PKN ORLEN Strategy Update 2006-2009

Igor Chalupec, President and Chief Executive Officer
Paweł Szymański, Chief Financial Officer

10th January 2006

ORLEN

Agenda

Strategy Implementation Status

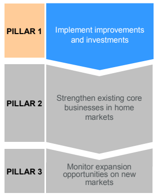
Strategy Update

Financial Targets

Supplementary Slides

Main assumptions of PKN ORLEN Strategy 2005-2009

		Strategy	
Pillar 1	Implement improvements and investments	• Change of corporate culture – remedy of the situation within the Company • Partnership Programme – efficient integration of Unipetrol with PKN ORLEN • Efficiency enhancement as a priority during the first stage of the strategy implementation ➢ Restructuring and optimisation of the retail network ➢ Implementation of the new cost reduction programme ➢ Group restructuring and implementation of management by segments ➢ Implementation of the value management system • High return capital investments in core areas of operation • Implementation of the remedy plan for Orlen Deutschland	Organic
Pillar 2	Strengthen existing core businesses in home markets	• Allocation of capital for selective acquisitions to maintain competitive edge • Retail acquisitions • Development of petrochemical operations • Review of PKN ORLEN Group portfolio and structure simplification through disposals of non-core assets	Non-organic
Pillar 3	Monitor expansion opportunities on new markets	• Monitoring the market for availability of development or interesting acquisition opportunities • Focus on markets with high growth potential	Non-organic



Strategy Implementation - Pillar 1

Change of corporate culture and introduction of modern principles of Group's management as a starting point for the Strategy implementation

- **Change in HR management policy**
  - Implementation of a new system of recruitment, assessment and incentives for the management personnel
  - Change in Group's remuneration principles and implementation of an objective-based incentive system (MBO)
  - Restructuring of Group's employment supported by Assessment Centre initiatives for senior staff based on world-class standards
- **Promotion of proper corporate behaviour**
  - Introduction of corporate governance principles
  - Introduction of the code of ethics
  - Enhancement of both internal and external communication
- **Completion of integration of CPN with Petrochemia Płock**
- **Change in the Group's management principles**
  - Redefinition of the mission and functions of supervisory and management boards at Group's subsidiaries
  - Implementation of management by segments

Strategy Implementation - Pillar 1

Redefinition of PKN ORLEN’s role in the Polish energy security system

- **Complex solution of Naftoport’s ownership situation guarantees complete security of phisical crude oil supply from other directions to PKN ORLEN**
- **Improvement of diversification through increase in number of crude oil suppliers; decrease in share of long-term contracts in supply system structure**
- **Further analyses of the upstream activity, outlined in PKN ORLEN February 2005 Strategy confirmed the right path - we prepared Upstream Development Strategy, approved by Supervisory Board in November 2005**
- **Signing of the agreement (June 2005) with Nafta Polska, Lotos Group and PGNIG with reference to possible co-operation in upstream area**
- **Co-ordination of crude oil supply between PKN ORLEN and Unipetrol**
- **Possibility to use projected pipeline Odessa - Brody - Gdańsk in supply planning**

PILLAR 1	Implement improvements and investments
PILLAR 2	Strengthen existing core businesses in home markets
PILLAR 3	Monitor expansion opportunities on new markets

Strategy Implementation - Pillar 1

Final solution to the Company's troublesome legacy

- **The new Management Board of PKN ORLEN thoroughly analysed the Company's situation**
- **Personnel without adequate qualifications have been replaced**
- **A number of audits and forensic-type analyses and inspections have been carried out**
- **The key risk areas have been identified**
- **Some of the identified issues, such as the contracts with Agrofert Holding and Conoco Phillips, irregularities at other Group companies and potential tax liabilities necessitated and may still necessitate creating provisions, and may continue to affect the Group's financial performance**
- **A number of cases have been reported to the public prosecutor as suspected crimes**
- **The Management Board seeks to remove historical issues with the Company's and shareholders' interest in mind**

PILLAR 1 Implement improvements and investments
PILLAR 2 Strengthen existing core businesses in home markets
PILLAR 3 Monitor expansion opportunities on new markets

Strategy Implementation - Pillar 1

Effective execution of the retail network development plan on the Polish market

Summary of completed actions

- **The retail network has been restructured**
  - Implementation of the distribution channels management programme
  - Appointment of 116 micro-market managers *(including 26 new ones)*
  - Centralisation and enhancement of the support functions *(finance, administration, investments)*
    - headcount reduction by 150
  - Closure of 5 service stations
- **Operating efficiency has been enhanced**
  - Retail market share decline stopped at c. 27%
  - Investment programme progressed as planned (modernisation of 64 stations at existing locations, and building of 40 stations at new locations)
  - Growth of the number of the FLOTA loyalty programme customers by 20%, to 4,600
  - 1.4% increase in non-fuel sales
- **Implementation of a two-brand strategy:**
  - Launch of BLISKA, a new Economy brand (increase in sales dynamics, after rebranding, from planned 15% to 19%)
  - Launch of VERVA, a new Premium fuel brand (VERVA's share in total fuel sales at Premium stations was 16%; originally budgeted at 10%)[2]

Key operating targets (2009)

• **Market share[1]**	**min. 30%**
including in fuel market (gasoline, diesel)	**35%**
• **Sales volume**	**4.9bn l/year**
• **Intensification of FLOTA programme share in sales**	**20%**
• **Average fuel throughput per station (CODO)**	**>2.5mm l/year**
• **Non-fuel margin in total retail margin (CODO)**	**30%**

[1] Share of PKN ORLEN retail sales in total retail fuel sales, where the total retail sales was determined as 75% of total diesel consumption and 100% gasoline & LPG consumption. Source: Company estimates, Nafta Polska, PFC Energy, Citibank Handlowy

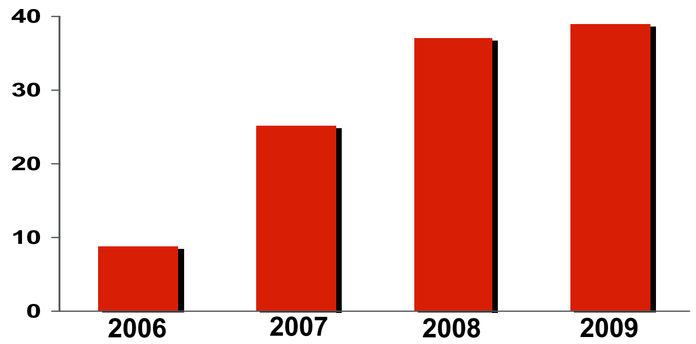
[2] In the period November – December 2005

ORLEN

Strategy Implementation - Pillar 1

Restructuring and development of Orlen Deutschland

EBITDA (mm EUR)



Key financial figures (2009)

• ROACE	18,4%[1]
• NPV	142 mm EUR
• One off expenses	81 mm EUR

- **One-off cost at a level of ca. EUR 31 mm[2]**
- **As a result of in-depth restructuring taking place chiefly in 2006, incremental operating profit shall be recorded from 2007**
- **Realization of this strategy generates the best possible positive financial results in the long term**
- **Execution of the SWAP agreements will allow PKN ORLEN to realize a ROACE for the German retail sites which, from PKN ORLEN's perspective, will be at a level acceptable to the company's strategy**
- **Acquisition of ca. 250 sites by 2009 would create the potential to gain a 10% share of the Northern German market**
- **Realization of the scenario assumes spending additionally ca. EUR 50 mm for acquisition and re-branding sites**
- **This strategy does not exclude the future sale of the business under better conditions**

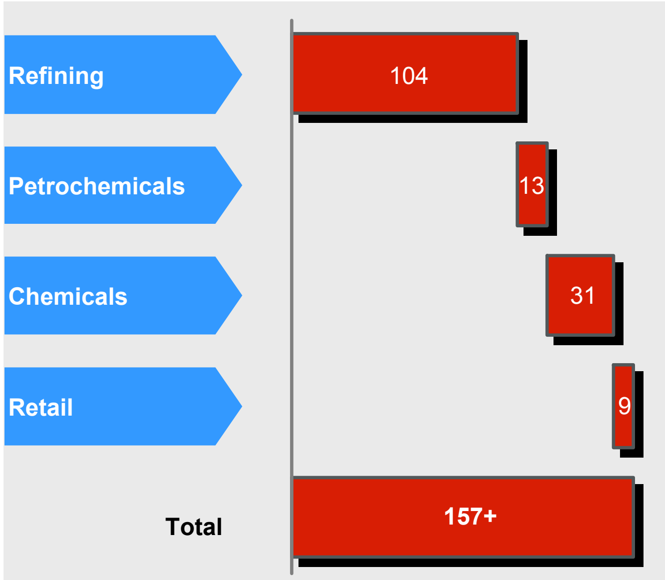
[1] Excluding effects of SWAP - ROACE = ca. 7.7%

