



PKN ORLEN Investor and Analyst Day 2008

Strategic projects realization and operational outlook

Management Board of PKN ORLEN
June 18th 2008



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Agenda

New Management Board introduction

Proven track record and future consideration

Refinery investments & developments

Petrochemical investments & developments

Retail investments & developments

Supporting slides



Management Board of PKN ORLEN Group

Internal structure adjusted to business line management



Wojciech Heydel
President, CEO

Responsible for the areas of HR, Strategy and Development, Corporate Communication, Management Board Service, Audit, Secret Information Security, Safety and Environmental Protection.



Dariusz Krawiec
Vice-president

Responsible for the areas of Crude Trading, Upstream, Organisation and Integration of Assets, Purchase, Law Service, Corporate Risk Management, Control and Safety, Trade Unions Relations and the Capital Group.



Sławomir Jędrzejczyk
Board Member, CFO

Responsible for the areas of Accounting and Controlling, Finance Management, Taxes, Investor Relations, Capital Investments and Disposals, SCM and IT.



Wojciech Kotlarek
Board Member

Responsible for the area of Refining Products Wholesales, Retail Sales, Marketing, Sales Planning and Analyses, Logistics and Alternative Energy Sources.



Krystian Pater
Board Member

Responsible for the areas of Refining Production, Oil Production, Energy Production, Technique and Technology, Production Facility in Plock.



Marek Serafin
Board Member

Responsible for the area of Petrochemical and Chemical Production, Petrochemicals and Chemicals Sales, Property Investments.



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Key operational targets for PKN ORLEN Group

Value enhancements across all business segments via organic growth

Segment	Planned action	Expected effect
Refinery	<ul style="list-style-type: none"> Higher production and yields improvement in Poland and Lithuania 	<ul style="list-style-type: none"> Refining processing higher by ca 3 mt/y¹ and better product mix up to 53% of middle distillates
Retail	<ul style="list-style-type: none"> New sites in the region Two-tier branding strategy Non – fuel sales development 	<ul style="list-style-type: none"> Higher sales up to 9.5 bn l Stronger position in the region - over 3 000 sites
Petrochemicals	<ul style="list-style-type: none"> New capacity and new product markets development 	<ul style="list-style-type: none"> Higher olefins and polyolefins production PTA² capacity of 600 kt/y in 2010 (based on PX³ as a feedstock 400 kt/y)
Chemical	<ul style="list-style-type: none"> Continuation of long term programme of plastic production development 	<ul style="list-style-type: none"> PVC⁴ capacity close to 0.5 mt/y increase by 16%

1) 2 m t increase in Poland and 1 m t increase in Lithuania

2) PTA - Purified Terephthalic Acid

3) PX - Paraxylene

4) PVC - Polyvinyl chloride



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Delivery of PKN ORLEN strategy in 2007

Implementation of projects enabling long term production and sales increase

Segment	Action realized	Effect achieved
Refinery	<ul style="list-style-type: none"> Restoring the VDU in Mažeikių Nafta (Lithuania) Modernisation shutdowns in Mažeikių Nafta refinery (Lithuania) Upgrading capacity of hydrocracking installation in Litvinov (Czech Republic) 	<ul style="list-style-type: none"> Restoration of processing capacities to the level before the fire in 2006 - 10 mt Savings in energy consumption. White products yield increase Upgrading hydrocracking capacity by 0.3 mt up to 1.5 mt / y; diesel oil production increase by 18%
Retail	<ul style="list-style-type: none"> Implementation of restructuring and optimisation of filling stations network in Poland Implementation of two-tier branding strategy in Czech market Implementation of new brand in retail network in Lithuania: „ORLEN Lietuva” Non-fuel sales development 	<ul style="list-style-type: none"> 257 stations modernized. Fuel sales increase by 15% y/y 172 stations modernized. Fuel sales increase by 10% y/y 12 stations modernized. Fuel sales increase by 24% y/y 15% increase y/y
Petrochemicals	<ul style="list-style-type: none"> PX/PTA project: implementation and project kick-off. 	<ul style="list-style-type: none"> Fulfilment of the next stage of the biggest strategic investment project in accordance with the plan
Corporate governance	<ul style="list-style-type: none"> Business lines management introduced in Mažeikių Nafta and Unipetrol and whole Group 	<ul style="list-style-type: none"> Adjusting subsidiaries' structure as well as their internal laws to PKN ORLEN standard

Effects achieved so far are strong pillars for strategy update.



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Agenda

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What we achieved so far...

Regional leader in processing capacity and strong market position

Refining as at the end of 2007

- **Effective processing capacity¹** ~ 30 mt / y
- **Capacity utilisation²** ~ 64%
- **White product yield³** ~ 75%
- **Fuel yield** ~ 63%
- **Market share in fuel consumption (Poland)** ~ 60%

1) In 2007: Poland 14.5 mt / y, Lithuania 10 mt / y, Czech Republic 5.5 mt / y.

2) In 2007: Płock 99%, Lithuania 51%, Czech Republic 75%. Calculated as weighted average

3) In 2007: Płock 78%, Lithuania 69%, Czech Republic 72%. Calculated as weighted average



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Key refinery projects for PKN ORLEN

Investment dedicated to meet market and regulatory expectations

Investments	Expected effect
<ul style="list-style-type: none">•HDS¹ VII in Plock, capacity of 2.2 mt / y•Hydrogen unit in Plock, capacity of 40 kt / y•Hydrogen unit at Mažeikių Nafta•Power station upgrade at Mažeikių Nafta•Alkylation unit in Plock (revamping)•Hydrocracker at Mažeikių Nafta•Solvent Deasphalting² of vacuum residue + Asphaltene gasification	<ul style="list-style-type: none">•Diesel production net increase by ca 1 mt / y•Complementary unit to HDS VII•Complementary unit to Hydrocracker•Comply with new EU regulation•Improvement of operational safety•Margin improvement•Bottom of the barrel upgrading



