Good Retail result
Maintenance shutdowns impact Downstream

PKN ORLEN consolidated financial results for 2Q 2014



Jacek Krawiec, CEO
Sławomir Jędrzejczyk, CFO

23 July 2014

Agenda

Key highlights 2Q14

Shareholders

- PLN 616m (PLN 1,44 per share): dividend payment proved by Ordinary General Meeting in accordance with Management Board recommendation
- Dividend paid on 8 July 2014

Value creation

- Very good retail result maintained
- Downstream under strong influence of maintenance shutdowns
- Acquisition of another production assets in Canada
- Impairments due to macro assumptions update

Financial standing

- Financial gearing: 28,5%
- Sale of 1,0 mt obligatory reserves at the value of PLN 2,2 bn
- Issue remaining retail bonds tranches and Eurobonds in the amount of EUR 500m

ORLEN. Fuelling the future.

Agenda

Key highlights 2Q14

Macroeconomic environment

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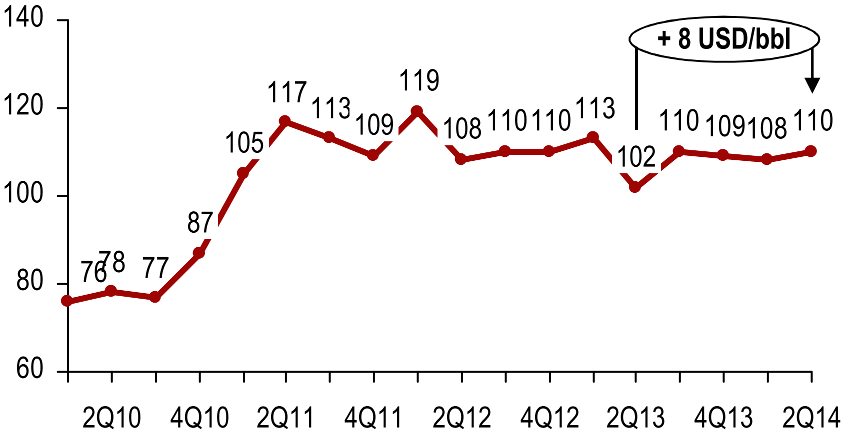
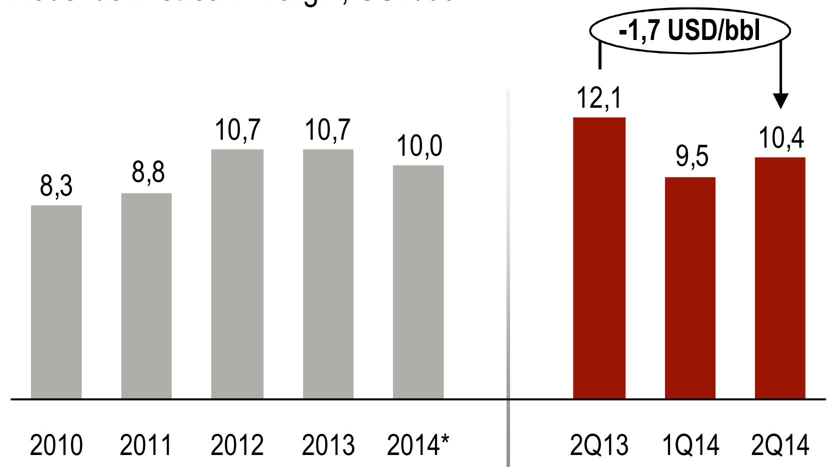
Outlook 2014

Macro environment in 2Q14 (y/y)

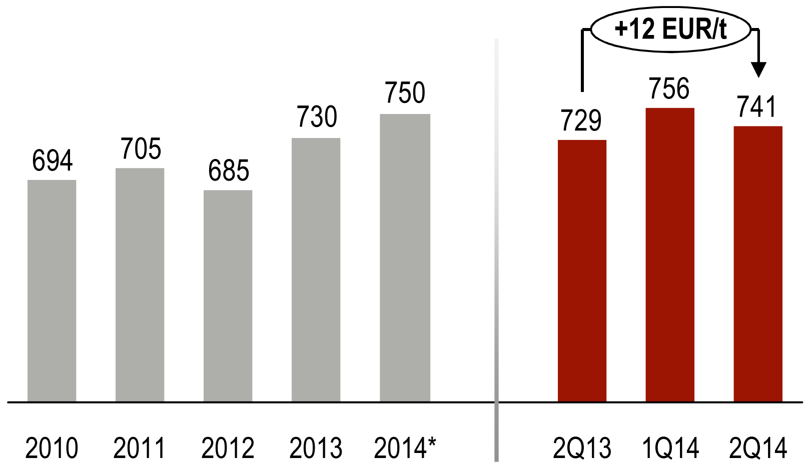
Crude oil price increase
Average Brent Crude Oil price, USD/bbl



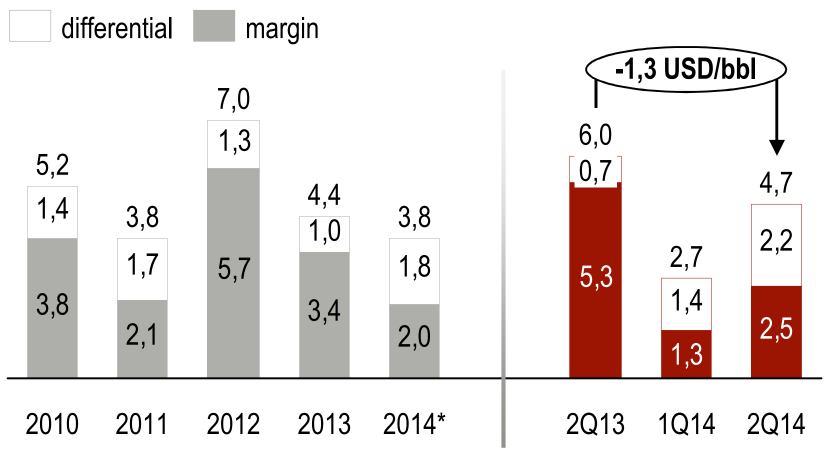
Downstream margin decrease
Model downstream margin, USD/bbl



Petrochemical margin increase
Model petrochemical margin, EUR/t



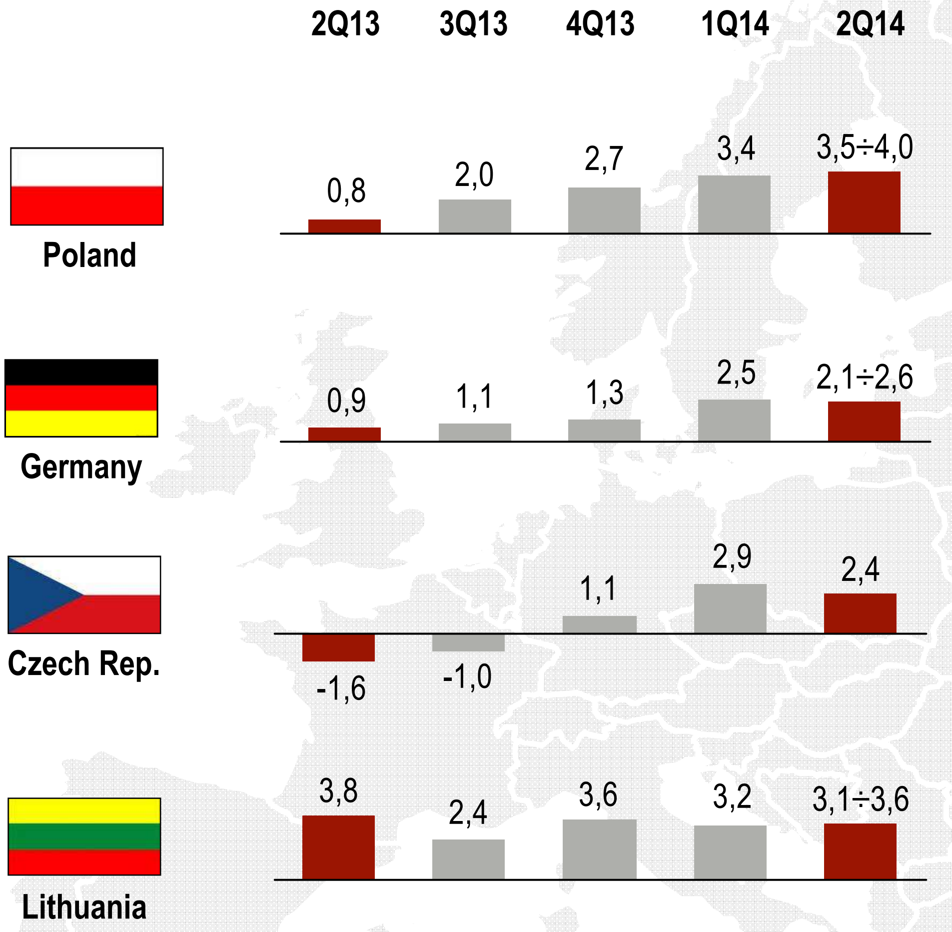
Refining margin and B/U differential decrease
Model refining margin and Brent/Ural differential, USD/bbl



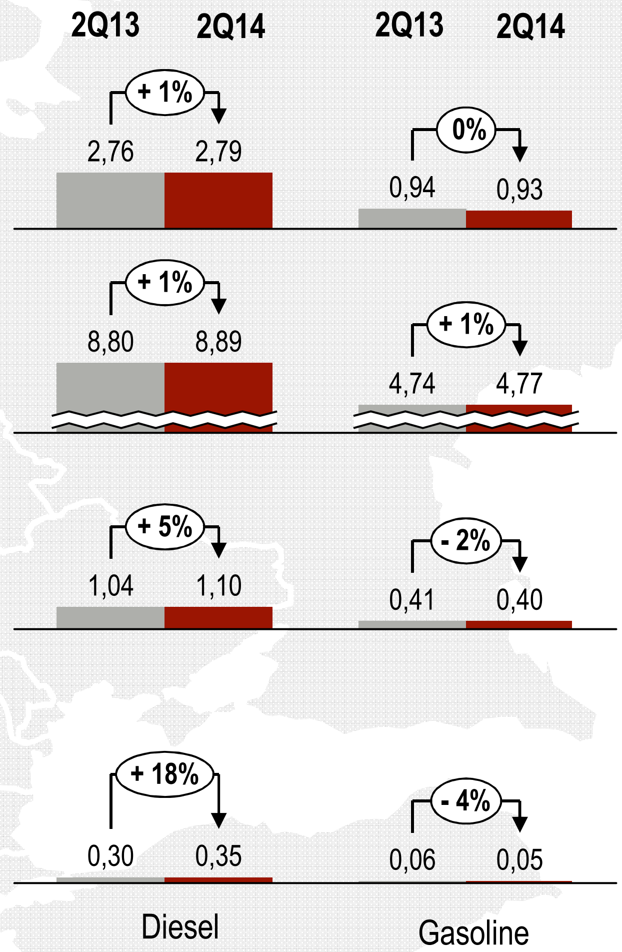
* Data as of 30.06.2014

Increase in GDP and diesel consumption

GDP increase[1]
Change (%) to respective quarter of last year



Fuel consumption (diesel, gasoline)[2]
mt



[1] Poland – Statistical Office (GUS) / not unseasonal data; (Germany, Lithuania) – Eurostat / not unseasonal data, the Czech Rep - OECD / unseasonal data, 2Q14 – estimates
[2] 2Q14 – estimates based on April and May 2014