[2] Towards these costs a 120 mm PLN provision has been created in 4Q 2005

Strategy Implementation - Pillar 1

Integration of Unipetrol - launch of the Partnership programme as a source of additional profit for PKN ORLEN

Synergies for PKN ORLEN by 2008 (PLNmm)[1]



- Co-ordination of refinery production at PKN ORLEN and Unipetrol
- Integration of fuel wholesale in Poland and the Czech Republic
- Optimisation and integration of logistics at PKN ORLEN and Unipetrol
- Co-ordination of purchases for refinery production

- Optimisation and streamlining of the technical downtime process
- Co-ordination of purchases for petrochemical production

- Integration of Spolana and Anwil operations
  - Restructuring of ammonia purchasing process
  - Optimisation of PVC sales

- Joint non-fuel purchases for the retail network
- Co-ordination of the loyalty programme
- Joint spending on the network development
- Optimisation of retail operations in southern Poland

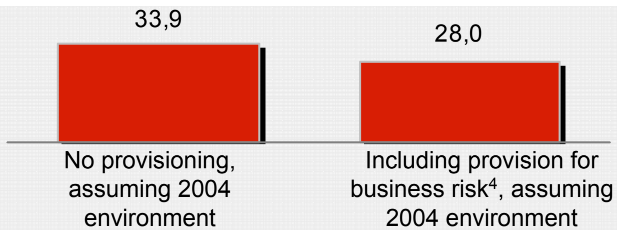
⇒ C. PLN 90 mm in synergies at PKN ORLEN to be achieved in 2006

⇒ C. PLN 4 mm CAPEX to achieve the synergies of PLN 157+ mm at PKN ORLEN

Main sources of synergies for PKN ORLEN by 2008

	2008 potential (PLN mm)[2]	%
Revenue increase	108	68
Variable costs optimisation	36	23
Fixed costs optimisation	13	9

At least PLN 625mm EBITDA growth at Unipetrol by 2008 to offer high return on investment[3]



Total investment in Unipetrol – c. PLN 2,034 mm[5]

Source: PKN ORLEN, Unipetrol

[1] Assuming 2004 macroeconomic conditions constant: Brent 38.2 USD/bbl, Brent/Ural differential 4.1 USD/bbl, refining margin 3.5 USD/bbl, EUR 1 = CZK 31.90. Synergies, in EUR: Refining 23mm, Petrochemicals 3mm, Chemicals 7mm, Retail 2mm, total over 35mm, at EUR/PLN 4.534, as in 2004

[2] Budget effect, assuming 2004 macroeconomic conditions constant

[3] Consolidated EBITDA for Unipetrol, Unipetrol Rafinérie, Paramo, Chemopetrol, Kaučuk, Spolana, Benzina – full method, Česká Rafinérská – proportionate consolidation, Agrobohemie and Aliachem – equity method. EBITDA calculation does not account for proceeds from potential asset disposals

[4] PKN ORLEN created provisions for business risk, including provisions for potential adverse financial effect of agreements concerning disposals of certain Unipetrol assets

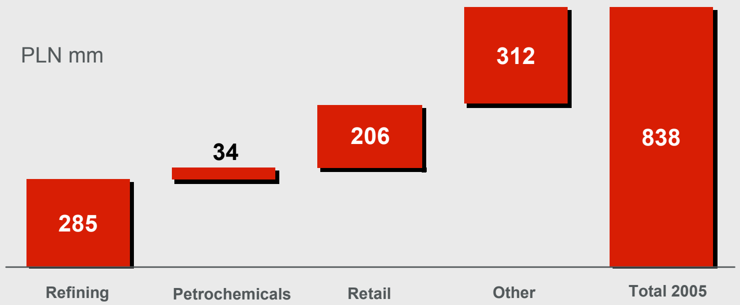
[5] Price paid by PKN ORLEN to the National Property Fund for Unipetrol shares: CZK 11.303bn + 14.55% price adjustment = EUR 428mm; agreed price of acquired debt (CZK 1.745 bn = EUR 58mm) less repayment of EUR 15mm; project costs at EUR 12mm. Total expected cost of mandatory tender offer at EUR 3.1 mm. Total acquisition cost: EUR 486mm (at CZK 30.35/EUR, and PLN 4.18/EUR as at May 24th 2005)

Strategy Implementation - Pillar 1

Cost reduction as an important source of efficiency enhancement

KPRKO

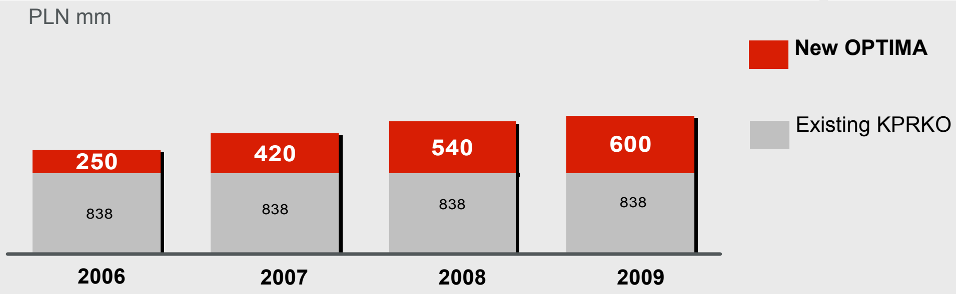
- **Preliminary estimates indicate that the previously announced cost savings in 2005 (PLN 800mm) will be exceeded**
- **6% headcount reduction in 2005**



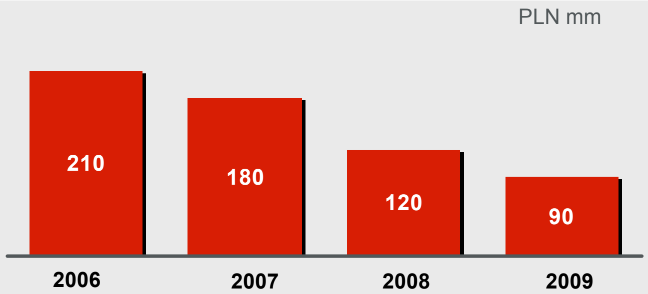
OPTIMA

- **Implementation of a new cost-cutting programme throughout the PKN ORLEN Group in order to**
  - ➢ **improve operating cost efficiency by PLN 600+ mm, and**
  - ➢ **achieve savings in capital expenditure by PLN 600+ mm**
- **Deriving conclusions from Salomon benchmarking**

Improvement of operating cost efficiency in 2006-2009[1]



Savings in capital expenditure in 2006-2009[2]



[1] Execution of all tasks as scheduled
[2] Savings in recurring investments: 20-25% in 2006-2009. Savings in one-off investments: 10% in 2006, 15-20% in 2007-2009

PILLAR 1	Implement improvements and investments
PILLAR 2	Strengthen existing core businesses in home markets
PILLAR 3	Monitor expansion opportunities on new markets

Strategy Implementation - Pillars 2 & 3

Efficiency projects were accompanied by development projects

- **Start-up of Olefin II plant following its upgrade.**
  Double increase in ethylene and propylene capacity
- **Start-up of new polyolefin plants at Basell ORLEN Polyolefins with a total production capacity above 700 kt/year**
- **Modernisation of the Aromatics Extraction plant.**
  Optimisation of aromatics management
- **Continued construction of the Hydrocracker**
- **Decision to upgrade the HON VI plant**
  Optimisation of production of sulphur-free diesel fuel
- **Preparation of a plan for development of the petrochemical operations through construction of the Paraxylene (PX) plant and the Terephthalic Acid (PTA) plant**
- **PKN ORLEN's participation in tenders for acquisition of selected assets**
- **Preparation of the upstream development strategy**