1) HDS - Diesel Hydrodesulphurisation Unit
2) Potential investment also after 2012

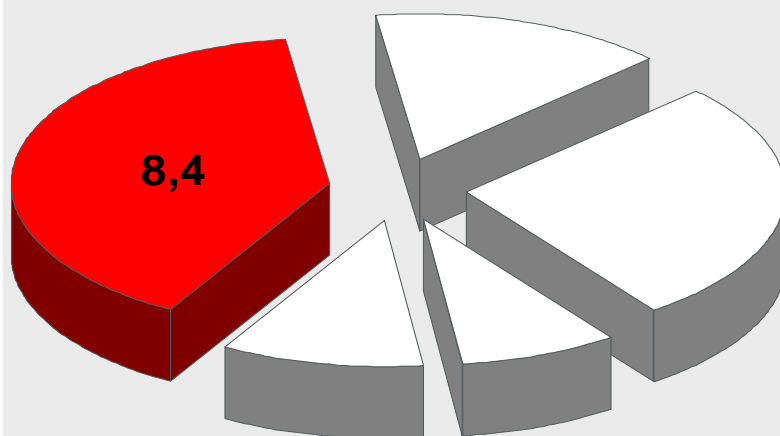
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Investment plan for refining in the PKN ORLEN

Capex spending in line with mid-term plan 2007-2012 published in November 2007

Total PKN ORLEN Capex¹: 21 bn PLN

Refining 40% of total



- **Growth capex:** 60%
- **Maintenance capex:** 40%

No.	Key selected projects	Start-up
1	HONH ² in Plock	2008
2	New hydrogen unit at Mažeikių Nafta	2009
3	Power station upgrade at Mažeikių Nafta	2009
4	Hydrogen Unit in Plock	2009
5	HDS ³ VII in Plock	2009
6	Alkylation unit in Plock	2010
7	Hydrocracker at Mažeikių Nafta	2011

1) Capex spending in line with mid-term plan 2007-2012 published in November 2007

2) HONH unit dedicated to diesel production

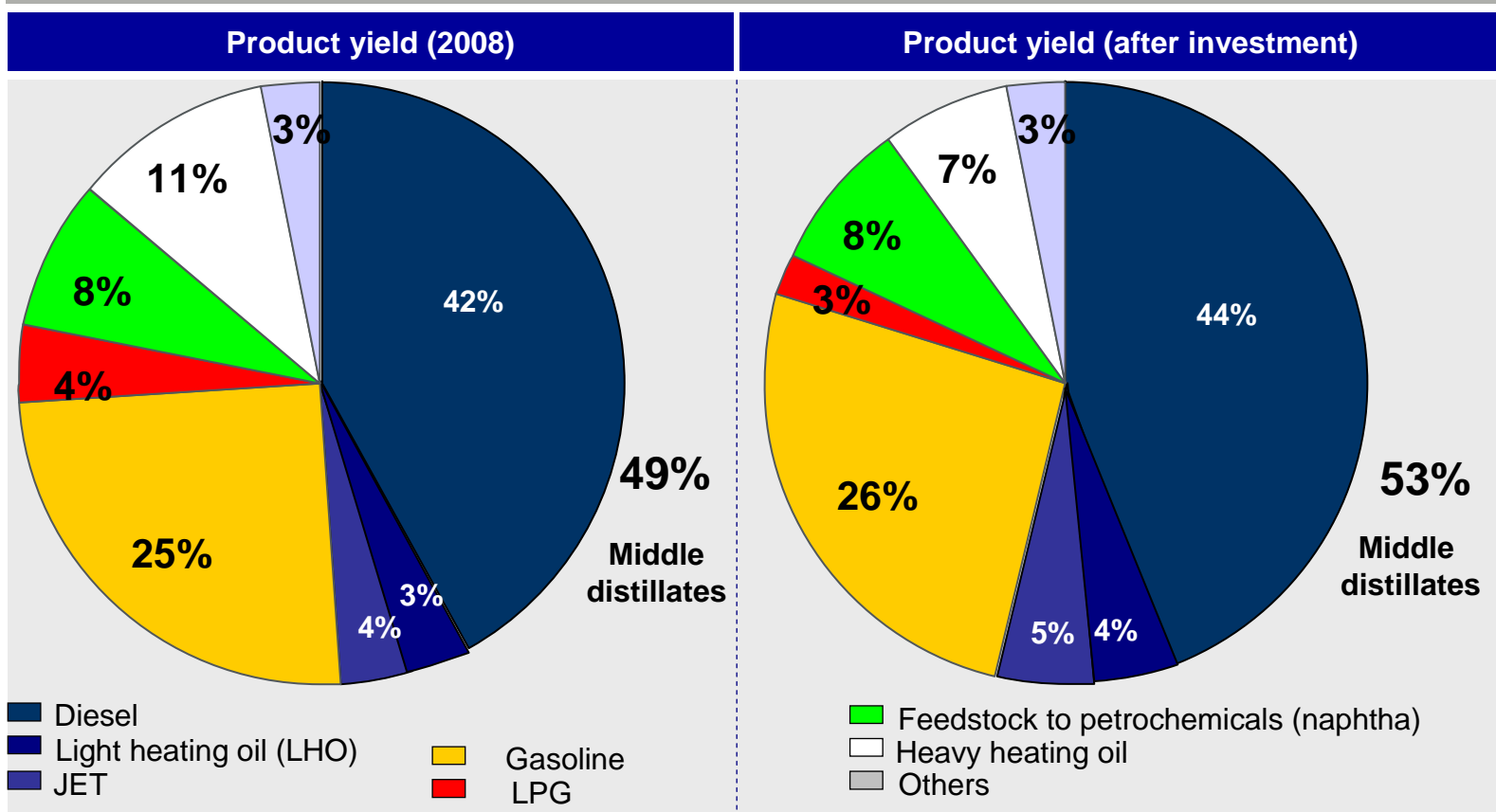
3) HDS – Diesel Hydrodesulphurisation Unit