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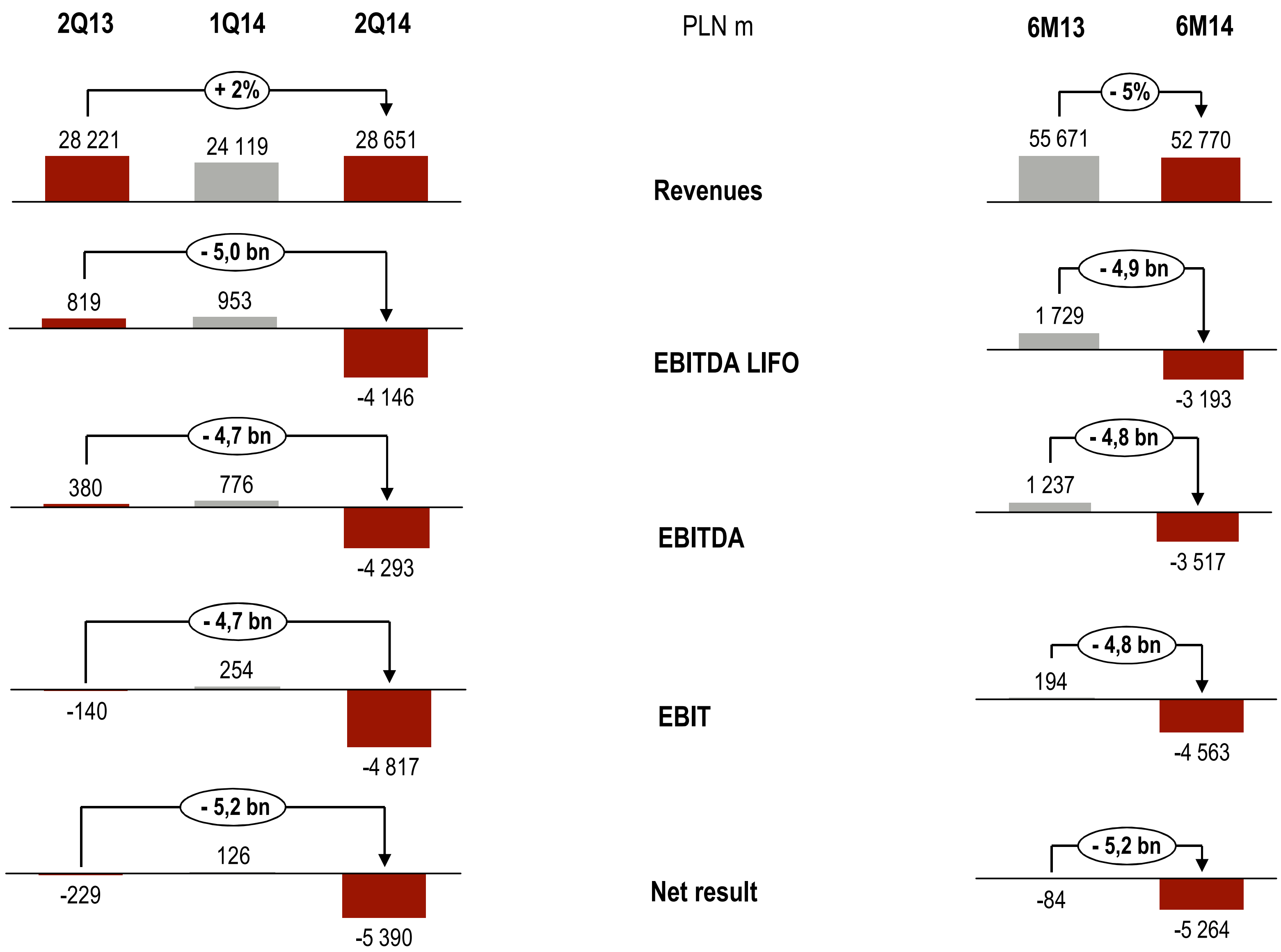
Reported results under influence of impairments*



* Impairment of assets in 2Q14 in the amount of PLN (-) 5 002m in operational part, including: ORLEN Lietuva PLN (-) 4 187m, Unipetrol PLN (-) 711m, others PLN (-) 104m and PLN (-) 833m in financial part due to 'net investment hedge'

Impairment of assets – methodology and indicators

IAS 36 - Impairment of assets

The Group assesses at the end of each reporting period whether there is any objective indicator that a financial asset or group of financial assets is impaired

The assessment is based on following indicators:

- **external** – based on market trends
- **internal –** based on strategy and operational plans

Indicators of impairment of assets

Macro/margins – worsening of current macro environment and prospects of macro improvement

Operational plans update – update of Strategy and midterm operational plan for 2014 – 2017

Share prices – maintaining difference between PKN ORLEN S.A. share price and book value. P/BV based on published 1Q14 results is 0,64

Impairments impact on consolidated financial statements of ORLEN Group

PLN bn	2Q14 before impairments	Impairments			2Q14 after impairments
		ORLEN Lietuva	Unipetrol	others net	
Revenues	28,7				28,7
EBITDA LIFO	0,9	-4,2	-0,7	-0,1	-4,1
Net financial costs	-0,1			-0,8	-0,9
Net result	0,1	-4,2	-0,6	-0,8	-5,4
Tangible and intangible asstes	27,6	-4,2	-0,7	-0,1	22,6

- Impairments decreased EBITDA LIFO in 2Q14 by PLN (-) 5,0 bn and referred mainly to:
  - refining assets of ORLEN Lietuva Group, Unipetrol Group and Rafineria Nafty Jedlicze Group
  - petrochemical assets of Spolana from Anwil Group
- Net financial costs were decreased by PLN (-) 0,8 bn due to cessation of net investment hedge accounting in foreign entity as a result of:
  - decrease in equity of the hedged position (ORLEN Lietuva Group equity) as an effect of refining assets impairments.
  - as a result the negative cumulated FX form the hedge were reclassified from equity to profit and loss account.
- After the abovementioned impairments book value of refining assets of ORLEN Lietuva Group amounts to PLN 0,5 bn and Unipetrol Group PLN 0,1 bn.
- The abovementioned impairments will decrease amortization and depreciation on yearly basis in next periods by ca. PLN 400 m.
- These are non-cash impairments and according to concluded credit agreements they are eliminated during calculation of covenant included in the agreements – net debt/ EBITDA ratio.

Impairments impact on unconsolidated financial statements of PKN ORLEN

PLN bn	2Q14 before impairments	impairment	2Q14 after impairments
Net revenues/ costs	0,9	-4,7	-3,8
Net profit/loss	0,9	-4,7	-3,8
Shares and loans	11,7	-4,7	7,0

- PKN ORLEN financial costs in 2Q14 includes impairments amounted to PLN (-) 4,7 bn referring to:
  - AB ORLEN Lietuva shares value in the amount of PLN (-) 4,5 bn
  - the value of loan for AB ORLEN Lietuva in the amount of PLN (-) 0,2 bn
- AB ORLEN Lietuva shares as at the end of 2Q14 are totally covered by impairment
- Impairments are non-cash and are reversible within standard consolidation procedures

Orlen Lietuva – history, current situation and further actions

History

- Purchase of OL in 2006 for USD 2,8 bn in total
- OL EBITDA for 2007-2013 amounted to USD 610 m and Capex USD 930 m
- Current net debt of OL exceeds USD 500 m and is provided by PKN
- Over USD 120 m (ie. ca. 2 USD/bbl) of grow in EBITDA in 2013 vs. 2006 due to efficiency improvement and cost reduction
- Refining margin plus differential lower by 3 USD/bbl (2013 vs.2006) decreased EBITDA by ca. USD 200 m.
- Additionally the significant negative impact of sales conditions worsening, lower capacity utilization, higher energy prices and logistic costs.

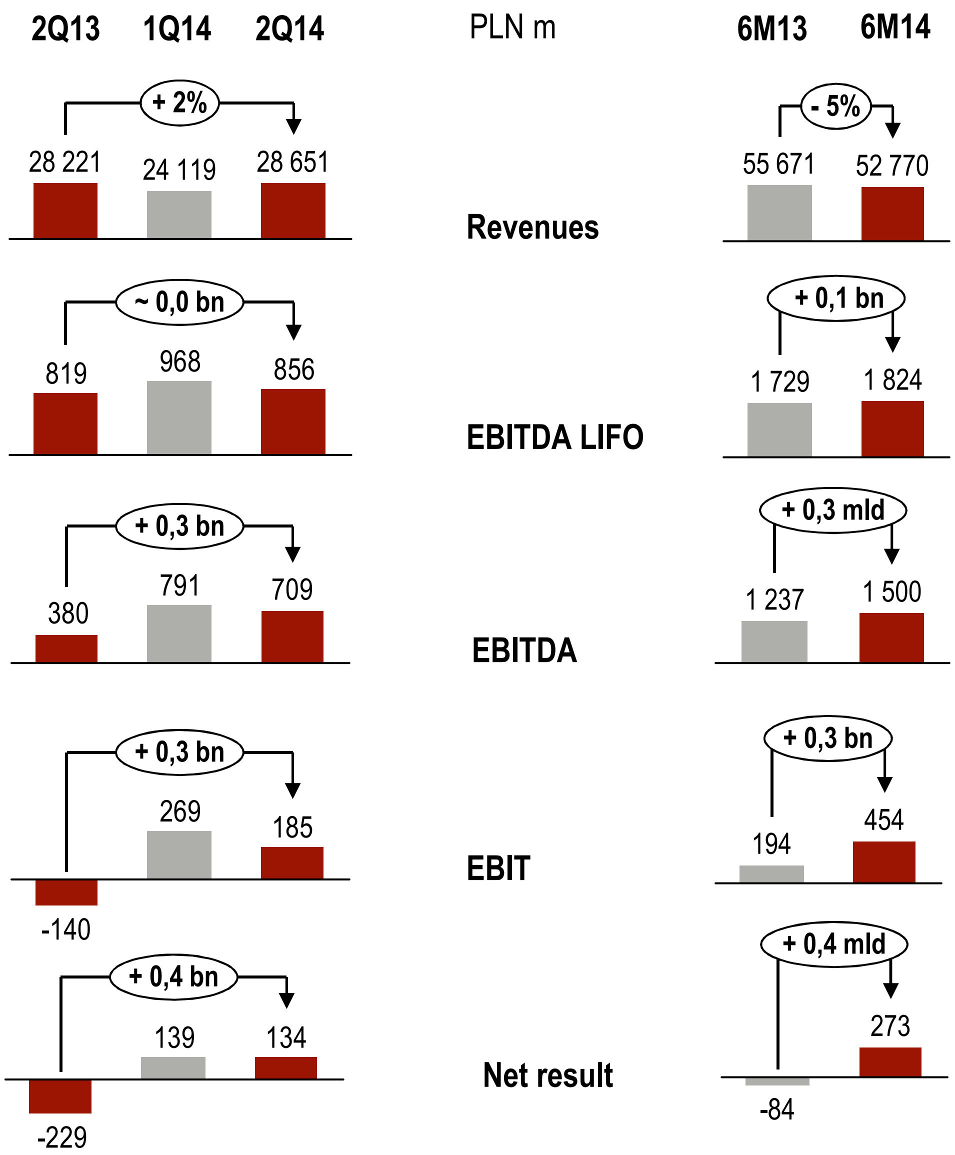
Impairments

- Historically impairment on assets in 2008 in the amount of PLN 2,2 bn and on shares in 2008, 2011, 2012 in the amount of PLN 3,7 bn
- Significant worsening of situation and perspectives in refining macro environment and negative EBITDA result in 2013 and 1Q14 caused the necessity to update the impairment tests.
- As a result in 2Q14 the impairment on OL asset amounted to PLN 4,2 bn and on shares PLN 4,5 bn
- Impairment amounts come mainly from the accepted lower forecasts of EBITDA over USD 200 m due to lower refining margins and worsening in sales conditions.

Further actions

- Concentration on cash flow improvement
- Reduction in overhead and employment costs below USD 10 m monthly and efficiency initiatives will improve the result by over 1 USD/bbl
- Capex optimization to the level below USD 20 m annually
- Improvement in sales efficiency and increase in capacity utilization, including considered processing agreements
- Releasing of cash frozen in assets
- In worsening of macro situation ready to temporary refinery shut down

Financial results
Stable EBITDA LIFO before impairments*



Revenues: increase by 2% (y/y) mainly due to sales of obligatory reserves which took place in 2Q14 and increased revenues from goods and merchandise as well as rising crude oil price.

EBITDA LIFO: negative impact of downstream margin and sales volumes decrease mainly due to significant maintenance shutdowns limited by increase in retail sales volumes (y/y)

LIFO effect: PLN (-) 147 m due to sale transaction of 1,0 mt of obligatory reserves in 2Q14

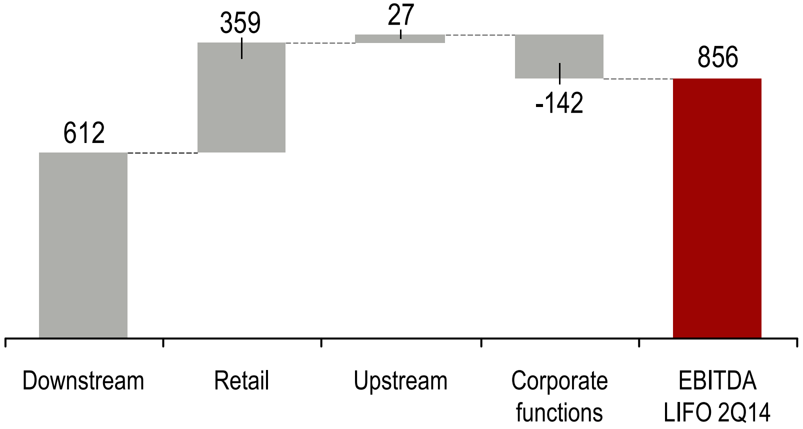
Financials' result: PLN (-) 0,1 bn mainly due to interest costs

Net result: improvement of net result by PLN 0,4 bn mainly due to lower negative LIFO effect

* Impairments in 2Q14 in the amount of PLN (-) 5 002 m in operational part and 'net investment hedge' in the amount of PLN (-) 833 m in financial part.