Strategy Implementation

Our actions have been well-received and recognised by the market

- Best Refinery in Central and Eastern Europe – award by World Refining Association – Central & Eastern European Refining and Petrochemicals 8-th Annual Roundtable – for the technological innovation, infrastructure, good strategy and development plans (October 21st 2005)
- First place in the Big Capitals Chemicals ranking by "Chemical Review" monthly (June 6th 2005)
- Bull and Bear Award by "Parkiet" daily – for the highest-return investment in 2004 among Polish listed companies included in the WIG 20 blue-chip index of the Warsaw Stock Exchange (February 8th 2005)
- Trusted Brand award in the "Service Station" category, by "Reader's Digest" (poll) – for customers' confidence in the brand (April 21st 2005)
- IR Excellence Among Listed Companies award - based on WarsawScan 2005 poll commissioned by NBS PR – recognition for the quality of communication, credibility, transparency and availability of IR officers (December 1st 2005)

Agenda

Strategy Implementation Status

Strategy Update

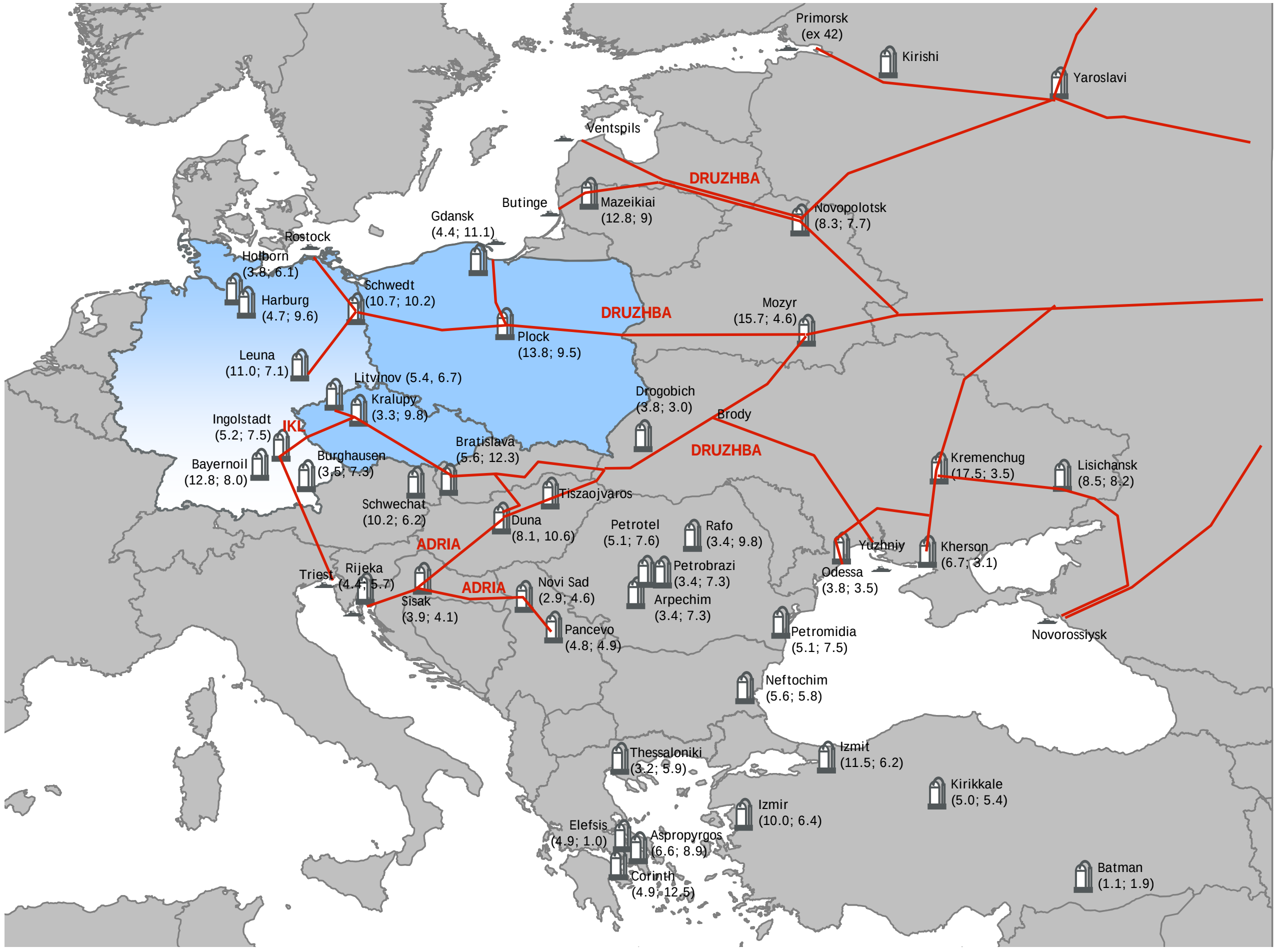
Financial Targets

Supplementary Slides

Updated Strategy assumes focus on non-organic growth along with continuation of pro-effective activities

- The change in the Group's managing principles has proved successful in restructuring which was the foundation of Pillar 1 of the strategy
- The Group's updated strategy assumes that efficiency-oriented actions will be continued, though Pillars 2 & 3 (including M&A activity) will become of key importance in the future years, particularly in view of the fact that competition will move into the M&A as growth potential in local markets is limited
- PKN ORLEN intends to actively participate in mergers and acquisitions in the refining and marketing sector, though the group of potential targets has been narrowing due to the continued consolidation of the oil sector in the region
- Positive differentiating features of PKN ORLEN are the favourable prospects for its petrochemical operations as well as the Group's proven integration track record
- PKN ORLEN intends to develop upstream expertise

Main oil assets in Central Europe



Refinery (capacity in mmtpa; Nelson complexity)

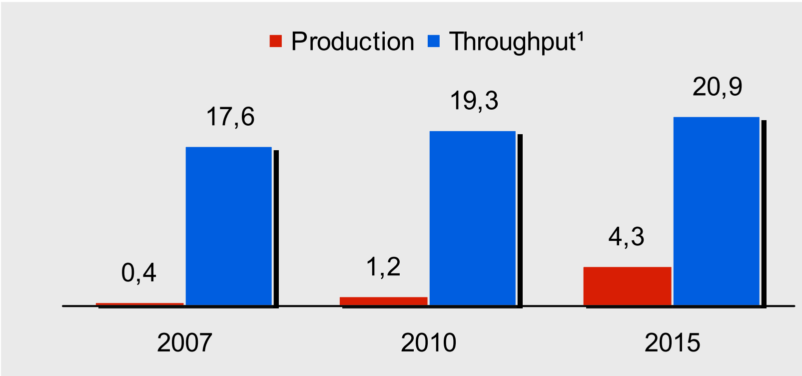
Source: Oil & Gas Journal (as of January 2005), PKN ORLEN

Upstream activities as a response to the strategic challenge of developing own feedstock base and a real opportunity to increase shareholder value

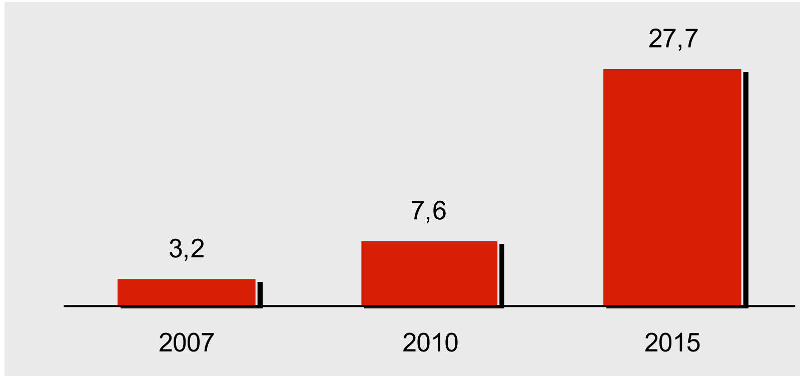
Opportunity to realize high returns on investment	• Strong sector fundamentals ➢ New opportunities stemming from the need to increase investments and the opening of countries with large oil deposits to new investments ➢ Limited risk of low crude prices • Strengthening of PKN ORLEN's competitive position • Eliminating of value gap between PKN ORLEN and main regional competitors
Ensure long-term security of cost-effective crude supplies	• Direct access to oil deposits • Decrease exposure to the narrowing Brent-Ural differential • Additional opportunities for PKN ORLEN as the government takes steps to improve the security of supplies to Poland • Diversification of crude oil and natural gas supply sources • Strengthening of the bargaining power versus suppliers