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Product mix in the PKN ORLEN Group after refinery investment

High margin middle distillates account for more than half of PKN ORLEN products' slate



- Diesel yield up by 2 pp
- Gasoline yield up by 1 pp
- Heavy heating oil yield down by 4 pp

Middle distillates: Diesel, LHO, JET



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Agenda

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Supporting slides



Leading position in petrochemicals in the region

Further expansion projects in the region to capture opportunity for consumption growth

Petrochemicals as at the end of 2007

- Olefin production capacity:
 - Ethylene 1 160 kt
 - Propylene 705 kt
 - Benzene 310 kt
 - Toluene 120 kt
- Polyolefin production capacity:
 - PP 605 kt
 - PE 740 kt
- The largest plastics producer in Poland and the region
- The leading supplier of olefins and polyolefins to the Polish market
- A significant exporter of polyolefins to other parts of Europe
- Petrochemicals complex integrated with the refinery as a source of the feedstock

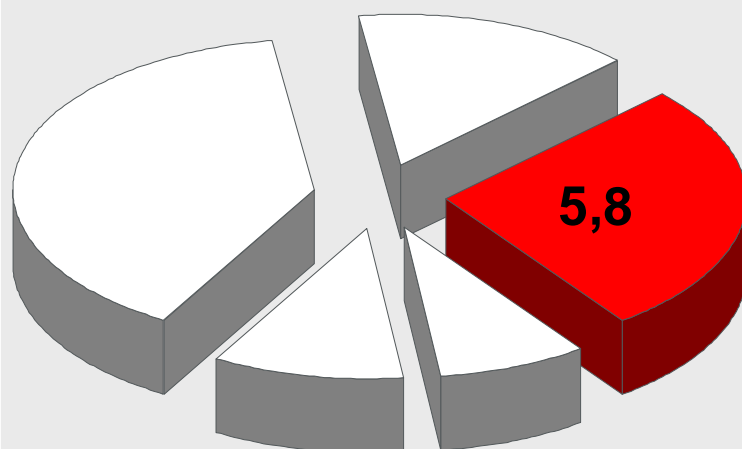


Investment plan for petrochemicals in the PKN ORLEN Group

Capex spending in line with mid-term plan 2007-2012 published in November 2007

Total PKN ORLEN Capex¹: PLN 21 bn

Petrochemicals 28% of total



- **Growth capex:** 75%
- **Maintenance capex:** 25%

No.	Key selected projects	Start-up
1	Propylene splitter at Mažeikių Nafta	2009
2	Ethylbenzene unit	2010
3	Paraxylene unit in Płock	2010
4	PTA ² unit in Włocławek	2010

1) Capex spending in line with mid-term plan 2007-2012 published in November 2007

2) PTA – purified terephthalic acid



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Key petrochemical projects in PKN ORLEN

Investments dedicated to meet market expectations

Investments	Expected effect
<ul style="list-style-type: none">• Polypropylene unit expansion at Unipetrol	<ul style="list-style-type: none">• Capacity of 275 kt / y
<ul style="list-style-type: none">• Propylene splitter at Mažeikių Nafta	<ul style="list-style-type: none">• Capacity of 200 kt / y
<ul style="list-style-type: none">• Paraxylene installation (PX); scheduled start-up – 2Q 2010	<ul style="list-style-type: none">• PX capacity of 400 kt / y Crude throughput increase to 16 mt / y
<ul style="list-style-type: none">• Purified terephthalic acid unit (PTA); scheduled start-up – 4Q 2010	<ul style="list-style-type: none">• PTA capacity of 600 kt / y PKN ORLEN one of the highest quality semi-products supplier to PET production