EBITDA LIFO
PLN 0,9 bn due to downstream and retail*

Segments' results in 2Q14
PLN m



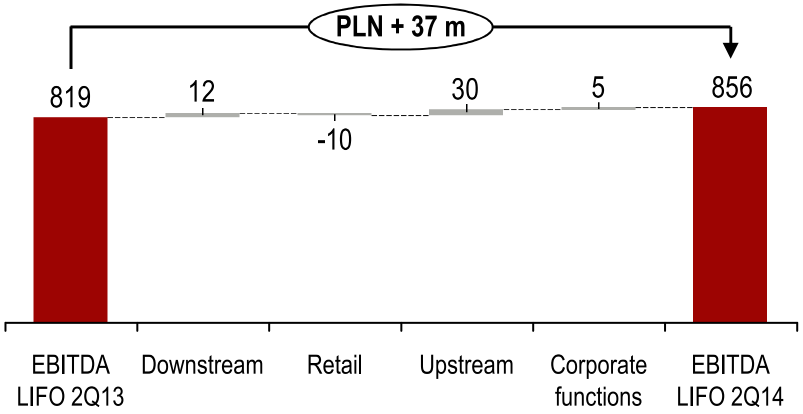
Negative impact of:

- Downstream margin decrease (y/y)
- Significant maintenance shutdowns of major refining and petrochemical installations in 2Q14
- Sales volumes decrease in downstream segment by (-) 2% (y/y)

offset by positive impact of:

- Sales volumes increase in retail by 1% (y/y)
- Dynamic growth of nonfuel offer; 68 new Stop Cafe and Bistro Cafe locations in Poland in 2Q14

Change in segments' results (y/y)
PLN m



- **Downstream**: lower margin (y/y), maintenance shutdowns and lower volumes in Poland and Lithuania (y/y) offset by effect of obligatory reserves sale transaction
- **Retail**: higher sales in Poland, Czech Republic and Lithuania as well as non-fuel sales margin improvement (y/y) at fuel margin decrease (y/y)
- **Upstream**: positive contribution of Canadian TriOil limited by impairment of license on Mid-Poland Unconventionals in the amount of PLN (-) 8 m
- **Corporate functions**: stable cost base (y/y)

* Before impairments in 2Q14

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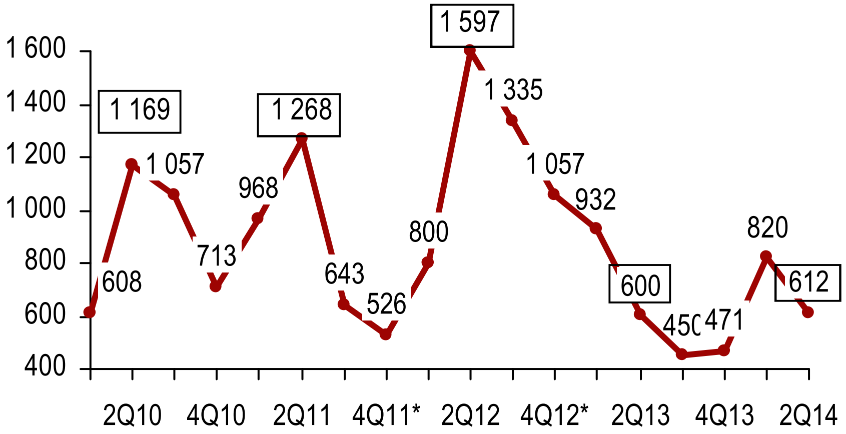
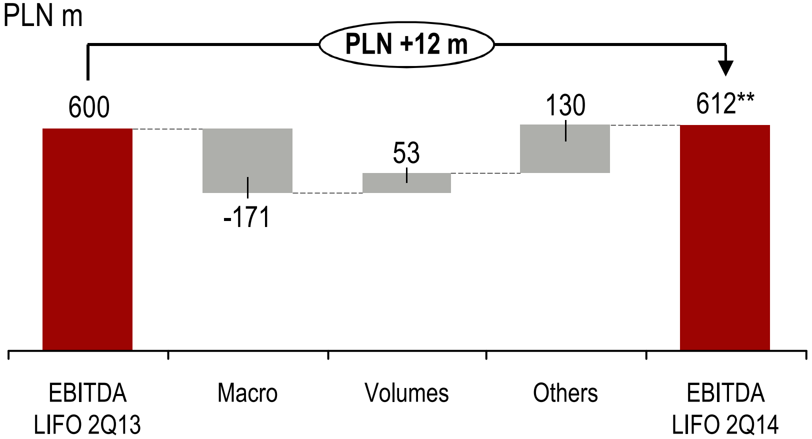
Downstream – EBITDA LIFO
Results under weak macro and maintenance shutdowns

EBITDA LIFO quarterly (without impairments*)
PLN m



EBITDA LIFO – impact of factors
PLN m



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- Positive volumes effect (y/y) despite lower total sales volumes due to change in basket of products
- Refining and petrochemical products sales increase in Czech Republic (y/y)
- Fuel yield improvement in Czech Republic and Lithuania (y/y)
- Others include mainly lack of negative effects on inventory sales from 2Q13 and positive effect realized on crude oil sale to Cranbell in 2Q14

–

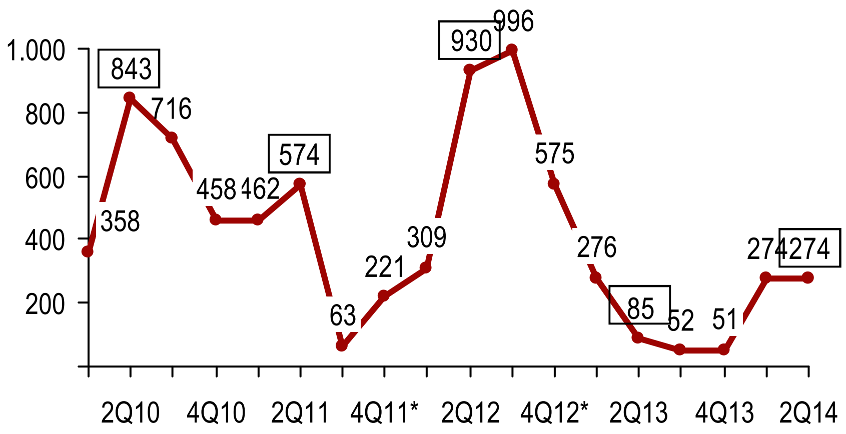
- Decrease of downstream margin by (-) 1,6 USD/bbl (y/y)
- Better margin on polyolefins by 4% at lower margins on ethylene (-) 5%, toluene (-) 30%, benzene (-) 6%, butadiene (-) 45% and PX (-) 44% (r/r)
- Lower crude oil throughput and utilisation (y/y) and sales decrease due to significant maintenance shutdowns in Płock
- Lower refining products sales on the markets under ORLEN Lietuva coverage due to unfavourable market conditions

Macro: exchange rate PLN 98 m, margins PLN (-) 487 m, differential PLN 218 m
* Impairments: 4Q11 = PLN (-) 1,7 bn; 4Q12 = PLN (-) 0,7bn, 2Q14 = PLN (-) 5,0 bn
** EBITDA LIFO downstream in 2Q14 amounted to PLN 612 m, of which: refining PLN 274 m, petrochemicals PLN 339 m and energy PLN (-) 1 m

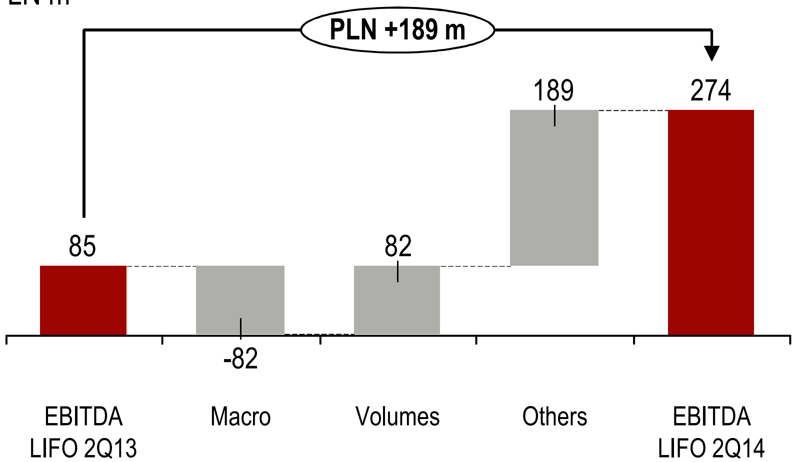
Downstream – EBITDA LIFO
Refining and petrochemicals contribution to results

Refining

EBITDA LIFO quarterly (without impairments*)
PLN m



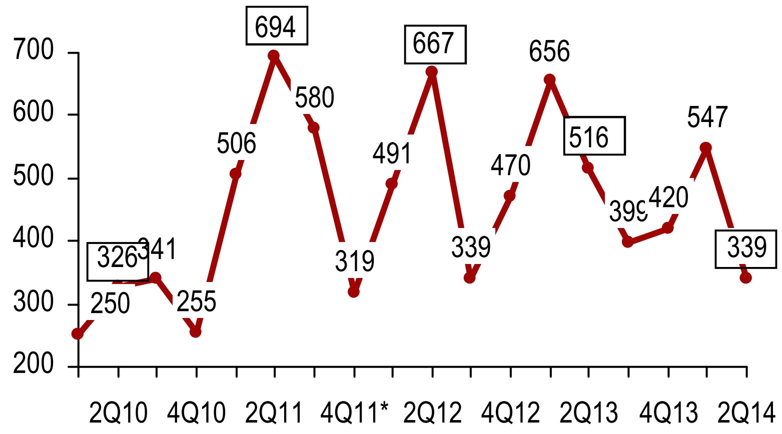
EBITDA LIFO – impact of factors
PLN m



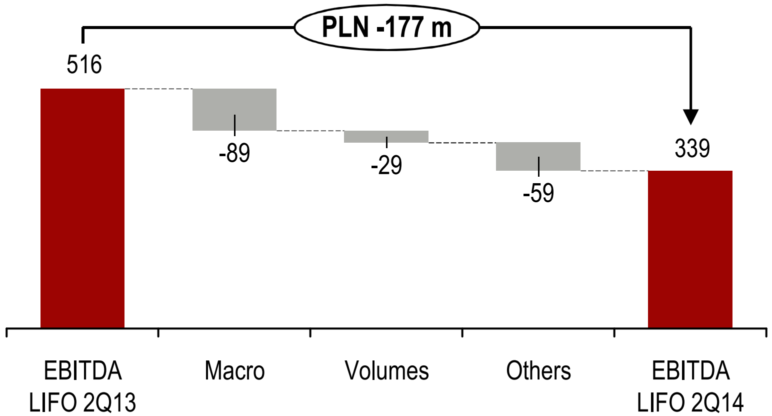
Macro: exchange rate PLN (-) 46 m, margins PLN (-) 254 m, differential PLN 218 m
* Impairments: 4Q11 = PLN (-) 1,7 bn; 4Q12 = PLN (-) 0,7 bn, 2Q14 = PLN (-) 4,9 bn