Targets for upstream development

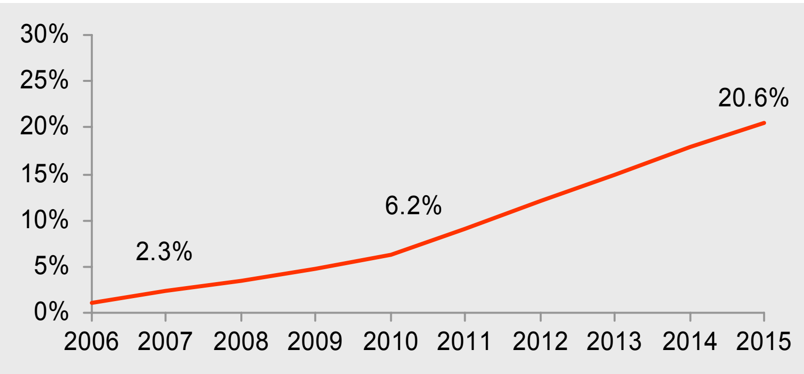
Planned production and anticipated crude throughput (mm t/year)



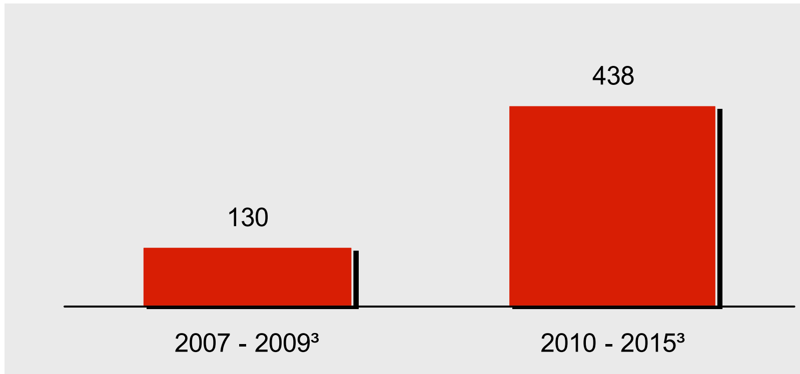
Reserves (mm t)



Integration ratio²



CAPEX (USD mm/year)



¹ Crude throughput – amount of crude processed by PKN ORLEN and Unipetrol assuming that the identified capacity-enhancing initiatives are implemented
² Integration ratio = production / throughput
³ Annualised

Assumed phased development of expertise and risk mitigation, with an option to accelerate if Phase I of the plan is successful

Phase I – mid-term horizon
2006 - 2009

- Develop the organisation and expertise
- Gradual development of upstream activities through individual asset acquisitions, with a particular focus on countries where PKN ORLEN enjoys competitive edge (Kazakhstan, Iraq, Russia)
- Investments in reserves accumulation
- Initially (2 years) focus on lower-risk producing assets
  - Acquisition of minority interests, without becoming the operator
  - Rely on outsourcing to obtain necessary resources and expertise
  - Individualised approach to each upstream acquisition
  - Choice of partners according to project requirements and characteristics
  - Preference for joint venture projects

Phase II – long-term horizon
2009 - 2015

- In mid term (5 years), involvement in development projects
  - Assume the role of an operator
  - Outsourcing mainly of technical resources
- In the long term (10 years), significant involvement in exploration and becoming the operator in selected projects
  - Stronger involvement in exploration
  - Role of an operator in selected projects
  - Complete organisation in place (including local staff and project management)
  - Development of technical skills
  - With larger internal resources, lesser need for outsourcing

Agenda

Strategy Implementation Status

Strategy Update

Financial Targets

Supplementary Slides

Assumptions of the PKN ORLEN Strategy Update 2006 – 2009

Main assumptions of the financial plan

- Reflects the acquisition of Unipetrol holding, in particular:
  - Unipetrol consolidation as at June 1, 2005
  - Unipetrol's investment IRR of 28% (including synergies)
  - 63% of Unipetrol acquired (one-off profit in 2005[1])
  - No divestitures to Agrofert and Conoco (provision made in 2005[2])
- Capex includes investments in capacity expansion—HON VII, Intensification-Butadiene, Reforming VII, PX, PTA
- Change of the consolidation method of BOP from equity to proportional as of beginning 2005
- Additional restructuring provisions
  PLN 150 mm provision created in 2005 (voluntary job resignation program)
- Reflects new strategy for retail development in Poland
- Reflects new strategy for upstream development
- Reflects the restructuring and development plan for ORLEN Deutschland
- LIFO inventory valuation
- Includes OPTIMA effects

[1] Inclusion in other operating revenues of an excess of the fair value of acquired assets over the purchase price of PLN 2,005 mm, based on initial estimate of net value of the acquired fixed assets, excluding Česka Rafinerska assets, which are under valuation.
[2] PKN ORLEN created a provision for business risk on April 2, 2005, including a provision for potential adverse financial effect of agreements concerning disposals of certain Unipetrol assets

Explanation of differences between results according to LIFO and weighted average methods at the example of crude oil

Commentary

- Change of inventories adjusts the production cost of products sold which directly impacts EBIT

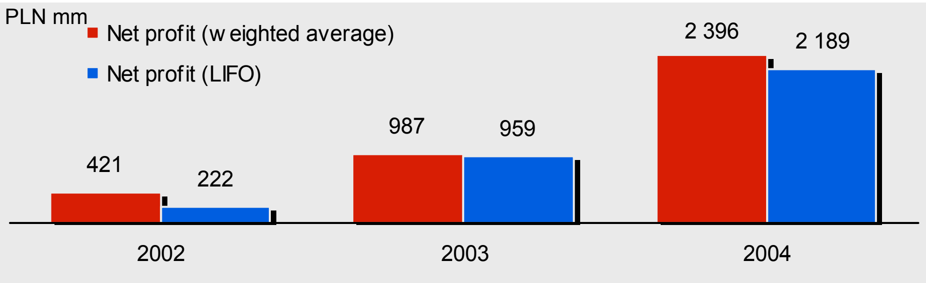
According to LIFO method:

  - Old inventories are valued at historical prices
  - New inventories are valued at current prices (*specifically from Q1 of a given year*)

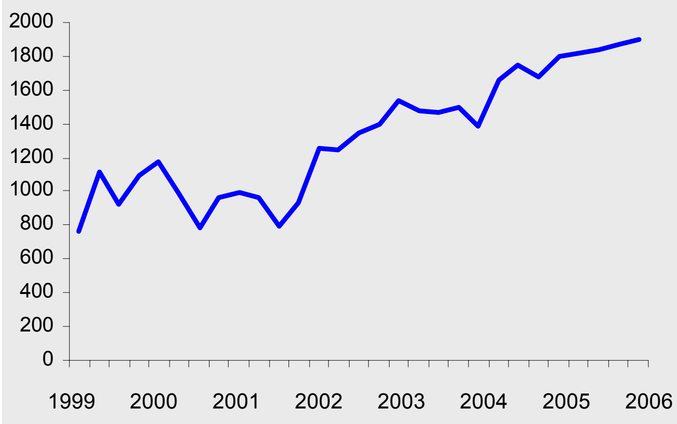
According to weighted average method:

  - Old and new inventories are valued at the same price
  - This price is equal to the weighted average of the historical prices and the purchase price in a given period

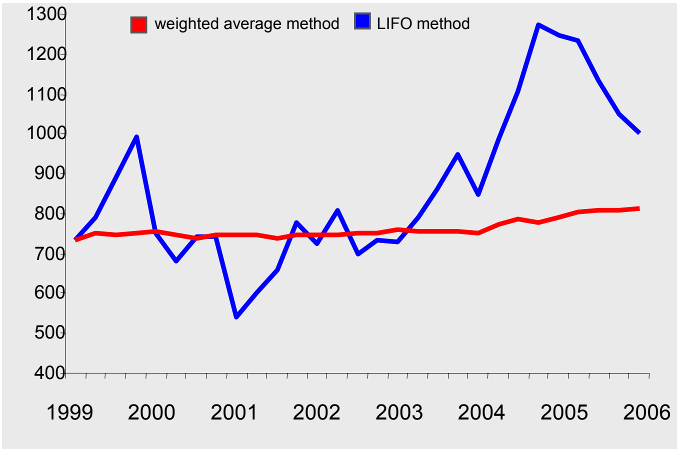
- The magnitude of difference also depends on the level of compulsory reserves that PKN ORLEN maintains in line with the regulations[1] at a level equal to a certain number of average daily production: 2004 - 51 days; 2005 - 58 days ; 2006 - 66 days ; 2007 - 73 days ; 2008 - 76 days
- In summary:
  - According to weighted average method – the value of inventory rises when oil price rises, which leads to lower costs and higher EBIT
  - According to LIFO, the above-mentioned mechanism does not take place
  - The value of inventories is materially affected by their structure, i.e. high compulsory reserves (at historical cost) which can have a significant impact on the strength of the LIFO valuation effect