Agenda

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Supporting slides

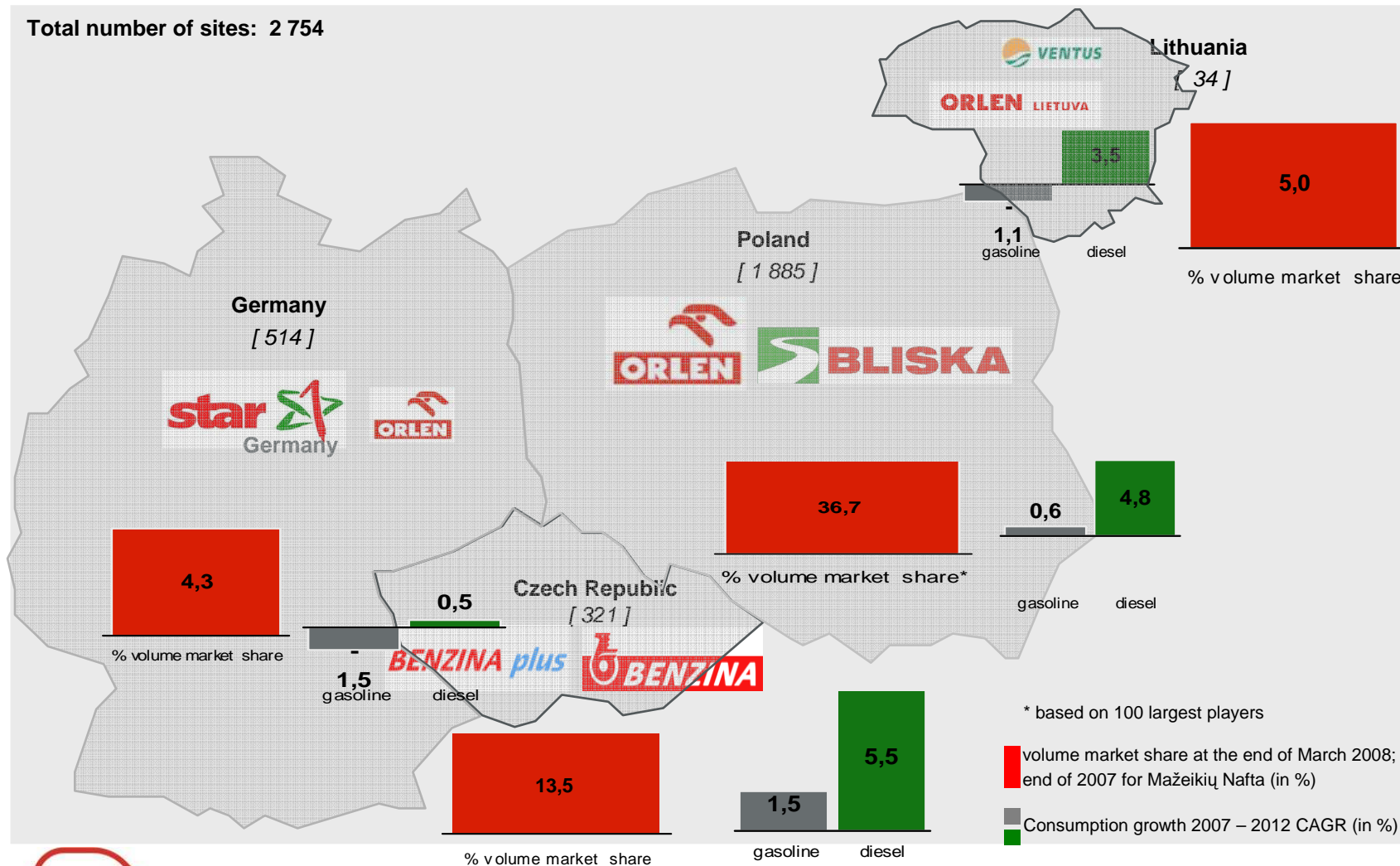


PKN ORLEN retail market share and market perspectives

Leading position in the region

Regional leader in the retail market March 2008

Total number of sites: 2 754



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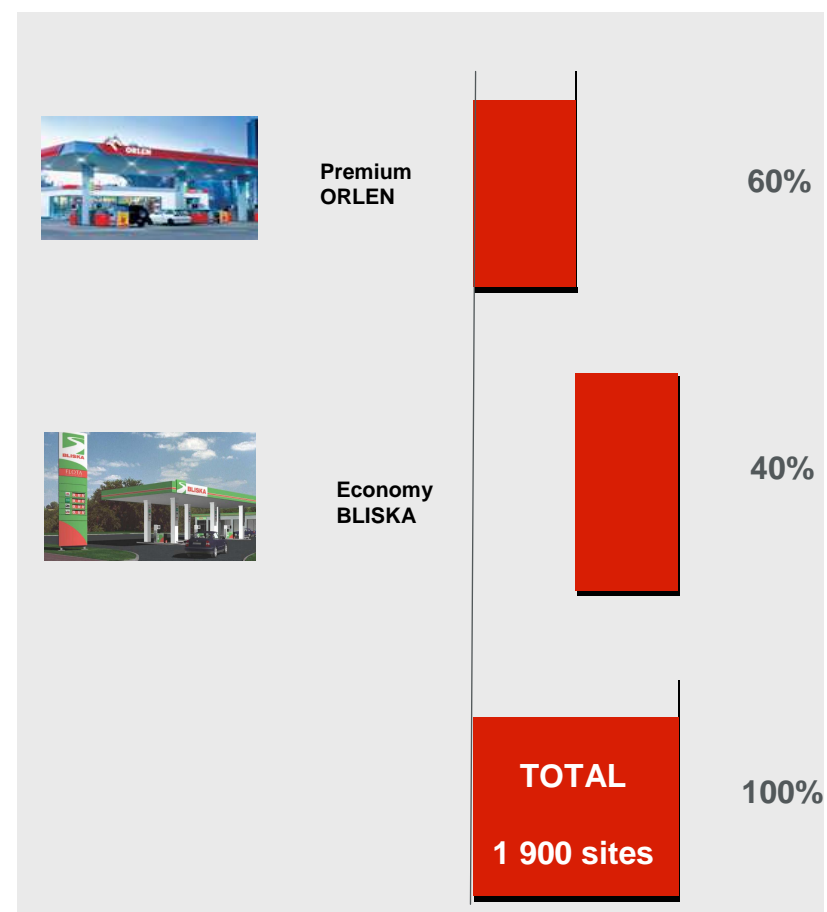
Development of two-tier branding strategy

Premium and Economy breakdown: POLAND

Structure of the retail sites' network, March 2008 *



Structure of the retail sites' targeted *



* Filling sites include CODO (company owned dealer operated), DODO (dealer owned dealer operated), DOFO (dealer owned franchised operated)