Petrochemicals

EBITDA LIFO quarterly (without impairments*)
PLN m



EBITDA LIFO – impact of factors
PLN m

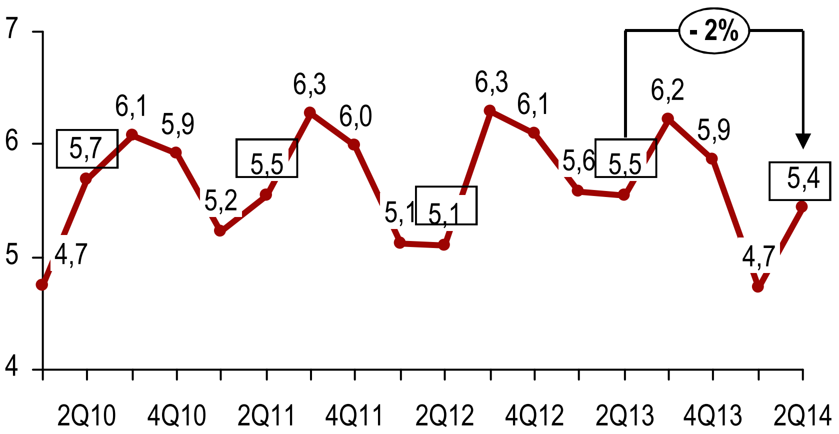


Macro: exchange rate PLN 143 m, margins PLN (-) 232 m
* Impairments: 4Q11 = PLN (-) 1,4 bn, 2Q14 = PLN (-) 0,1 bn

Downstream (Refining) – operational data
Limitation of crude oil throughput due to maintenance shutdowns

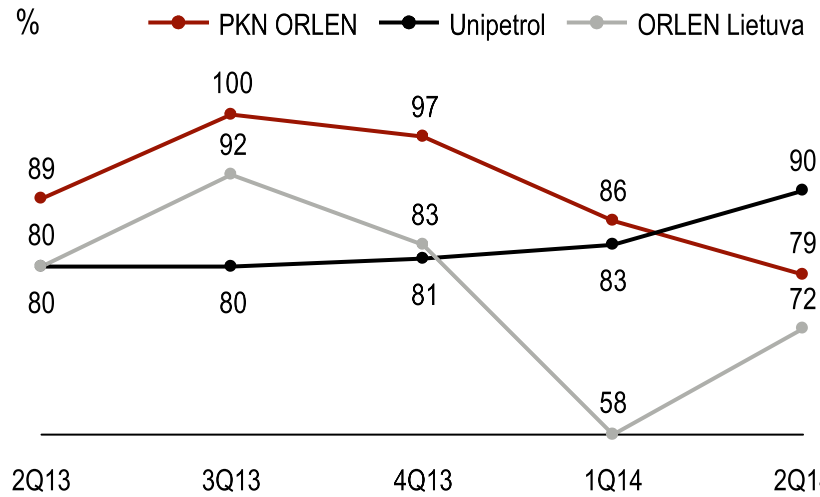
Sales volumes

mt



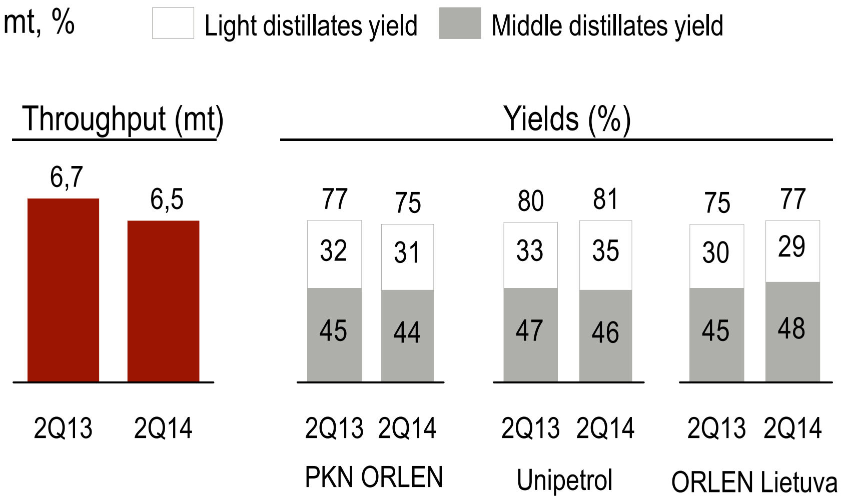
Utilization ratio

%



Crude oil throughput and fuel yield

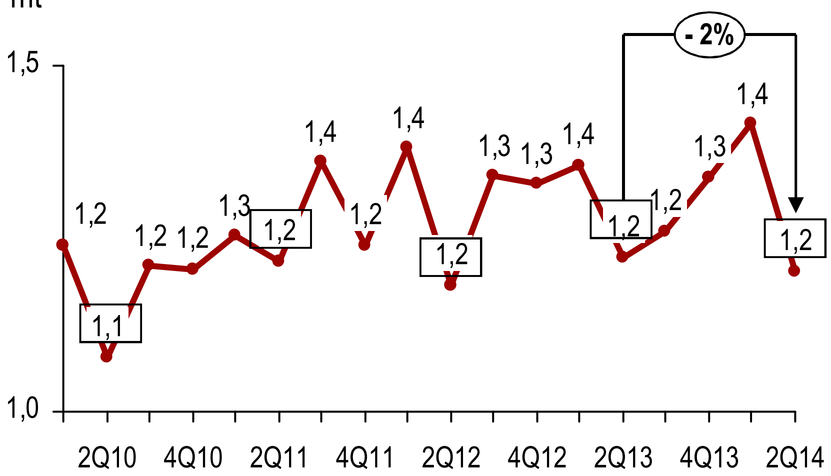
mt, %



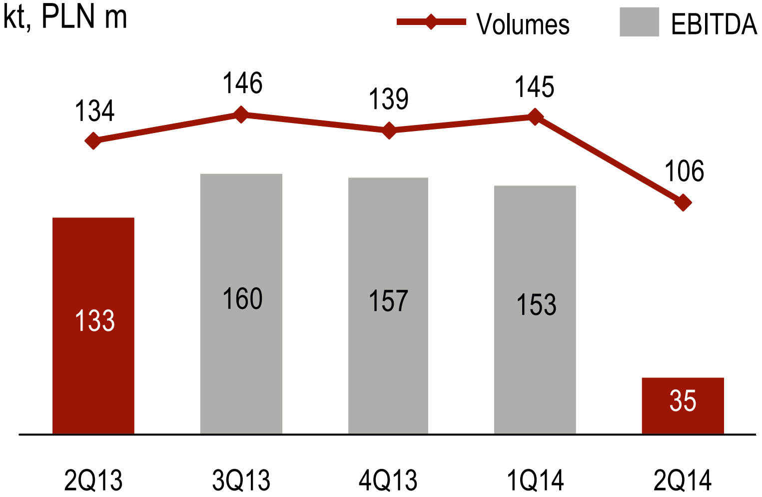
- Sales volumes decrease in total by (-) 2% (y/y) due to lower sales in Poland by (-) 8% (y/y), ORLEN Lietuva by (-) 7% (y/y) and volumes increase in Czech Republic by 20% (y/y)
- PKN ORLEN S.A.: utilization rate decrease by (-) 10pp (y/y) and fuel yields by (-) 2pp (y/y) as a result of planned FCC, Hydrocracking, H-Oil, Reforming, HDS VII and Hydrogen Plant shutdowns.
- Unipetrol: crude oil throughput increase by over 400kt resulting from increased stake in Ceska Rafinerska and lack of FCC shutdown which took place in 2Q13
- ORLEN Lietuva: lower utilisation rate by (-) 8pp (y/y) due to unfavourable macro environment at higher fuel yield by 2pp (y/y) as a result of sales structure improvement coming from limited gasoline seaborne sales as well as lower production and sales of heavy heating oil

Downstream (Petrochemicals) – operational data
Sales decrease by (-) 2% (y/y)

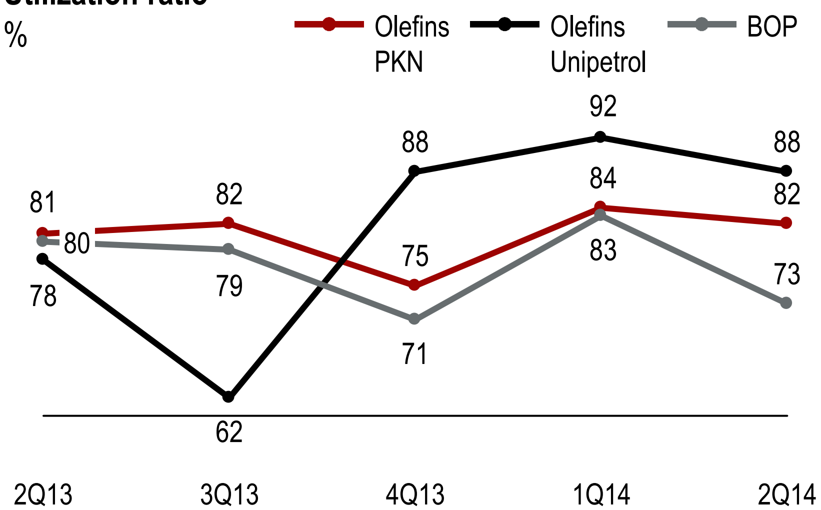
Sales volumes
mt



PTA sales volumes and EBITDA
kt, PLN m



Utilization ratio
%



- Sales volumes decreased in total by (-) 2% (y/y), of which: decrease in Poland by (-) 13% (y/y) and increase in Czech Republic by 17% (y/y)
- Lower PTA sales due to PX/PTA maintenance shutdown. PTA utilization in 2Q14 amounted to 56%
- Lower fertilisers and PVC sales resulting from shift in agricultural season to 1Q14 (mild winter) and maintenance shutdown of PVC in Anwil
- Higher olefins sales by 19% (y/y) and polyolefins by 7% (y/y) due to market situation improvement and lack of negative impact on sales volumes coming from flood in Czech Republic in 2Q13

Downstream (Energy)
Industry cogeneration project realisation

Strategic assumptions

- Concentration on industrial cogeneration – projects with the highest profitability / the lowest risk, among others, thanks to guarantee of permanent receiving of steam, which enable to achieve very high efficiency
- Good locations and synergies of gas energy with other segments
- Adaptation of projects to local conditions
- Natural gas as strategic importance fuel for PKN ORLEN

Building a CCGT plant in Wloclawek (463 MWe)

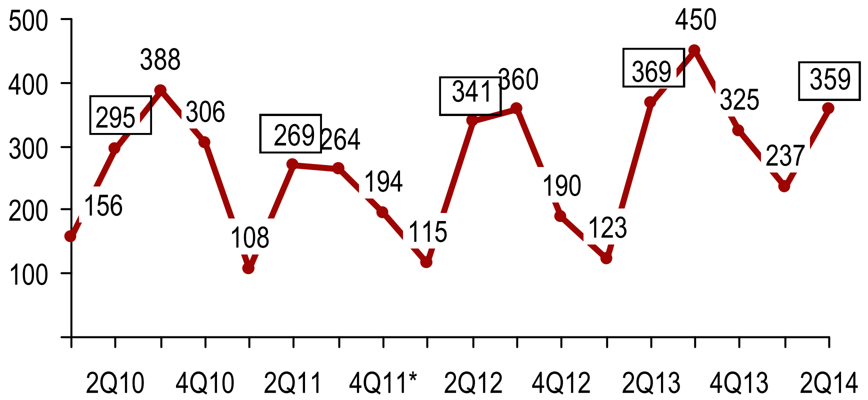
- In 2Q14 finished major construction works. Assembly works of engine room and boiler are in progress. Completed assembly of fan cooler. Successful deliveries of key components were realized i.e. gas turbine and generator.
- 20 subcontractors are involved (over 400 people)
- In 3Q14 continuation of assembly of all components is planned
- Energy and gas connections (PSE Operator i Gaz System) realized according to schedules
- Total CAPEX PLN 1,4 bn. Start-up of production in 4Q15

Concept of building a CCGT in Plock (600 MWe)

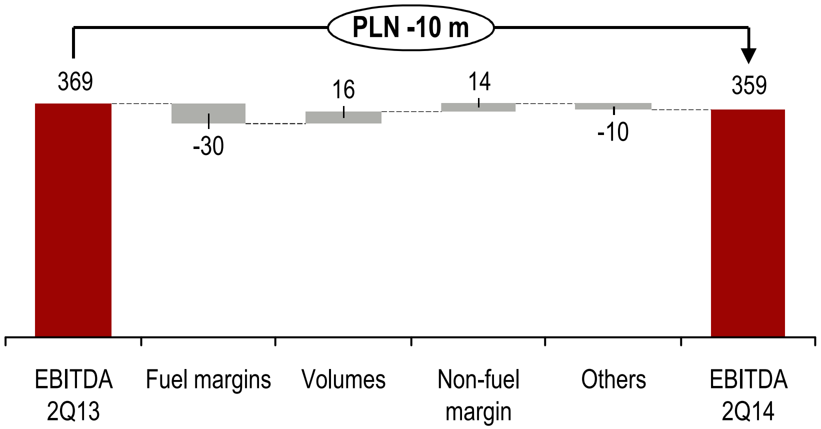
- The process of selecting the contractor to build the power plant in the turnkey formula and long-term service agreement are in progress
- The construction of block designing is in progress
- Finishing of arrangements with PSE regarding energy connection agreement to KSE
- The final investment decision at positive results of the profitability analysis of the project