PKN ORLEN crude inventories (th. tonnes)



PKN ORLEN unit crude price (PLN/t)



[1] In line with the regulation of the Minister of the Economy as of December 19, 2005 on compulsory reserves expressed in days of average daily production from the previous year

Increase of PKN ORLEN strategic goals for 2009

Strategy 2005-2009[1]

Variable scenario[2]

- **EBITDA > PLN 6.0 bn**
- **ROACE >17,5%**
- **CAPEX (average 2005-09) PLN 1.7 bn[4]**
- **Gearing 30-40%**
- **Dividend policy: Payout ratio 30%**

=

Constant scenario[3]

- **EBITDA PLN 7.9 bn**
- **ROACE 21,3%**
- **CAPEX (average 2005-09) PLN 1.7 bn[4]**

Strategy Update[1]

Constant scenario[3]

- **EBITDA PLN 10 bn**
- **ROACE >18,5 %**
- **CAPEX (average 2006-09) PLN 3.4 bn[5]**
- **Gearing 30-40%**
- **Dividend policy: based on FCFE**

[1] Refers to the Capital Group, IFRS numbers in the whole presentation if not otherwise pointed
[2] Assumes reference environment in 2009: Brent price 29.6 USD/bbl, Brent-Ural differential 2.95 USD/bbl, Rotterdam refining margin 4.46 USD/bbl, PLN/EUR 4.10, PLN/USD 3.38
[3] Assumes reference environment in 2004: Brent price 38.3 USD/bbl, Brent-Ural differential 4.1 USD/bbl, Rotterdam refining margin 5.6 USD/bbl, PLN/EUR 4.52, PLN/USD 3.65
[4] Annual average D&A (2005-2009) PLN 1.7 bn
[5] Annual average D&A (2006-2009) PLN 2.1 bn

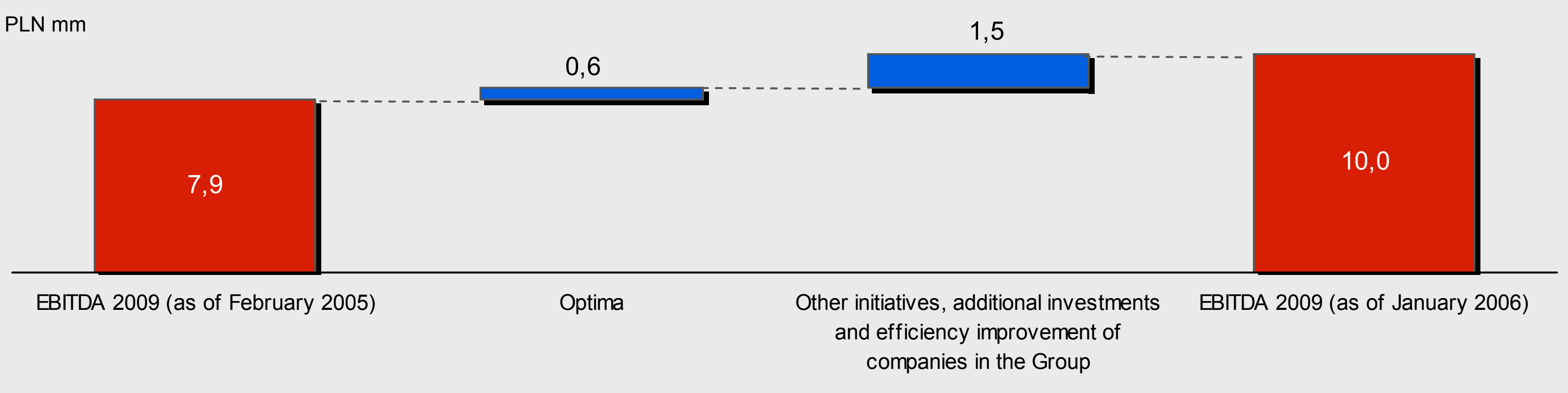
Influence of potential core business acquisitions on strategic financial targets

- **In case of major acquisition and related debt increase, maintaining an investment grade will remain a main priority for Management Board, through:**
  - consequently reducing a debt to levels set in the strategy, i.e. through adapting a dividend payouts
  - prioritizing CAPEX over time
  - aiming at disposal of non-core assets, i.e. Polkomtel
- **Within 2006-2009, PKN ORLEN Group envisages to finance its base CAPEX from operational cash flows.**

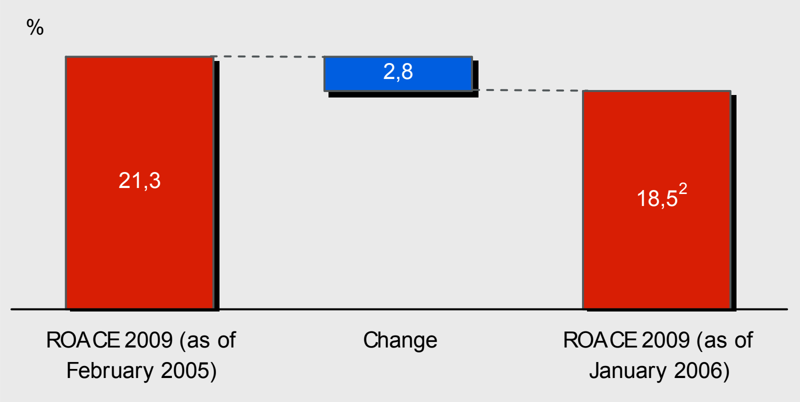
Further EBITDA growth

Comparison in constant 2004 macroeconomic environment[1]

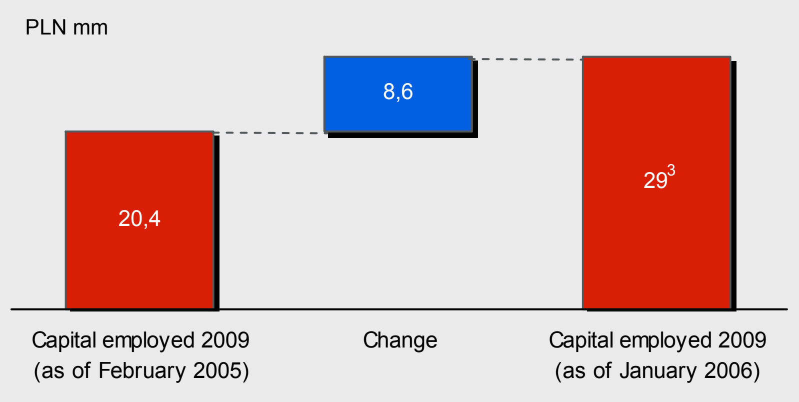
EBITDA 2009



ROACE 2009



Capital employed 2009

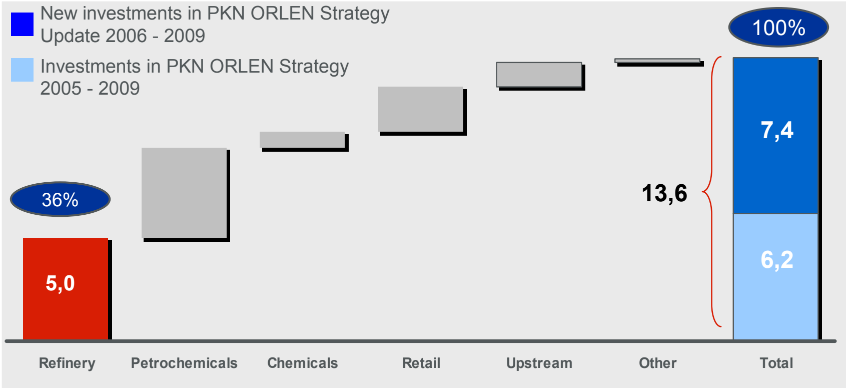


¹ Assuming comparable environment as 2004 average: Brent price 38.3$/b, Brent-Ural differential 4.1$/b, refining margin 5.6 $/b, PLN/EUR 4.52; PLN/USD 3.65
² Minimal value
³ Maximal value