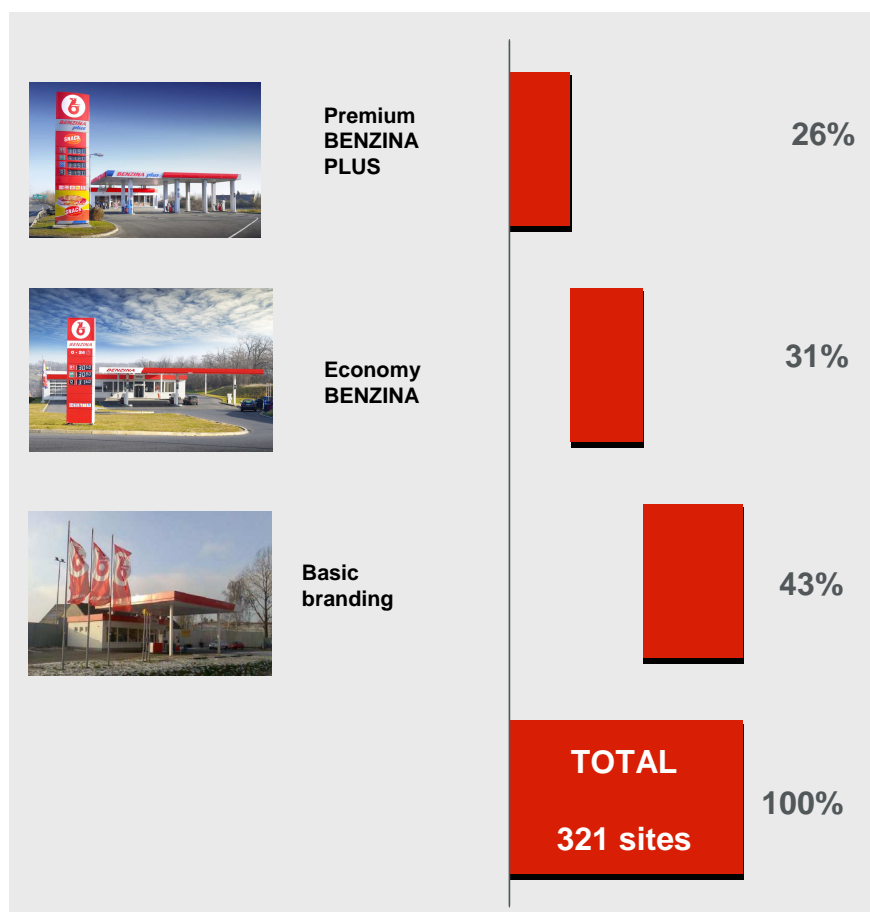


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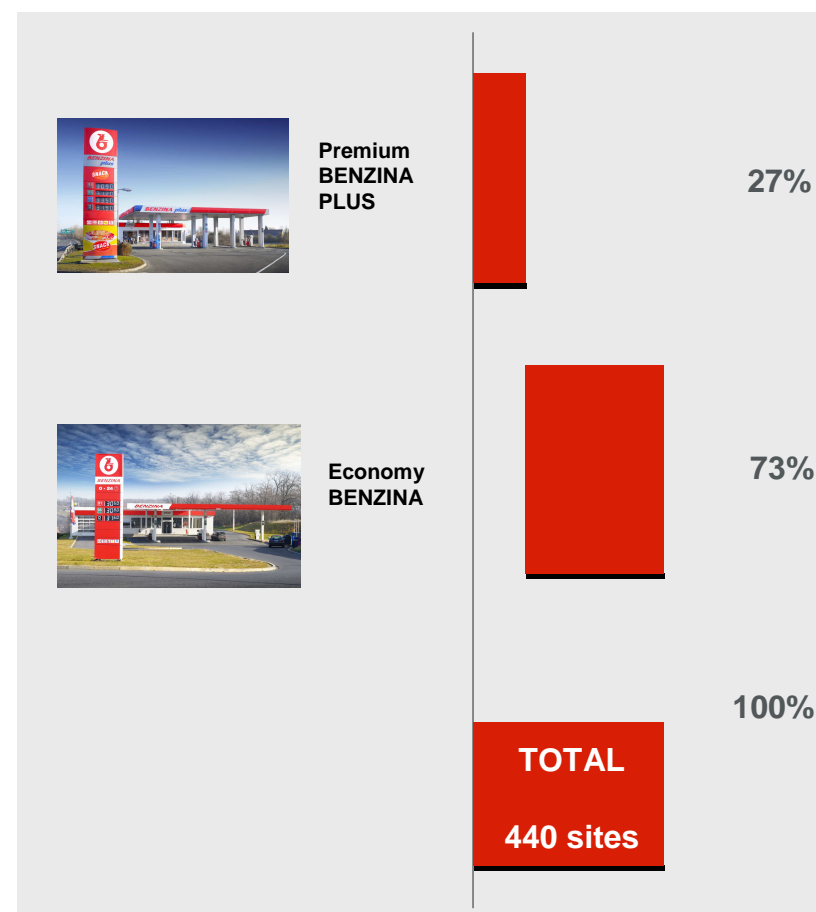
Development of dual brand strategy

Premium and Economy breakdown: CZECH REPUBLIC

Structure of the retail sites' network, March 2008 *



Structure of the retail sites' network, targeted *

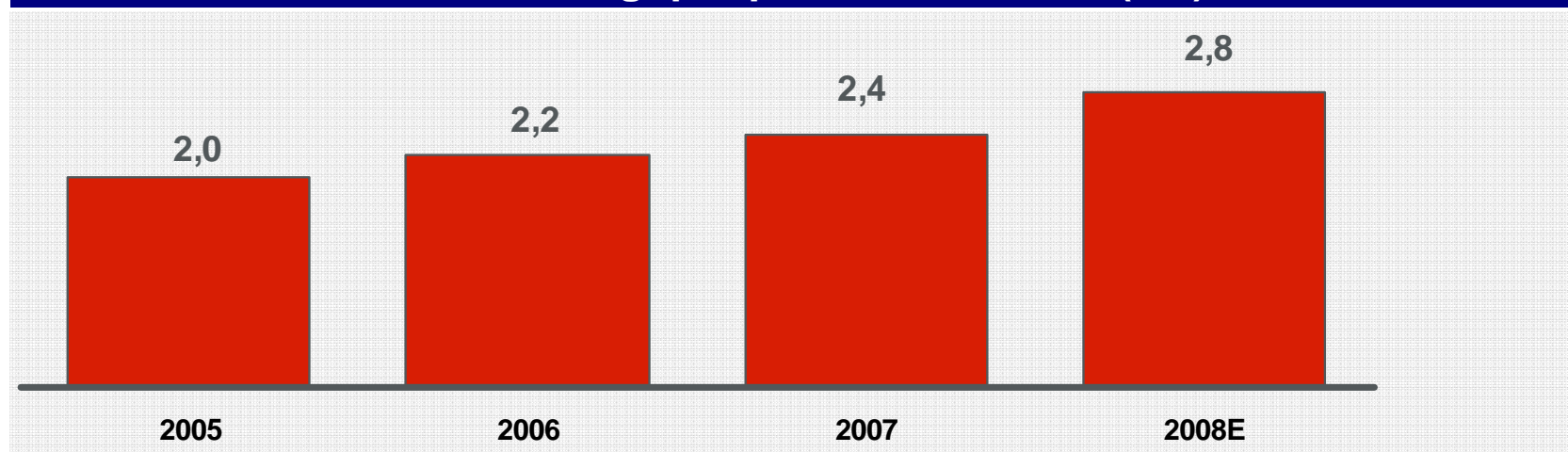


* Filling sites include CODO (company owned dealer operated) and DOFO (dealer owned franchised operated).