Retail – EBITDA LIFO
Maintained very good result

EBITDA LIFO quarterly (without impairments*)
PLN m



EBITDA LIFO – impact of factors
PLN m



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- Better non-fuel margins (y/y)
- Sales and market share increase in Poland, Czech Republic and Lithuania
- Sales volumes in total increase by 1% (y/y) also due to higher consumption of fuels.
- Higher number of Stop Cafe and Bistro Cafe locations (y/y)

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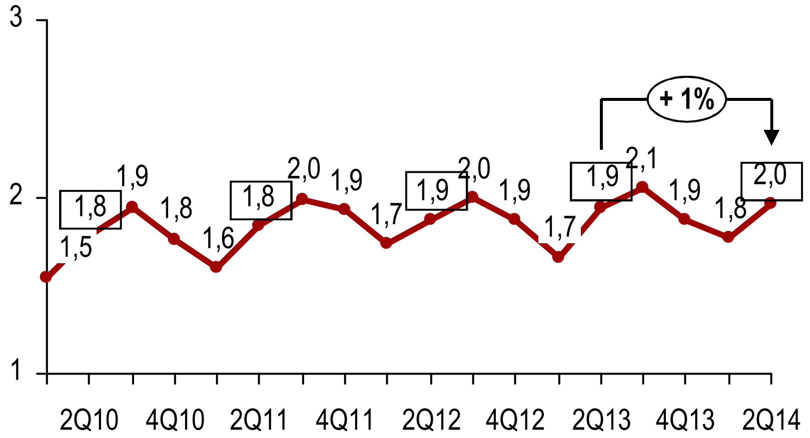
- Maintaining 'grey zone' in the Czech Rep. and Poland
- Decrease of fuel margins in Germany and Czech Republic (y/y)

* Impairments: 4Q11 = PLN (-) 0,1 bn

Retail – operational data
Sales increase by 1% and Stop Cafe & Bistro Cafe by 280 (y/y)

ORLEN

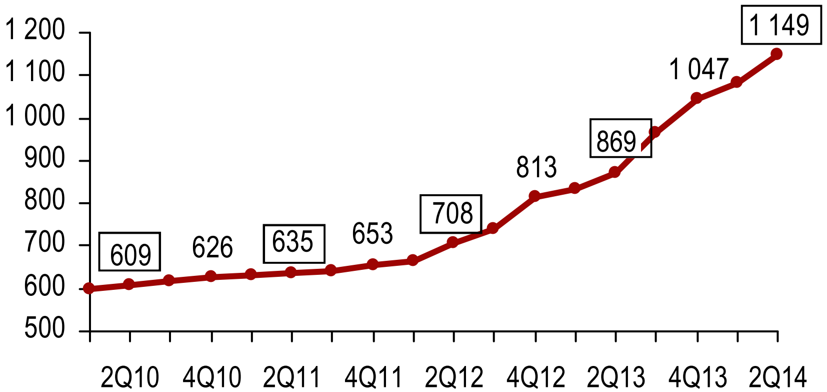
Sales volumes
mt



Number of petrol stations and market shares (by volume)
#, %

	# stations	Δ y/y	% market	Δ y/y
PL	1 761	-14	36,0%	1,2 pp
CZ	338	1	14,9%	0,8 pp
DE	556	-2	5,9%	0,0 pp
LT	26	0	3,5%	0,3 pp

Number of Stop Cafe and Bistro Cafe in Poland
#



- Sales volumes increase in total by 1% (y/y), of which: Poland by 2% (y/y), Czech Republic by 7% (y/y), Lithuania by 15% (y/y) and Germany by (-) 1% (y/y)
- 2681 stations at the end of 2Q14, i.e. decrease of total # of stations by (-) 15 (y/y) mainly due to shutdowns in Poland as a result of new regulations implementation
- Dynamic development of non-fuel offer by launching in 2Q14 further 68 new Stop Cafe and Bistro Cafe locations in Poland

Upstream
Exploration projects in Poland

Poland

Exploration projects of shale gas

- Currently 10 wells finished: 7 vertical and 3 horizontal as well as 2 fracking
- Concentration on the most promising areas

Lublin Shale

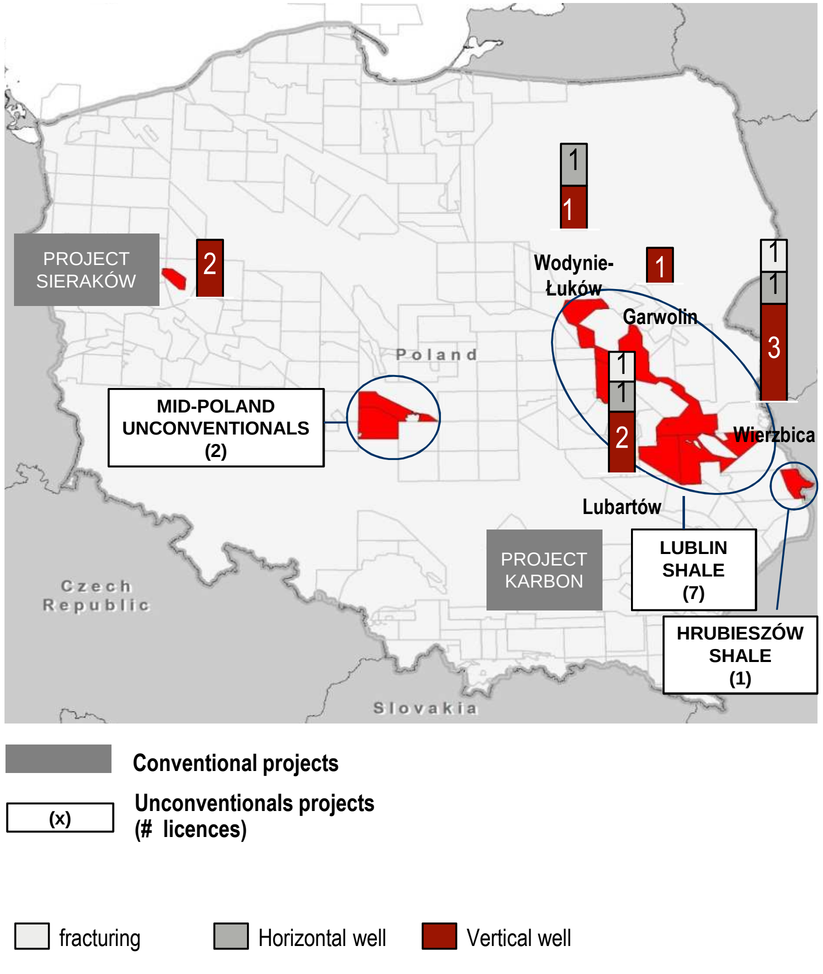
- In 2014 one well done: 1H Wodynie-Łuków.
- To the end of 2014 two drills are planned: 1H Wierzbica + 1V Wołomin and 1 fracking (Wodynie-Łuków)

Mid-Poland Unconventionals and Hrubieszów Shale

- Processing and interpretation of seismic data finished in 2Q14
- Within the framework of Mid-Poland Unconventionals project the decision to not extending of the concession was made*

Conventional projects

- Currently 2 wells finished
- **Project Sieraków** – in 2Q14 continuation of analysis of project's potential (2 wells finished)
- **Project Karbon** – in 2Q14 start of first exploration drill and continuation of processing and interpretation of seismic data on Bełżyce and Lublin concessions.



- **EBITDA 2Q14 before impairment**: PLN (-) 11 m
- **CAPEX 2Q14**: PLN 30 m

* Write-downs of value of expenditures in the total amount of PLN (-) 8 m as a result of expiry of „Łódź" concession in July 2014

Upstream
Production projects in Canada. 48 m boe (2P) of total reserves.

Canada

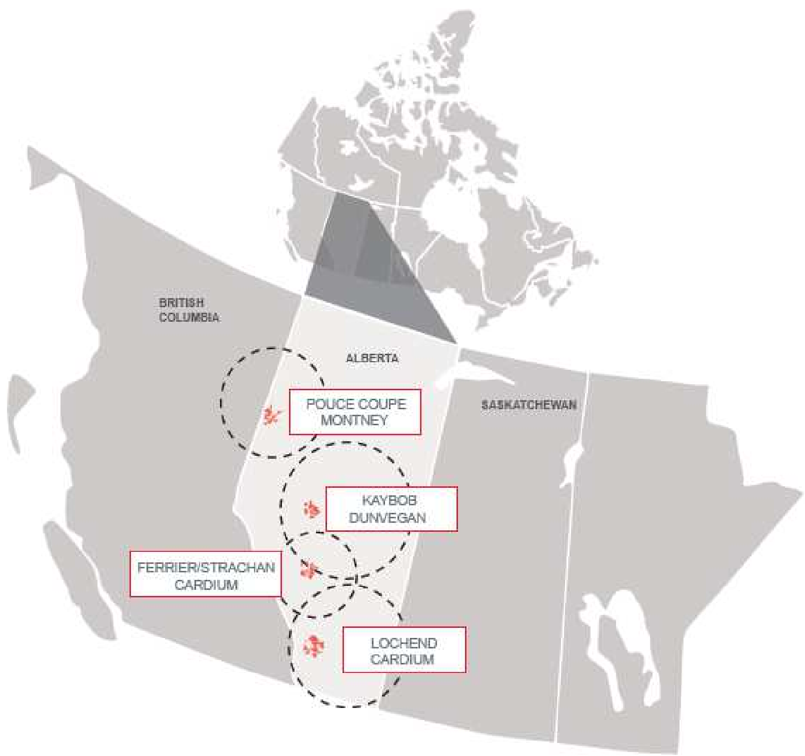
TriOil – upstream company

Assets

- Closing of the acquisition of 100% Birchill Exploration LP shares in June 2014 (second PKN ORLEN acquisition in Canada)
- Value of the transaction PLN 708m
- Birchill Exploration LP was merged with TriOil
- Currently portfolio of assets in Canadian Alberta province is located on four areas: Lochend, Kaybob, Pouce Coupe and Ferrier/Strachan
- Total reserves: ca. 48 m boe of crude oil and gas (2P)

2Q14

- Average production: 4,5 th boe/d TriOil (57% liquid hydrocarbons), included 0,5 th boe/d Birchill taking into account 13 days of production (3,5 th boe/d Birchill assuming full quarterly consolidation)
- Impact of realized wells: lack due to annual technical break



- **EBITDA 2Q14**: PLN 38 m
- **CAPEX 2Q14**: PLN 732 m, including PLN 708 m for acquisition of Birchill Exploration LP

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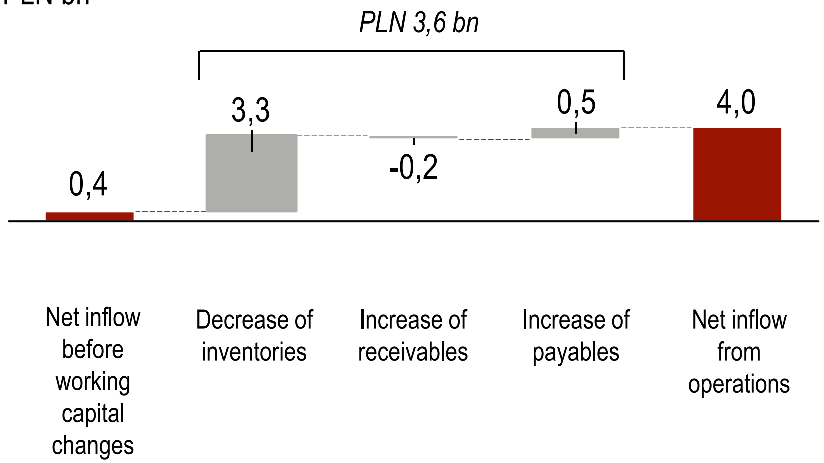
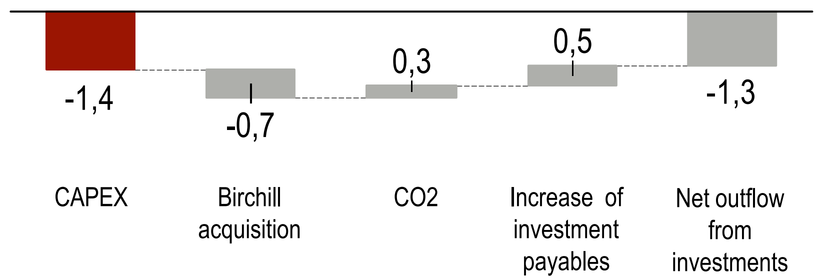
Cash flow in 2Q14
Working capital decrease by PLN 3,6 bn

