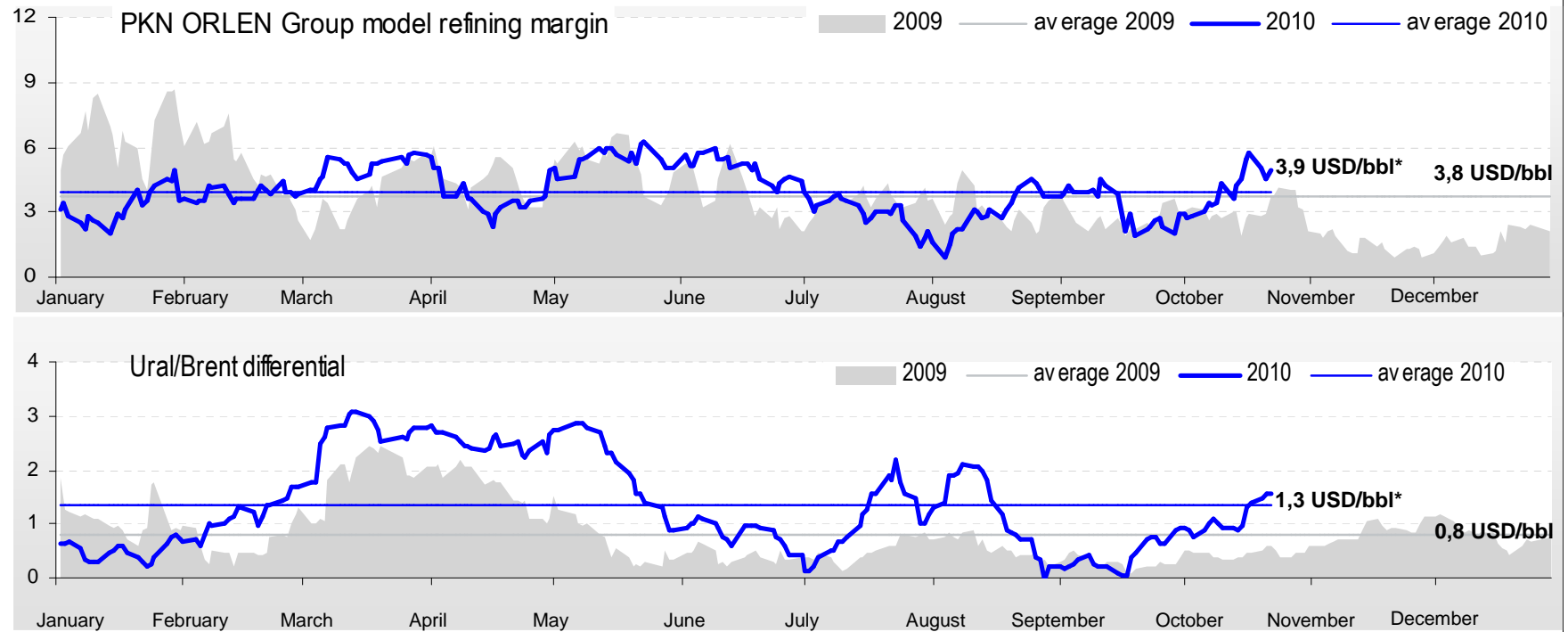


\* Data QTD for 22.10.2010



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# Macro environment



- ▶ Crude oil price – fluctuate between 75 to 85 USD/bbl.
- ▶ PLN exchange rate – strengthening against USD and EUR.
- ▶ Ural/Brent differential – rebound above average level 1,3 USD/bbl.
- ▶ Model refining margin – above average level from 2009.
- ▶ Model petrochemical margin – decrease to 689 EUR/t.

\* Data YTD for 22.10.2010.



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# Dictionary

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**PKN ORLEN model refining margin** = revenues (93,5% Products = 36% Gasoline + 43% Diesel + 14,5% HHO) - costs (100% input: crude oil and other raw materials). Total input calculated acc. to Brent Crude quotations. Spot market quotations.

**Spread Ural Rdam vs fwd Brent Dtd** = Med Strip - Ural Rdam (Ural CIF Rotterdam).

**PKN ORLEN model petrochemical margin** = revenues (98% Products = 44% HDPE + 7% LDPE + 35% PP Homo + 12% PP Copo) - costs (100% input = 75% Naphtha + 25% LS VGO). Contract market quotations.

**Fuel yield** = middle distillates yield + gasoline yield (yields calculated in relation to crude oil).

**Working capital (in balance sheet)** = inventories + trading receivables and other receivables – trading liabilities and other liabilities.

**Working capital change (in cash flow)** = changes in receivables + changes in inventories + changes in liabilities

**Gearing** = net debt / equity calculated acc. to average balance sheet amount in the period





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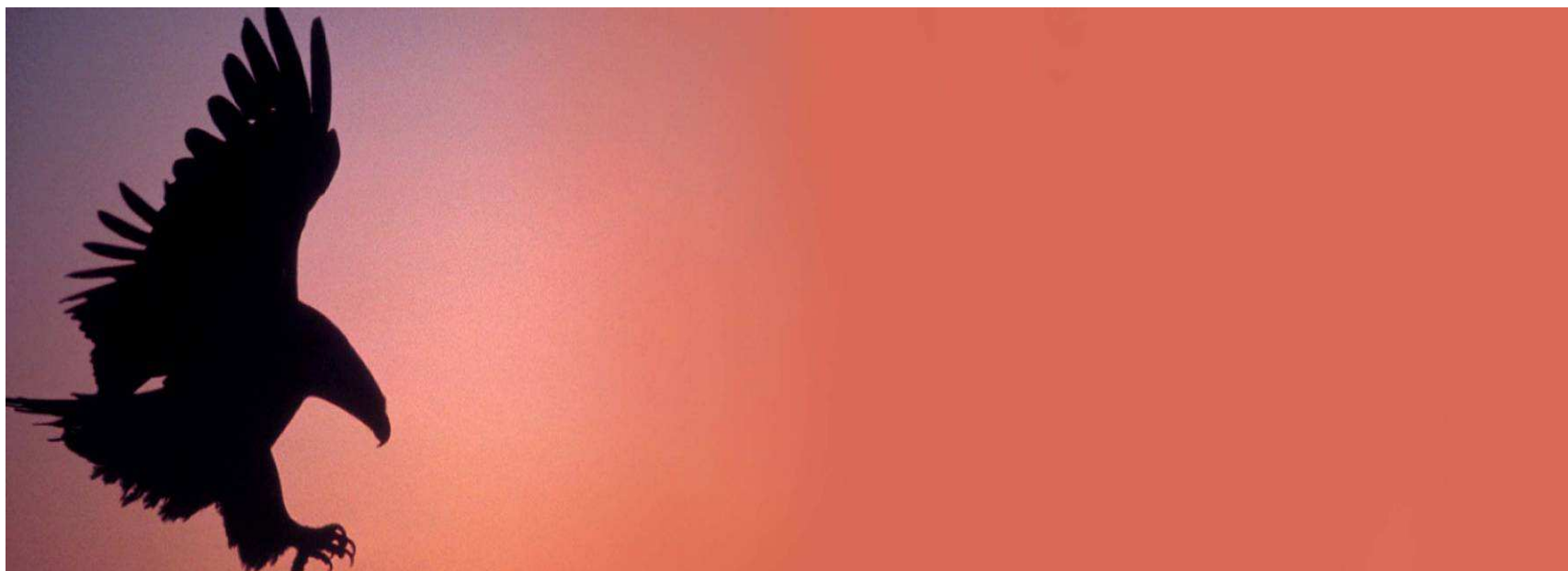
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