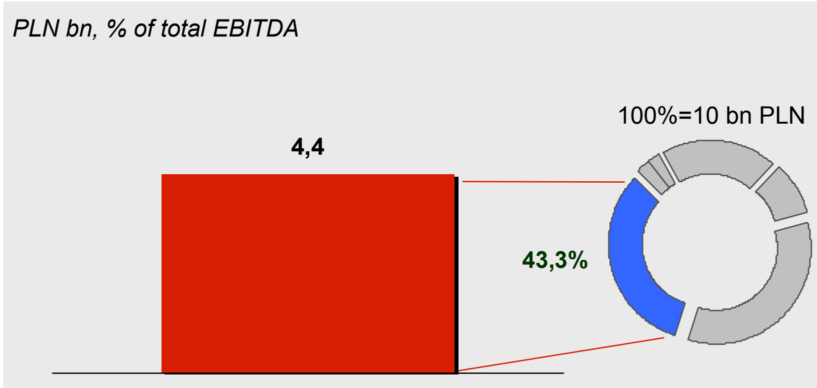
Refinery (refining and oil segments)

EBITDA and investment plan

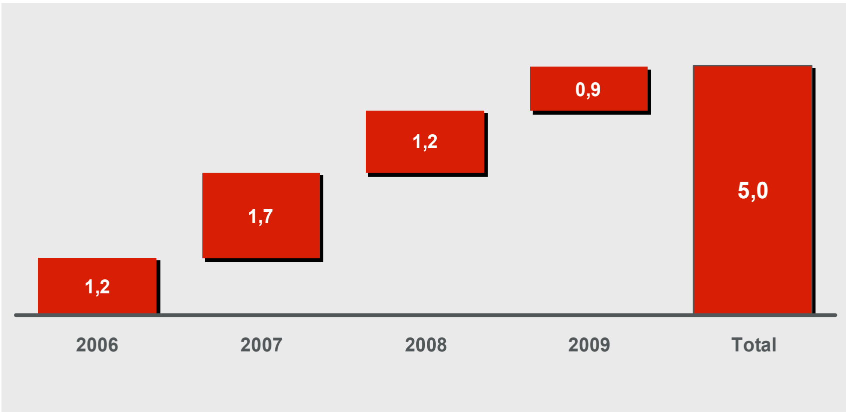
Refinery segment CAPEX 2006-2009
(PLN bn, % of total CAPEX)



Refinery segment EBITDA in 2009
(PLN bn, % of total EBITDA)



Investments in PKN ORLEN Group 2006-2009 (PLN bn)

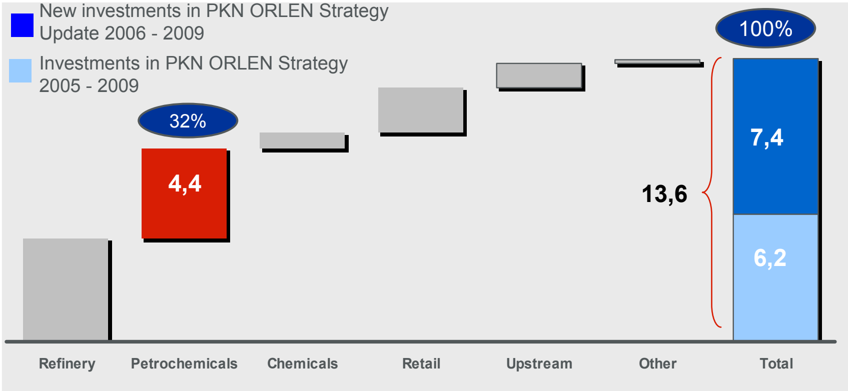


Key projects and initiatives in Refinery segment

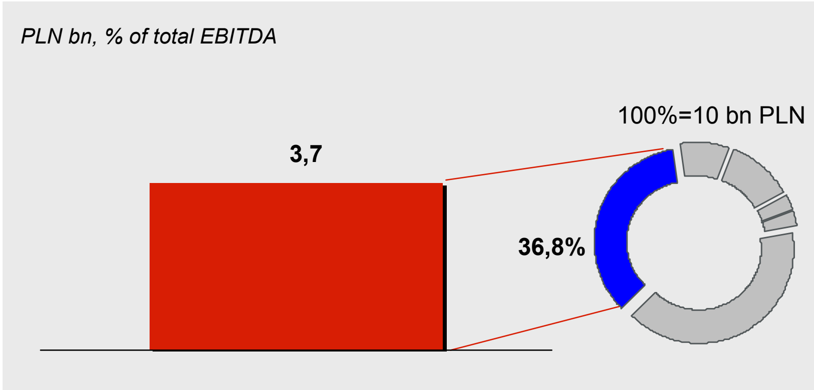
- Capex includes, among others, investments in capacity increase:
  - HON VII
  - Intensification – Butadiene
  - Reforming VII
  - Crack Gasoline Desulphurisation
  - Ostrów Wlk – Wrocław Pipeline
  - Ethyl benzene Installation
  - New hydrocracker revamp (Unipetrol)
  - Selective hydrogenation of FCC gasoline (Unipetrol)
  - NOx reduction – EPC phase (Unipetrol)

Petrochemicals
EBITDA and investment plan

Petrochemicals segment CAPEX 2006-2009
(PLN bn, % of total CAPEX)



Petrochemicals segment EBITDA in 2009
(PLN bn, % of total EBITDA)



Investments in PKN ORLEN Group 2006-2009 (PLN bn)

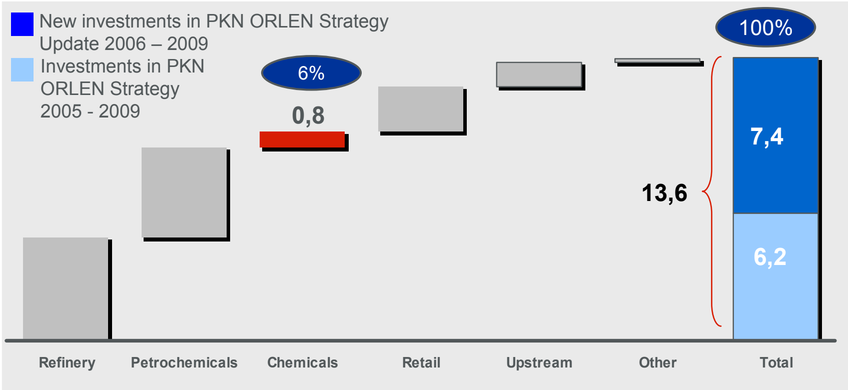
Key projects and initiatives in Petrochemicals segment

- Capex includes, among others, investments in capacity increase through installation of PX i PTA
- Increase of EBITDA share in total EBITDA of PKN ORLEN Group to ca. 37% in 2009
- Steamcracker expansion (Chemopetrol)
- Control system modernisation (Chemopetrol)
- New butadiene unit (Kaucuk)

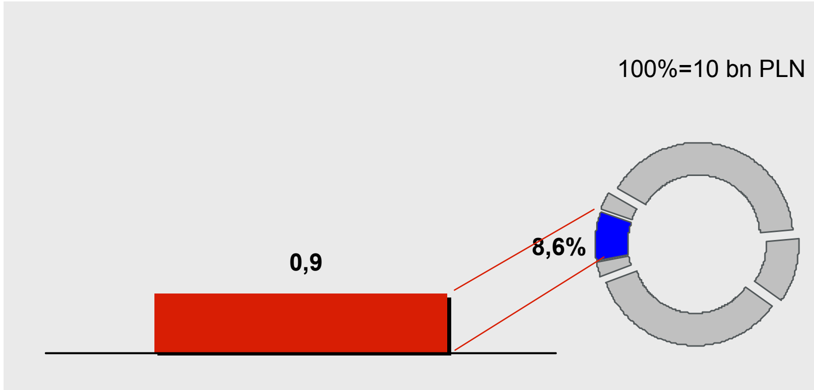
Chemicals

EBITDA and investment plan

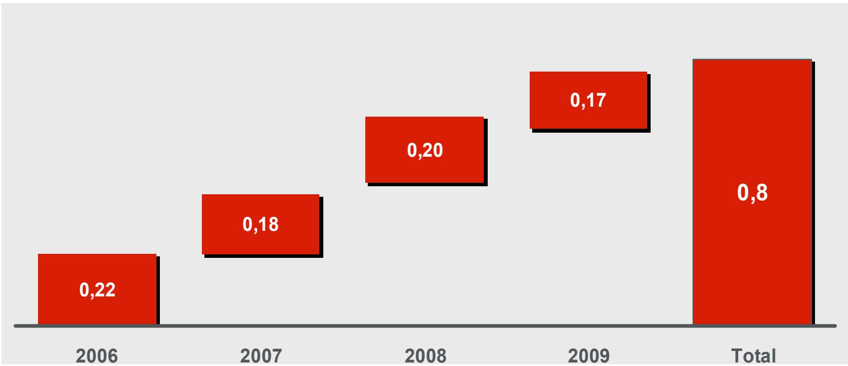
Chemicals segment CAPEX 2006-2009
(PLN bn, % of total CAPEX)