Cash flow from operations
PLN bn



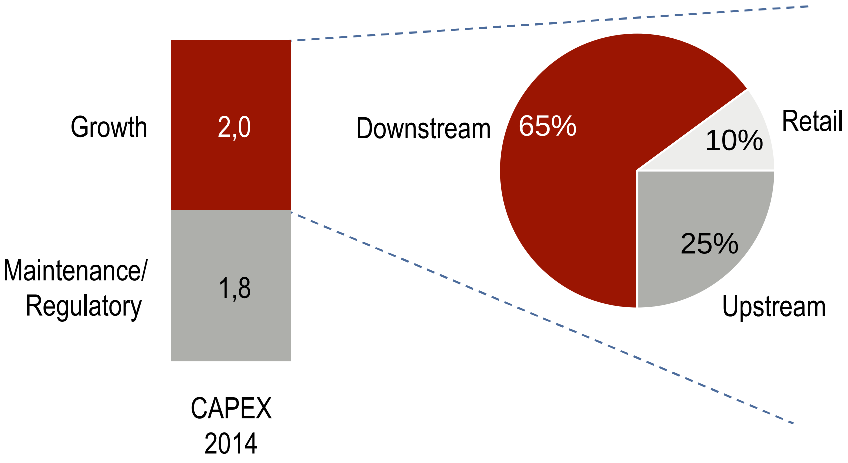
Cash flow from investments
PLN bn



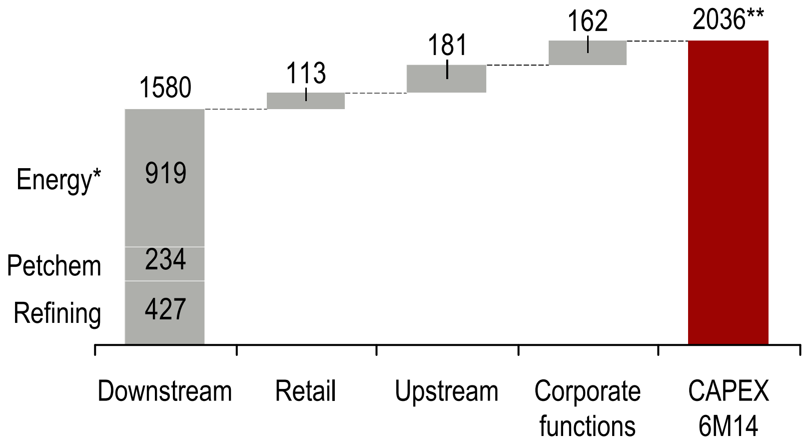
- Working capital decrease in 2Q14 mainly due to:
  - Inventory decrease due to sale of obligatory inventories tranche in the amount of PLN 2,2 bn and decrease of inventories due to finalized shutdowns
  - Increase of payables due to VAT from sold obligatory reserves in the amount of PLN 0,5 bn (to be paid in3Q14)
- Obligatory inventories in the balance sheet at the end of 2Q14 amounted to PLN 5,9 bn, of which PLN 5,0 bn in Poland. Additionally, there is 1,5 mt of obligatory reserved sold in the amount of PLN 3,2 bn (2 tranches)

CAPEX
PLN 2,7 bn in 1H14 including Birchill acquisition

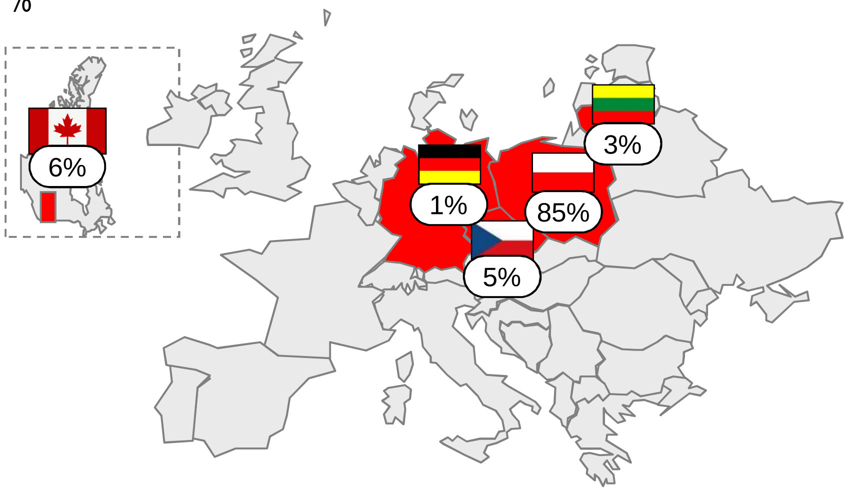
Planned CAPEX 2014 (basic pool)
PLN bn



CAPEX 6M14 (basic pool) – split by segment
PLN m



CAPEX 6M14 (basic pool) – split by country
%



Main growth projects in 2Q14

Downstream
- Increase fuel shipment capacity from terminal in Ostrów Wielkopolski
- Modernisation of control systems on Hydrogen Unit and Hydrocracking
- Limitation of acetic acid on PTA installation
- Construction of CCGT in Włocławek with infrastructure

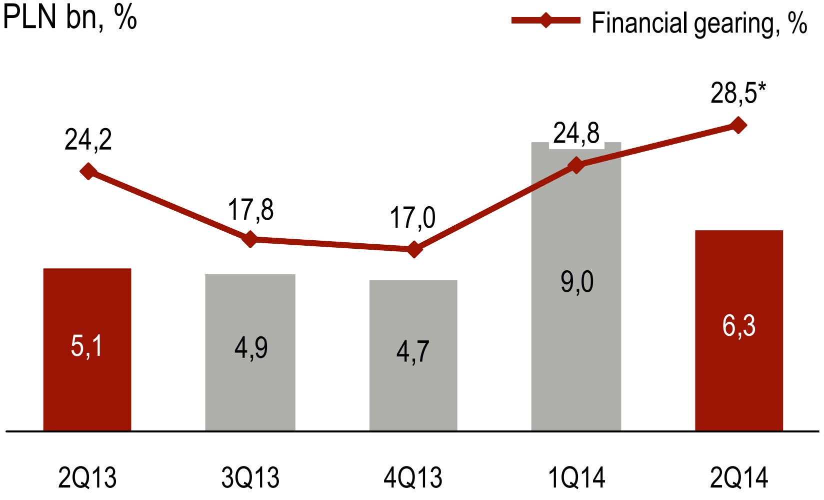
Retail
- 4 stations opened, 50 modernized, 8 closed
- 68 Stop Cafe and Stop Cafe Bistro opened

Upstream
- Canada – Birchill acquisition for PLN 0,7 bn (additional pool)

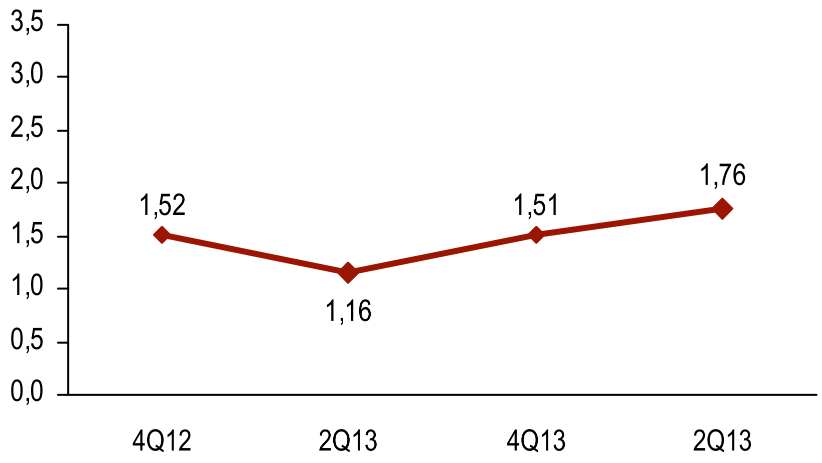
* Energy including mainly: CCGT in Włocławek (industrial energy) , Flue Gas Desulphurization and Installation of Catalytic Denitrification, SCR (production energy)
** CAPEX 2Q14 amounted to PLN 1 352m: PLN 156m refining, PLN 156m petchem, PLN 792m energy, PLN 85m retail, PLN 54m upstream, PLN 109m corporate functions

Debt

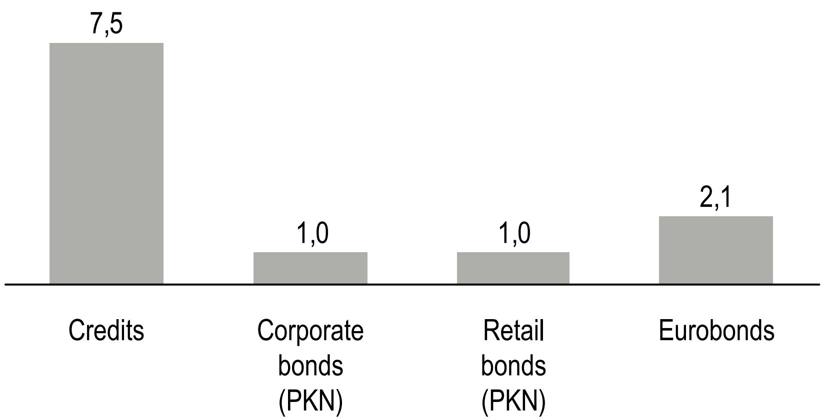
Net debt and gearing
PLN bn, %



Indicator – net debt/EBITDA LIFO**



Utilization of financial sources (gross debt)
PLN bn



- Net debt decrease by PLN 2,7bn (q/q) mainly due gross debt increase by PLN 1,8 bn and increase of cash balance by PLN 4,5 bn
- Gross debt structure:
  USD 13%, EUR 55%, PLN 22%, CZK 10%
- Diversification of financing:
  - Finalisation of the whole retail bonds issue program worth PLN 1,0 bn
  - Issue of Eurobonds in the amount of EUR 500m
- Refinancing of the main credit line up to PLNn 2,0 bn

* Financial gearing increase due to equity decrease after impairments of assets in 2Q14
** Before impairments of assets; acc. to definition included in credit agreements

Agenda

Key highlights 2Q14

Macroeconomic environment

Financial results

Segment results

Liquidity and investments

Outlook 2014

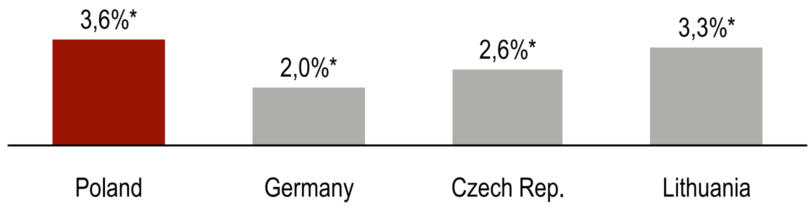
Outlook 2014

Macro - assumptions

- **Brent crude oil price** – expected a slight decrease (y/y) as a result of additional supply from Libya and Iran and slower economic growth of China. Materialize of political risks can increase crude oil prices.
- **Downstream margin** – expected improvement (y/y) due to lower crude oil prices and increase of consumption in the USA and in Europe

Economy – GDP forecast growth

- **GDP** - in 2014 Polish economy will speed up to 3,6 percent and similarly in 2015 – NBP, July 2014



- **Fuel consumption** – increase of demand for diesel, but further decrease in demand for gasoline in CEE region in 2014 - JBC Energy, October 2013

Regulatory environment

- **Grey zone** – in July 2014 the act was approved and will be in force in November 2014 implementing obligatory concessions and deposit in the amount PLN 10 m
- **Obligatory crude oil reserves** – in July 2014 act was implemented. New act gradually decreasing obligation of keeping obligatory reserves till 2017 from 76 days to 53 days
- **Energy law** – extension of support through red and yellow certificates by the end of 2018. Currently, notification process of the system by European Commission is in progress
- **Hydrocarbon act** – in July 2014 change in act was submitted for President signing. The change concern concession rules, control and supervision over E&P. Currently, the Government is working on the act concerning special hydrocarbon tax

ORLEN. Fuelling the future.