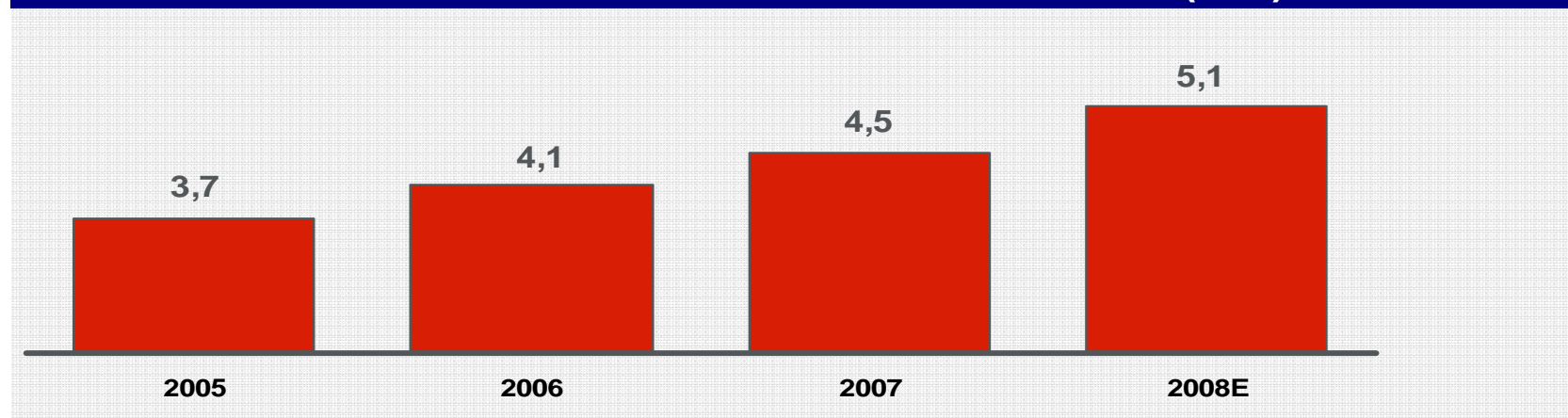
PKN ORLEN fuel domestic sales

Retail fuel market in Poland

Fuel* throughput per site in Poland (m l)



Fuel* sales volume in Poland in 2005-2008 (bn l)



* Fuel sales include gasoline, diesel and LPG

Filling sites include CODO (company owned dealer operated), DODO (dealer owned dealer operated), DOFO (dealer owned franchised operated).