Chemicals segment EBITDA in 2009
(PLN bn, % of total EBITDA)



Investments in PKN ORLEN Group 2006-2009 (PLN bn)

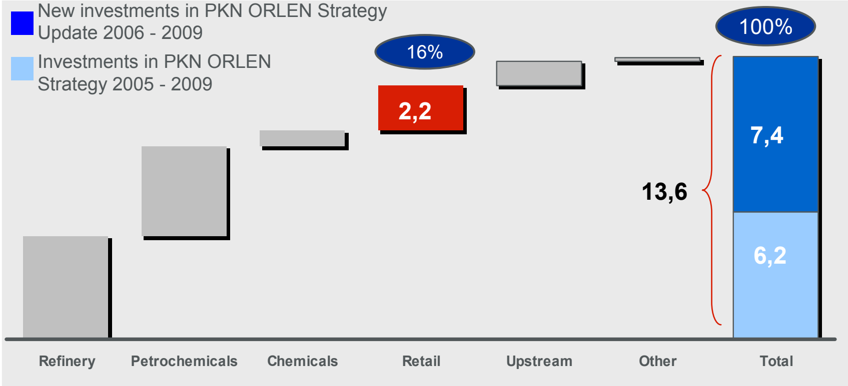


Key projects and initiatives in Chemicals segment

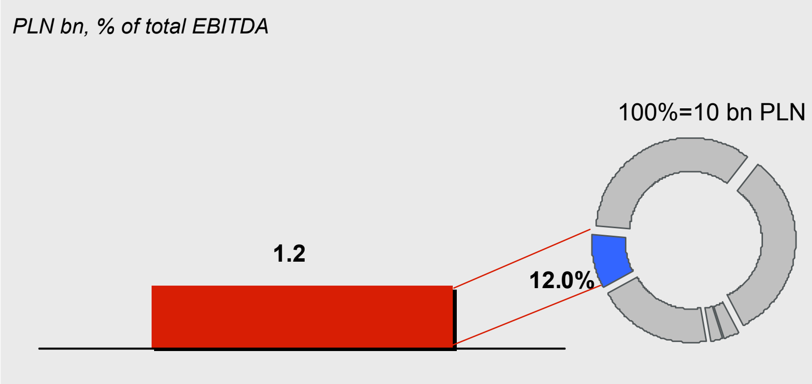
- Investment in PVC instalation (Spolana)
- Increase of storage capacity for PVC (Spolana)
- Increase of production capacity PCV (Anwil)
- Increase of storage capacity (Anwil)

Retail
EBITDA and investment plan

Retail segment CAPEX 2006-2009
(PLN bn, % of total CAPEX)



Retail segment EBITDA in 2009
(PLN bn, % of total EBITDA)



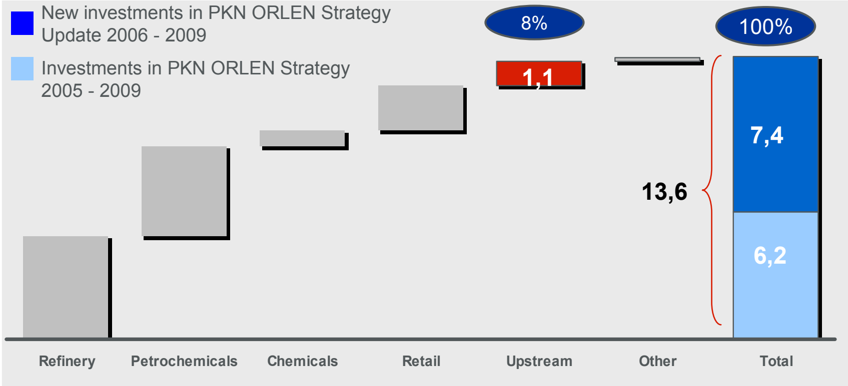
Investments in PKN ORLEN Group 2006-2009 (PLN bn)

Key projects and initiatives in Retail segment

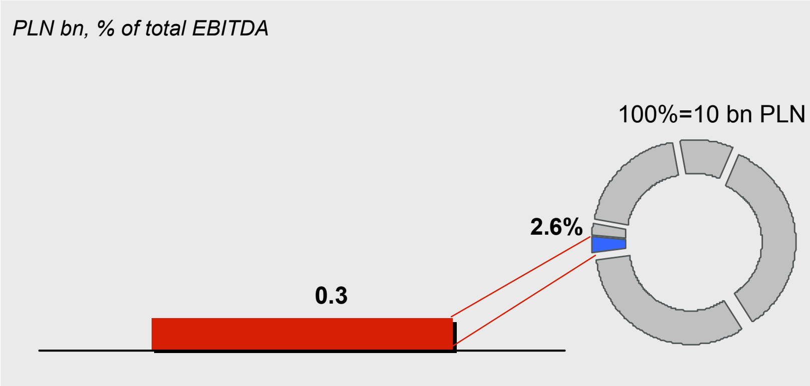
- Capex includes, among others, investments in construction, modernization and rebranding of service stations in Poland
- Investments related to the realization of restructuring plan in Orlen Deutschland
- Increase of EBITDA share in total EBITDA of PKN ORLEN Group to c. 12% in 2009

Upstream
EBITDA and investment plan

Upstream segment CAPEX 2006-2009
(PLN bln, % of total CAPEX)



Upstream segment EBITDA in 2009
(PLN bln, % of total EBITDA)



Key projects and initiatives in Upstream segment

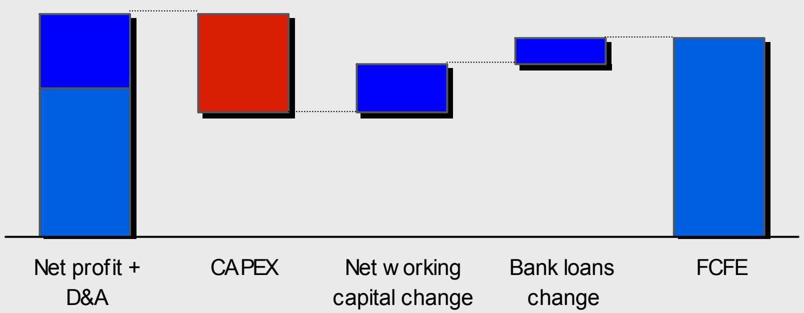
- Investments in gradual accumulation of reserves
- Acquisition of minority interests without becoming the operator
- Reliance on outsourcing to obtain necessary resources and knowledge
- Individual approach to each upstream asset acquisition

New proposal of dividend policy

PKN ORLEN investment goals and opportunities – new reference point

- **Proposal of a new reference point for dividend policy – PKN ORLEN investment goals and opportunities**
  - **taking into account mergers and acquisitions**
  - **allowing for maintaining the optimal capital structure determined by the following ratios**
    - **Indebtedness levels not higher than Net Debt / EBITDA of 1.5 – 2.0**
    - **Net Debt / Capital of 30%**

Free Cash Flow to Equity (FCFE)



- **PKN ORLEN aims to pay dividends equal or higher than 50% of FCFE**
- **The new system is expected to be implemented in 2007 (dividend payment for 2006)**

- **In case of Polkomtel sale and lack of large capital expenditure and expected debt repayment – PKN ORLEN intends to create a Dividend Fund that will allow for higher dividends in subsequent years subject to other commitments related to investments or debt level optimisation**
- **In case of a material acquisition, return to safe levels of indebtedness will be a priority, which may lead to no or very limited dividend according to the FCFE-based approach**
- **In order to better match the payments with the current financial liquidity of PKN ORLEN, the Management may use advance payments or payments in instalments**