* Poland (NBP, July 2014); Germany (RGE, June 2014);
Czech Rep. (CNB, May 2014); Lithuania (Lietuvos Bankas, May 2014)

Thank You for Your attention

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Agenda

Supporting slides

Results – split by quarters (before impairments)

(PLN, m)	2Q14	1Q14	2Q13**	Δ y/y	6M14	6M13**	Δ
Revenues	28 651	24 119	28 221	2%	52 770	55 671	-5%
EBITDA LIFO	856	968	819	5%	1 824	1 729	5%
Effect LIFO	-147	-177	-439	67%	-324	-492	34%
EBITDA	709	791	380	87%	1 500	1 237	21%
Depreciation	-524	-522	-520	-1%	-1 046	-1 043	0%
EBIT	185	269	-140	-	454	194	134%
EBIT LIFO	332	446	299	11%	778	686	13%
Net result	134	139	-229	-	273	-84	-

Impairment of assets in 2Q14 in the amount of PLN (-) 5 002m in operational part and PLN (-) 833m in financial part due to 'net investment hedge'
** Restarted data based on new IFRS 11 effective from January 2014

Results – split by segments (before impairments)

2Q14 (PLN m)	Refining	Petrochemicals	Energy	Downstream	Retail	Upstream	Corporate functions	Total
EBITDA LIFO	274	339	-1	612	359	27	-142	856
Effect LIFO	-147	0	0	-147	0	0	0	-147
EBITDA	127	339	-1	465	359	27	-142	709
Depreciation	-232	-161	0	-393	-85	-20	-26	-524
EBIT	-105	178	-1	72	274	7	-168	185
EBIT LIFO	42	178	-1	219	274	7	-168	332

2Q13** (PLN m)	Refining	Petrochemicals	Energy	Downstream	Retail	Upstream	Corporate functions	Total
EBITDA LIFO	85	516	-1	600	369	-3	-147	819
Effect LIFO	-410	-29	0	-439	0	0	0	-439
EBITDA	-325	487	-1	161	369	-3	-147	380
Depreciation	-238	-167	0	-405	-87	-1	-27	-520
EBIT	-563	320	-1	-244	282	-4	-174	-140
EBIT LIFO	-153	349	-1	195	282	-4	-174	299

Impairment of assets in 2Q14 in the amount of PLN (-) 5 002m

** Restarted data based on new IFRS 11 effective from January 2014

EBITDA LIFO - split by segments (before impairments)

(PLN, m)	2Q14	1Q14	2Q13**	Δ y/y	6M14	6M13**	Δ
Refining	274	286	85	222%	560	361	55%
Refining - LIFO effect	-147	-162	-410	64%	-309	-479	35%
Petrochemicals	339	547	516	-34%	886	1 171	-24%
Petrochemicals - LIFO effect	0	-15	-29	-100%	-15	-13	-15%
Energy	-1	-1	-1	0%	-2	0	TBC
Downstream	**612**	**833**	**600**	**2%**	**1 445**	**1 532**	**-6%**
Retail	359	237	369	-3%	596	492	21%
Upstream	27	31	-3	-	58	-9	-
Corporate functions	-142	-133	-147	3%	-275	-286	4%
EBITDA LIFO	**856**	**968**	**819**	**5%**	**1 824**	**1 729**	**5%**

Impairment of assets in 2Q14 in the amount of PLN (-) 5 002m
** Restarted data based on new IFRS 11 effective from January 2014

Results 2Q14 - split by companies (before impairments)

IFRS PLN, m	PKN ORLEN S.A.	Unipetrol [2]	ORLEN Lietuva [2]	Others and consolidation corrections	Total
Revenues	21 190	4 922	5 167	-2 628	28 651
EBITDA LIFO	411	147	-2	300	856
Effect LIFO[1]	-195	21	25	2	-147
EBITDA	216	168	23	302	709
Depreciation	-243	-95	-89	-97	-524
EBIT	-27	73	-66	205	185
EBIT LIFO	168	52	-91	203	332
Financial income	1 082	11	0	-1 059	34
Financial costs	-91	-36	-25	16	-136
Net result	973	53	-74	-818	134

1) Calculated as a difference between operational profit acc. to LIFO and operational profit based on weighted average
2) Presented data shows Unipetrol Group and ORLEN Lietuva results acc. to IFRS after taking into account adjustments made for ORLEN Group consolidation.

ORLEN Lietuva Group
Key elements of the profit and loss account [1]

IFRS, USD m	2Q14*	2Q14	1Q14	2Q13	Δ y/y	6M14*	6M14	6M13	Δ
Revenues	1 701	1 701	1 285	1 723	-1%	2 986	2 986	3 980	-25%
EBITDA LIFO	-1	-770	-21	5	-	-22	-791	43	-
EBITDA	7	-762	-29	-12	-	-21	-790	21	-
EBIT	-11	-780	-47	-30	63%	-58	-827	-14	-314%
Net result	-17	-875	-42	-24	29%	-59	-917	-25	-136%

- EBITDA LIFO result before considering the impairment allowances of non-current assets amounted to USD (-) 1 m and was lower by USD (-) 6 m (r/r). After taking into account impairments in the amount of USD (-) 769 m , EBITDA LIFO amounted to USD (-) 770 m.
- Lower EBITDA LIFO of downstream segment as a result of the impairments and unfavourable macroeconomic environment changes partially compensated by improvement in the sales structure.
- Lower sales volumes in 6M14 by (-) 24 % (y/y) mainly as a result of lower sales volumes in Seaborne as well as in Latvia and Estonia.
- Internal usage increase by 0,7 pp (y/y) and worsening other operational indices in 1H2014 (y/y) due to lower utilisation ratio by (-) 24pp (y/y) resulting from unfavourable macro environment.

Action plan for 2014

- Concentration on cash flow improvement
- Reduction in overhead and employment costs below USD 10 m monthly and efficiency initiatives will improve the result by over 1 USD/bbl
- Capex optimization to the level below USD 20 m annually
- Improvement in sales efficiency and increase in capacity utilization, including considered crude oil throughput service
- Releasing of cash frozen in assets
- In worsening of macro situation ready to temporary refinery shut down

* Before impairments in 2Q14

UNIPETROL Group
Key elements of the profit and loss account [1]

IFRS, CZK m	2Q14*	2Q14	1Q14	2Q13	Δ y/y	6M14*	6M14	6M13	Δ
Revenues	32 440	32 440	28 809	24 710	31%	61 249	61 249	49 486	24%
EBITDA LIFO	1 044	-3 677	1 857	663	57%	1 716	-1 819	1 101	56%
EBITDA	1 181	-3 540	1 726	-1	-	1 721	-1 814	539	219%
EBIT	549	-4 172	1 100	-588	-	463	-3 072	-658	-
Net result	346	-3 490	937	-429	-	97	-2 553	-576	-

- Revenues significantly higher by 31% y/y driven by operation of higher refining capacity from 4,5 to 5,9 mt (y/y), higher sales volumes across all segments, higher crude oil price and weaker CZK
- EBITDA LIFO result before considering the impairment allowance of non-current assets amounted to CZK 1044 m and was higher by CZK 381 m (y/y). After taking into account the impairment of CZK (-) 4721 m, EBITDA LIFO amounted to CZK (-) 3677 m.
  - Refining (before impairments) CZK 225 m (y/y) due to sales higher by 39% mainly resulting from increased production capacity
  - Petrochemicals CZK 174 m (y/y) due to olefins and polyolefins sales higher by 14% (lack of negative impact of flood in Czech Republic on sales level, which took place in 2Q13 and GDP growth). Positive influence of EUR strengthening against CZK and USD.
  - Retail CZK (-) 26 m mainly due to market pressure on fuel margins at higher sales volumes and non-fuel margins

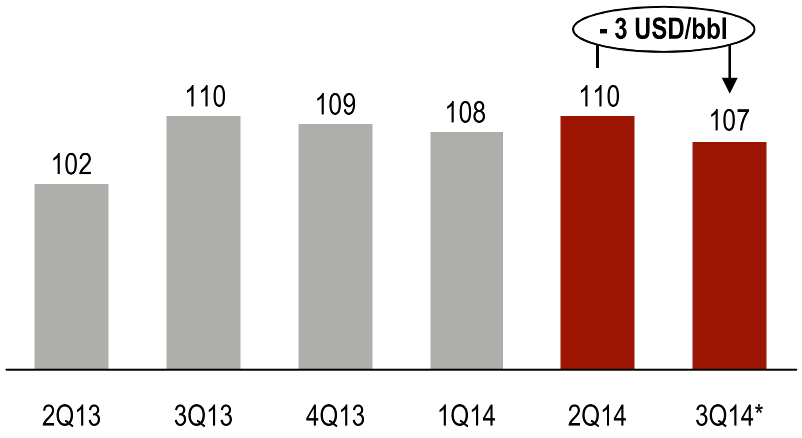
Action plan for 2014:

- Speed up of Operational Excellence Initiatives in Ceska Rafinerska
- Refining and retail sales enhancement upon grey zone limitation
- Investing in synergies between refining and petchem segments
- Regulatory affairs management in the area of renewable energy sources fee, fuels grey zone limitation and biofuel burdens
- Retail segment market share increase and non-fuel sales increase driven by expected economic recovery

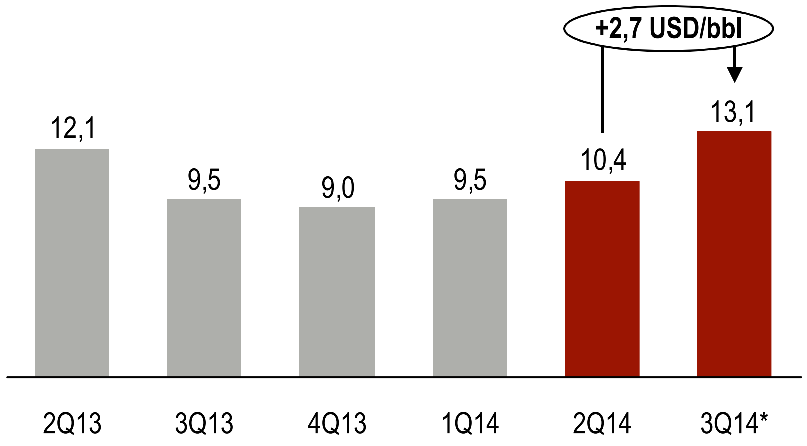
* Before impairments in 2Q14

Macro environment in 3Q14 (q/q)

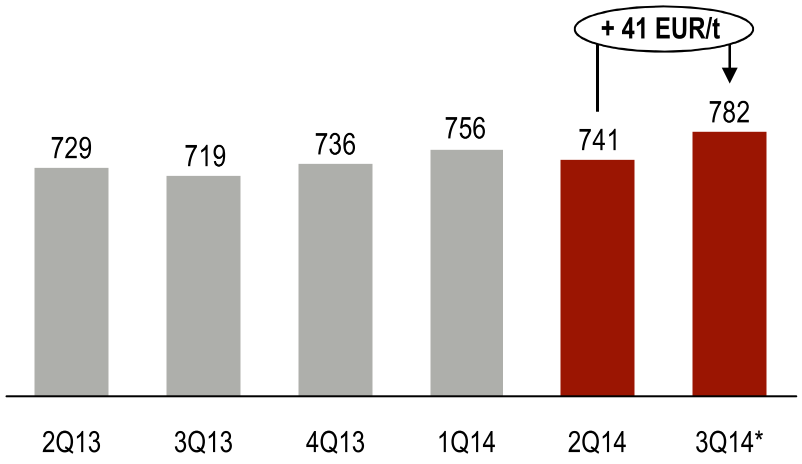
Crude oil price decrease
Average Brent Crude Oil price, USD/bbl