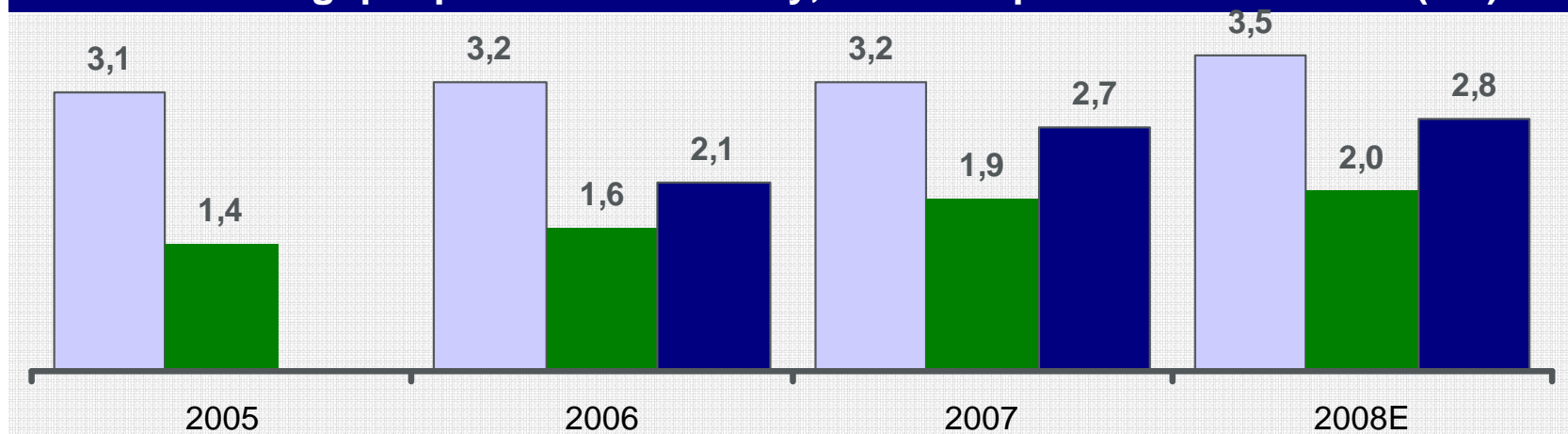


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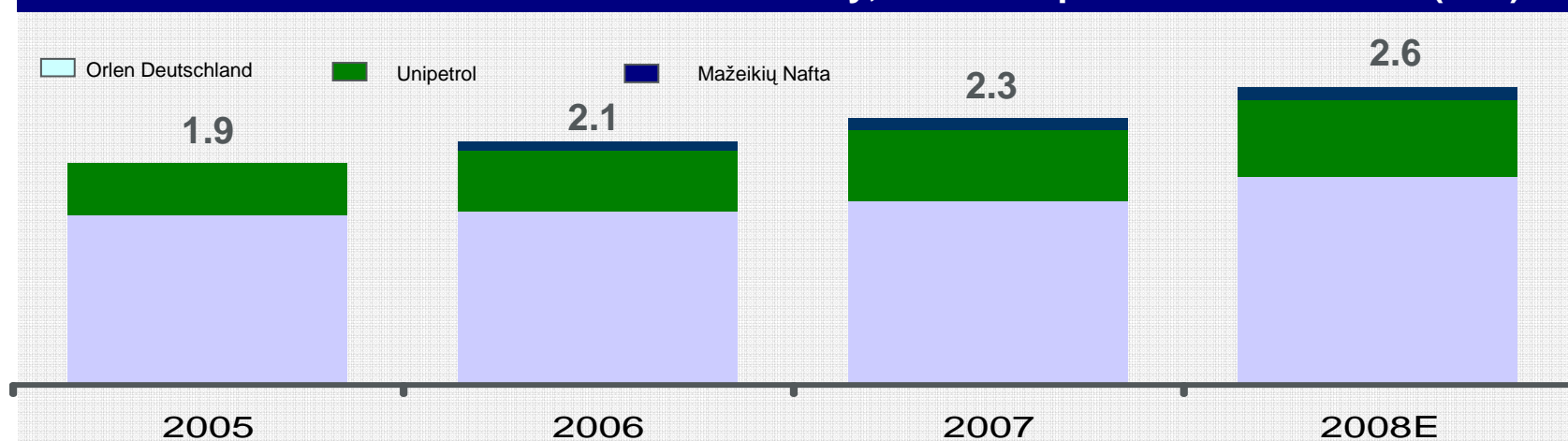
PKN ORLEN fuel international sales

Retail fuel market in Germany, Czech Republic, Lithuania

Fuel* throughput per site in Germany, Czech Republic and Lithuania (m l)



Fuel* sales volume in 2005-2008 in Germany, Czech Republic and Lithuania (bn l)



* Fuel sales include gasoline, diesel and LPG

Filling sites include CODO (company owned dealer operated), DODO (dealer owned dealer operated), DOFO (dealer owned franchised operated).



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Future steps...

Focus on meeting diesel oil demand and value enhancement in non-fuel sales

- Increase of sites profitability and market share through two-tier strategy
- Increase of non-fuel sales through smart category management
- Promotion of premium fuels  trademark
- Development of franchised network
- Selective and flexible management of fuels price
- Maintaining customer loyalty through VITAY card
- Fuel card system in the region spread across the whole PKN ORLEN Group



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Agenda

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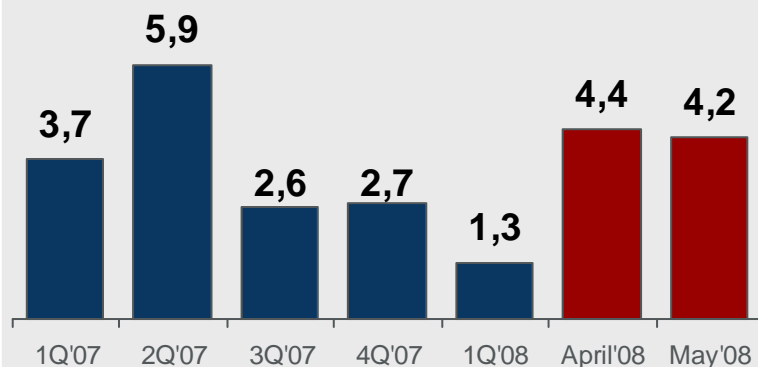
Retail investments & developments

Supporting slides

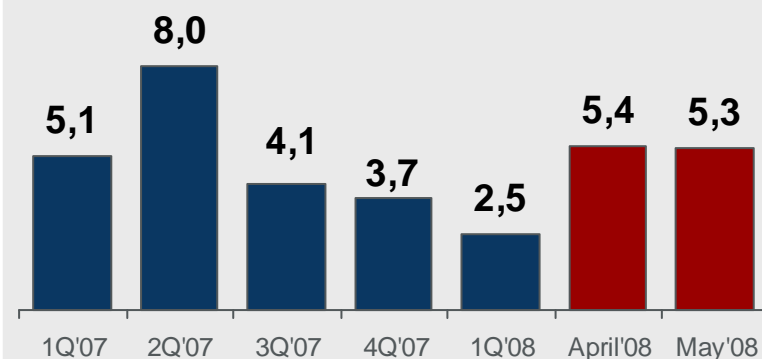


Macroeconomic environment in refining

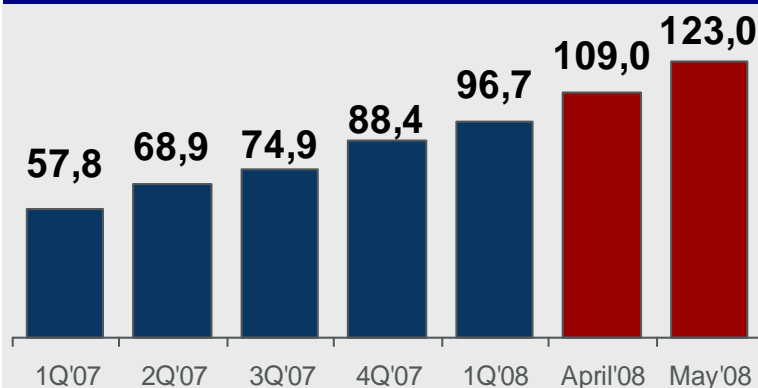
PKN ORLEN model refining margin (Group) ¹⁾
Decrease by 27% to 4.3 \$/b in Q2'YTD vs Q2'07