Agenda

Strategy Implementation Status

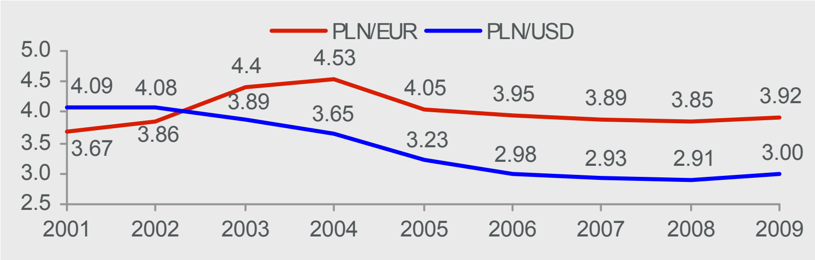
Strategy Update

Financial Targets

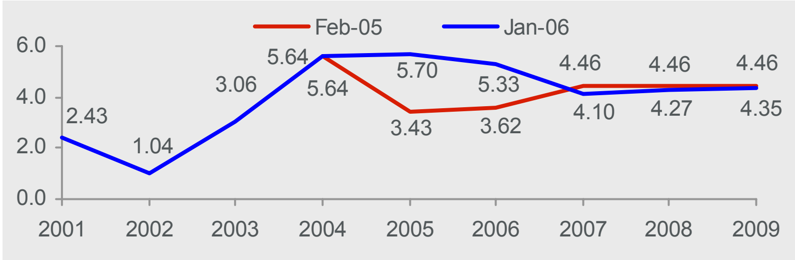
Supplementary Slides

Comparison of PKN ORLEN macroeconomic assumptions (Strategy – February 2005 v. Strategy Update – January 2006)

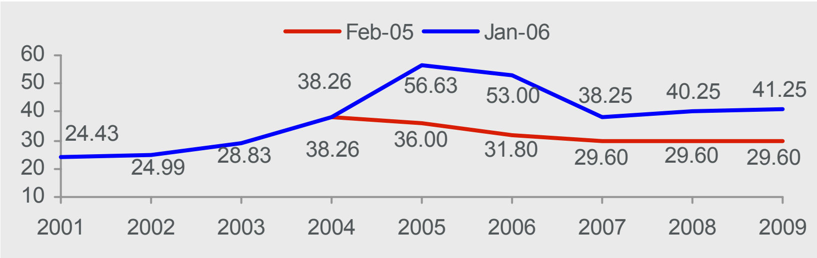
Exchange rates – January 2006 forecasts[1]



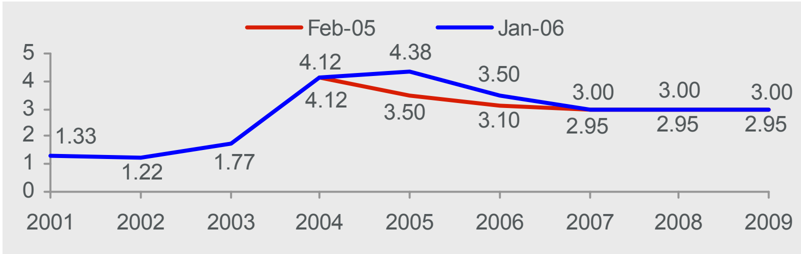
Refining margin (USD/bbl)



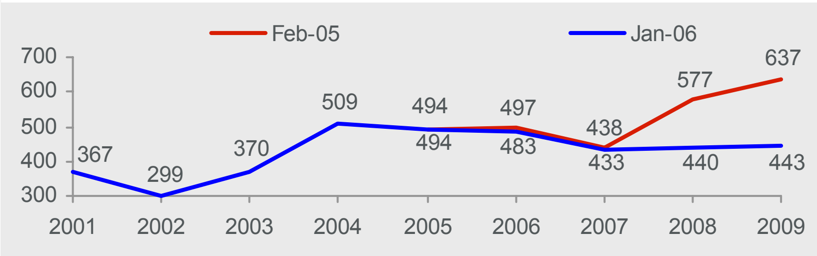
Brent (USD/bbl)



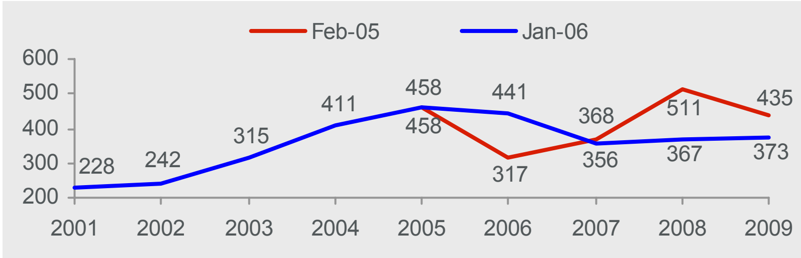
Brent/Ural differential (USD/bbl)



Ethylene crack margin (USD/t)



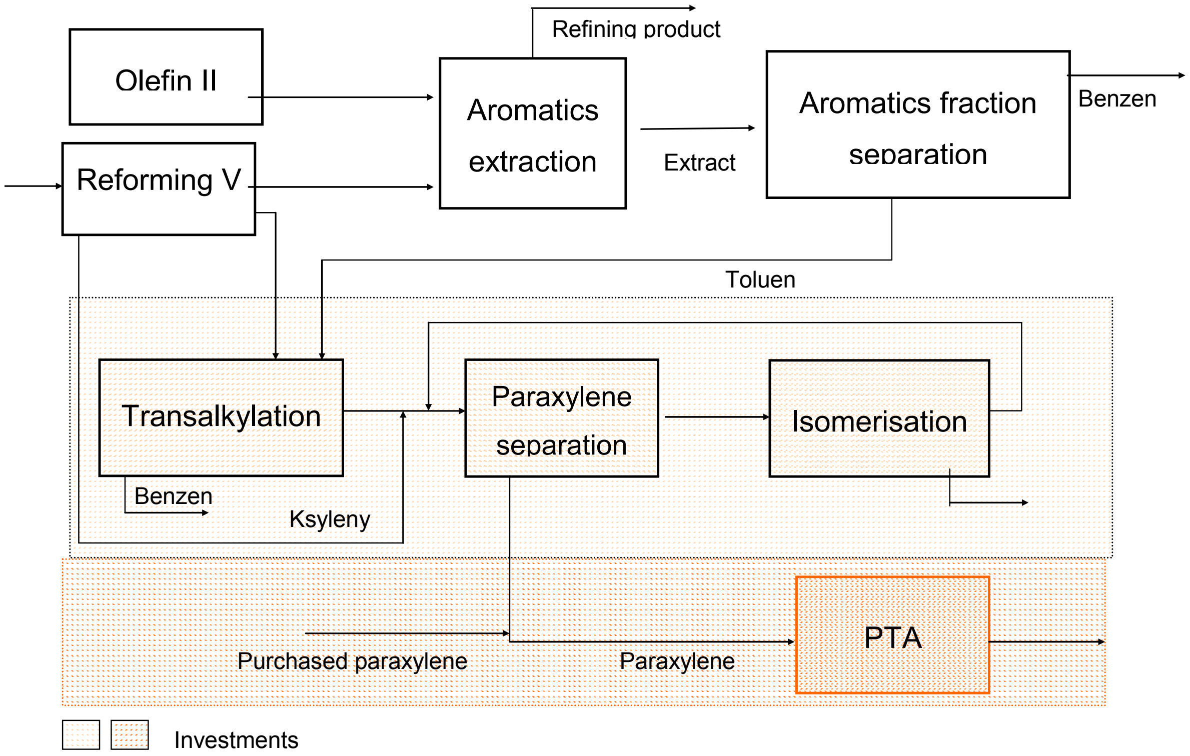
Propylene crack margin (USD/t)



[1] Exchange rates assumed in February 2005 for PLN/EUR: 4.40 (2005), 4.12 (2006), 4.08 (2007), 4.03 (2008), 4.10 (2009) and for PLN/USD: 3.20 (2005), 3.16 (2006), 3.17 (2007), 3.13 (2008), 3.38 (2009)

Source: Datastream, PKN ORLEN assumptions based on CERA i banks.

Extension of the value chain in the Group's petrochemical segment



Extension of the value chain in the Group's petrochemical segment

Project size

- Proposed capacity of the complex units:
  - PX installation - 400 th. tpa
  - PTA installation - 600 th. tpa
  - By-products:
    - benzene - 80 th. tpa
    - ortoxylene - 40 th. tpa
- The size is optimal in terms of capital and operating expenditure
- Largest investment project of PKN ORLEN:
  - Capital expenditure - c. PLN 2.3 bn
  - IRR of the project - 18.4%
  - Start-up in 2009

Project benefits

- Value creation by entering the rapidly developing market of polyesters (PET), which feedstock include paraxylene (PX), purified terephthalic acid (PTA) and monoethylene glycol (MEG)
- Planned increase in the crude oil throughput of 400-500 th. tpa
- Decrease of the unit cost of crude processing at DRW installation due to higher crude throughput
- Opportunity of close cooperation with SK Eurochem (JV Anwil and SK Chemicals)
- Operation of the PET granulate plant with an annual capacity of 120 th. tpa