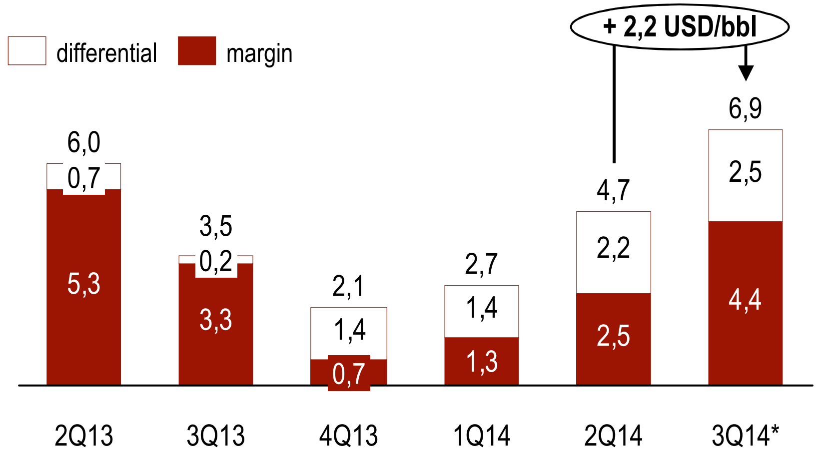
Downstream margin increase
Model downstream margin, USD/bbl



Petrochemical margin increase
Model petrochemical margin, EUR/t



Refining margin and B/U differential increase
Model refining margin and Brent/Ural differential, USD/bbl

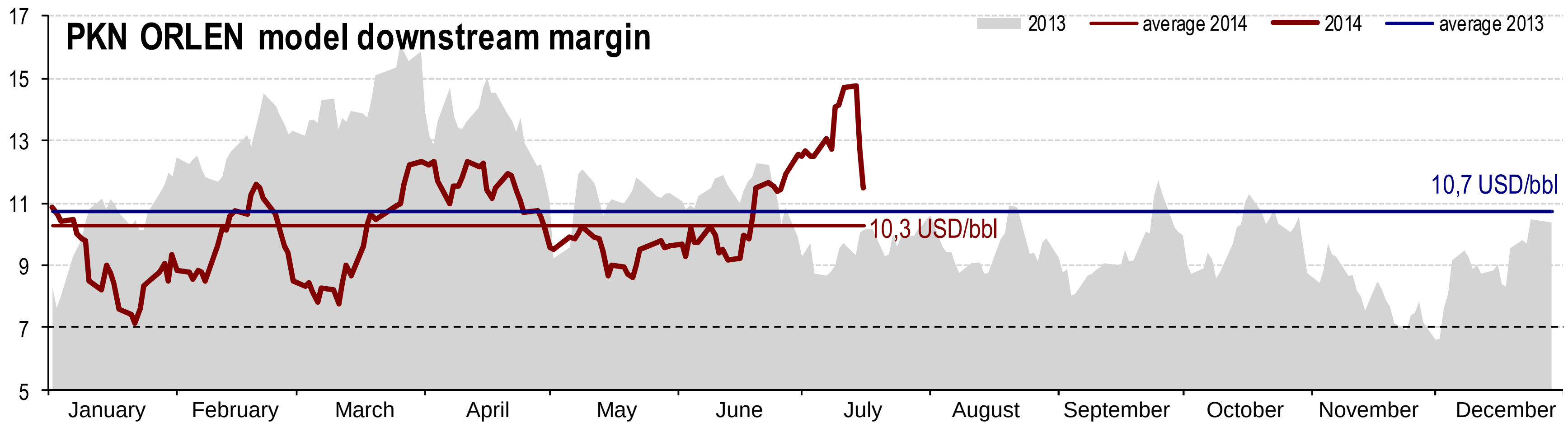


* Data as of 17.07.2014

Macro environment in 2014

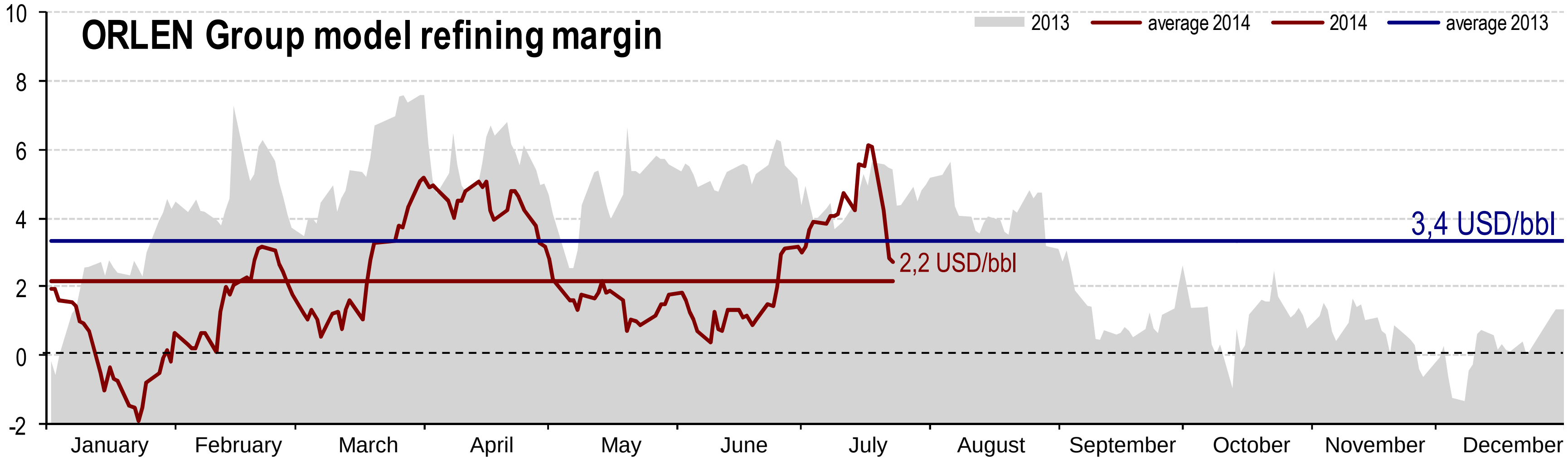
PKN ORLEN model downstream margin = revenues (90,7% Products = 22,8% Gasoline + 44,2% Diesel + 15,3% HHO + 1,0% SN 150 + 2,9% Ethylene + 2,1% Propylene + 1,2% Benzene + 1,2% PX) – costs (input 100% = 6,5% Brent crude oil + 91,1% URAL crude oil + 2,4% natural gas)

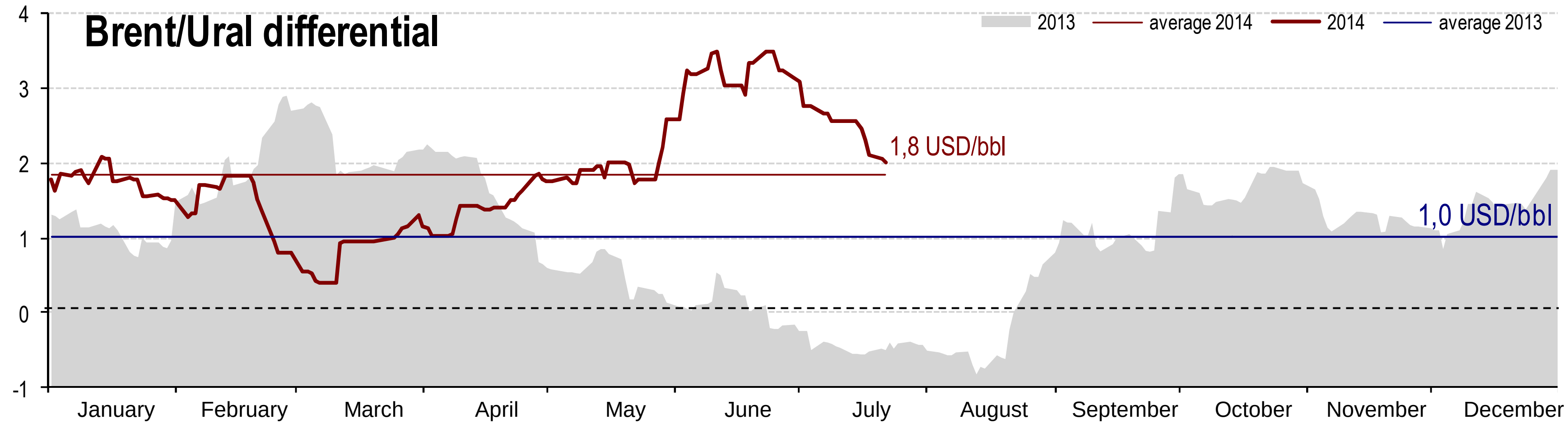
Crack margins	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Refining products (USD/t)						
Gasoline	186	187	176	120	145	195
Diesel	124	117	117	116	107	91
HHO	-242	-198	-243	-253	-251	-254
SN 150	69	205	121	127	97	149
Petchem products (EUR/t)						
Ethylene	643	594	577	608	603	562
Propylene	467	453	456	494	530	545
Benzene	433	430	334	304	411	405
PX	602	527	473	475	420	295



Data as of 17.07.2014

Macro environment in 2014





- **Crude oil price** – in the range 103 - 115 USD/bbl. Average 109 USD/bbl in 2014. Currently ca. 106 USD/bbl.
- **Model refining margin** – in the range (-) 1,9 – 6,1 USD/bbl. Average 2,2 USD/bbl in 2014. Currently ca. 2,7 USD/bbl.
- **Brent/Ural differential** – in the range 0,4 – 3,5 USD/bbl. Average 1,8 USD/bbl in 2014. Currently ca. 2,0 USD/bbl.

Data as of 17.07.2014

Production data

	2Q14	1Q14	2Q13	Δ (y/y)	Δ (q/q)	6M14	6M13	Δ
Total crude oil throughput in PKN ORLEN	6 480	6 190	6 663	-3%	5%	12 670	13 666	-7%
Utilization in PKN ORLEN	80%	78%	86%	-6 pp	2 pp	79%	88%	-9 pp
Refinery in Poland [1]								
Processed crude (tt)	3 232	3 503	3 636	-11%	-8%	6 735	7 140	-6%
Utilization	79%	86%	89%	-10 pp	-7 pp	83%	88%	-5 pp
Fuel yield [4]	75%	77%	77%	-2 pp	-2 pp	76%	76%	0 pp
Middle distillates yield [5]	44%	46%	45%	-1 pp	-2 pp	45%	45%	1 pp
Light distillates yield [6]	31%	31%	32%	-1 pp	0 pp	31%	31%	0 pp
Refineries in the Czech Rep.[2]								
Processed crude (tt)	1 331	1 125	903	47%	18%	2 456	1 799	37%
Utilization	90%	83%	80%	10 pp	7 pp	87%	80%	6 pp
Fuel yield [4]	81%	81%	80%	1 pp	0 pp	81%	80%	1 pp
Middle distillates yield [5]	46%	45%	47%	-1 pp	1 pp	46%	46%	-1 pp
Light distillates yield [6]	35%	36%	33%	2 pp	-1 pp	35%	34%	1 pp
Refinery in Lithuania[3]								
Processed crude (tt)	1 830	1 467	2 030	-10%	25%	3 297	4 531	-27%
Utilization	72%	58%	80%	-8 pp	14 pp	65%	89%	-24 pp
Fuel yield [4]	77%	73%	75%	2 pp	4 pp	75%	75%	1 pp
Middle distillates yield [5]	48%	45%	45%	3 pp	3 pp	46%	45%	1 pp
Light distillates yield [6]	29%	28%	30%	-1 pp	1 pp	29%	30%	-1 pp

1) Throughput capacity for Plock refinery is 16,3 mt/y.
2) Throughput capacity for Unipetrol increased since February 2014 from 4,5 mt/y to 5,9 mt/y as a result of stake increase in CKA. CKA [Litvinov (3,7 mt/r) i Kralupy (2,2 mt/r)].
3) Throughput capacity for ORLEN Lietuva is 10,2 mt/y.
4) Fuel yield equals middle distillates yield plus light distillates yield. Differences can occur due to rounding.
5) Middle distillates yield is a ratio of diesel, light heating oil (LHO) and JET production excluding BIO and internal transfers to crude oil throughput.
6) Light distillates yield is a ratio of gasoline, naphtha, LPG production excluding BIO and internal transfers to crude oil throughput.

Dictionary

PKN ORLEN model downstream margin = revenues (90,7% Products = 22,8% Gasoline + 44,2% Diesel + 15,3% HHO + 1,0% SN 150 + 2,9% Ethylene + 2,1% Propylene + 1,2% Benzene + 1,2% PX) – costs (input 100% = 6,5% Brent crude oil + 91,1% URAL crude oil + 2,4% natural gas)

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

Net debt = (short-term + long-term Interest-bearing loans and borrowings)– cash

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