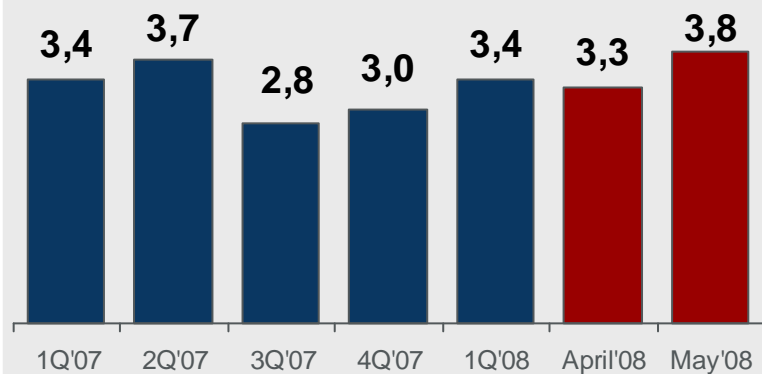
PKN ORLEN model refining margin (Plock) ²⁾
Decrease by 34% to 5.3 \$/b in 2Q YTD vs Q2'07



Brent Crude Oil
Increase by 68% to 116 \$/b in 2Q YTD vs Q2'07



Ural/Brent differential
Decrease by 3% to 3.6 \$/b in 2Q YTD vs Q2'07



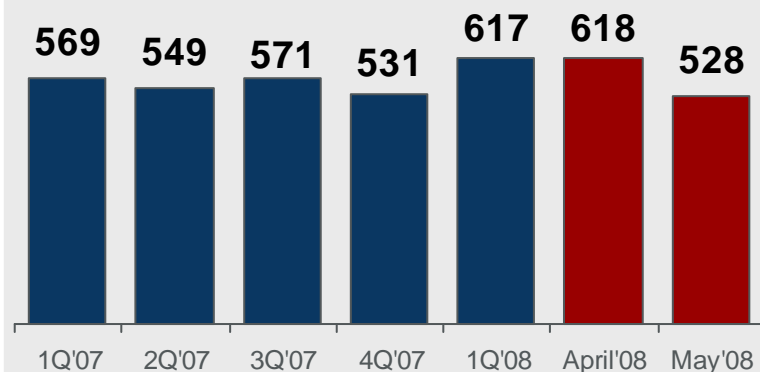
1) PKN ORLEN Group model refining margin = revenues (88% Products = 22% Gasoline + 11% Naphtha + 38% Diesel + 3% LHO + 4% JET + 10% HHO) less costs (100% feedstock = 88% Brent Crude + 12% internal consumption); price of products based on market quotations.

2) PKN ORLEN (Plock) model refining margin = Products (88.36%) vs. Brent Dtd (100%). Products contain Premium Unl (25.21%), USLD (23.20%), Naphtha (16.51%), LHO (15.31%), HSFO (5.44%), I Jet (2.69%)

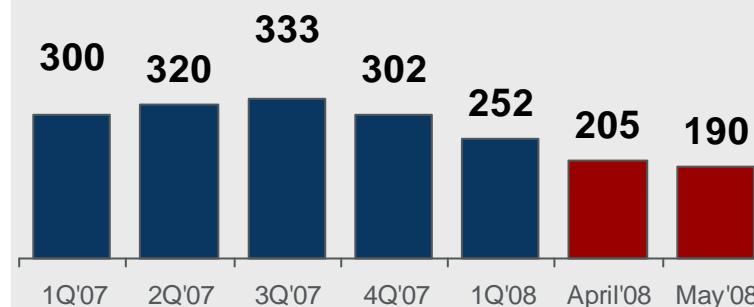
(source: CIF NWE quotations, except HSFO FOB ARA)

Macroeconomic environment in petrochemicals and chemicals

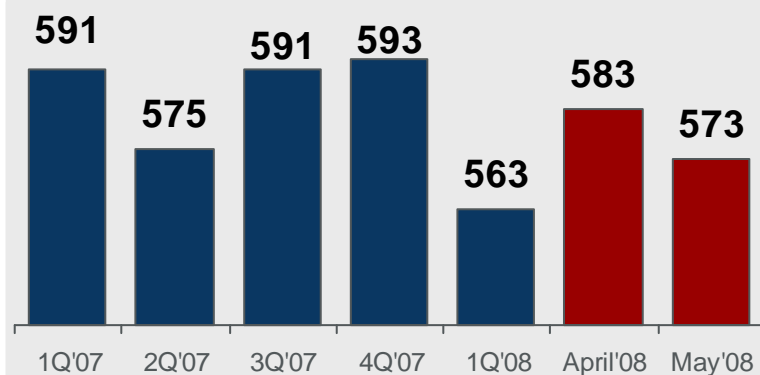
Model petrochemical margin on olefins¹
Increase by 4% to 573 USD/t in 2Q YTD vs Q2'07



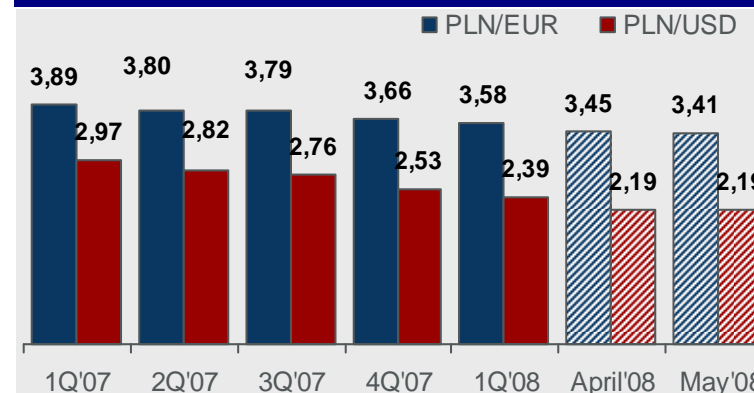
Model petrochemical margin on polyolefins²
Decrease by 38% to 198 EUR/t in 2Q YTD vs Q2'07



Model chemical margin³
Increase by 0.5% to 578 EUR/t in 2Q YTD vs Q2'07



Exchange rate PLN/USD and PLN/EUR⁴
Decrease by 22% PLN/USD and 11% PLN/EUR



1) Model petrochemical margin on olefins = revenues (100% Products = 50% Ethylene, 30% Propylene, 15% Benzene, 5% Toluene) minus costs (100% input = 70% Naphtha + 30% LS VGO); products' prices according to quotations

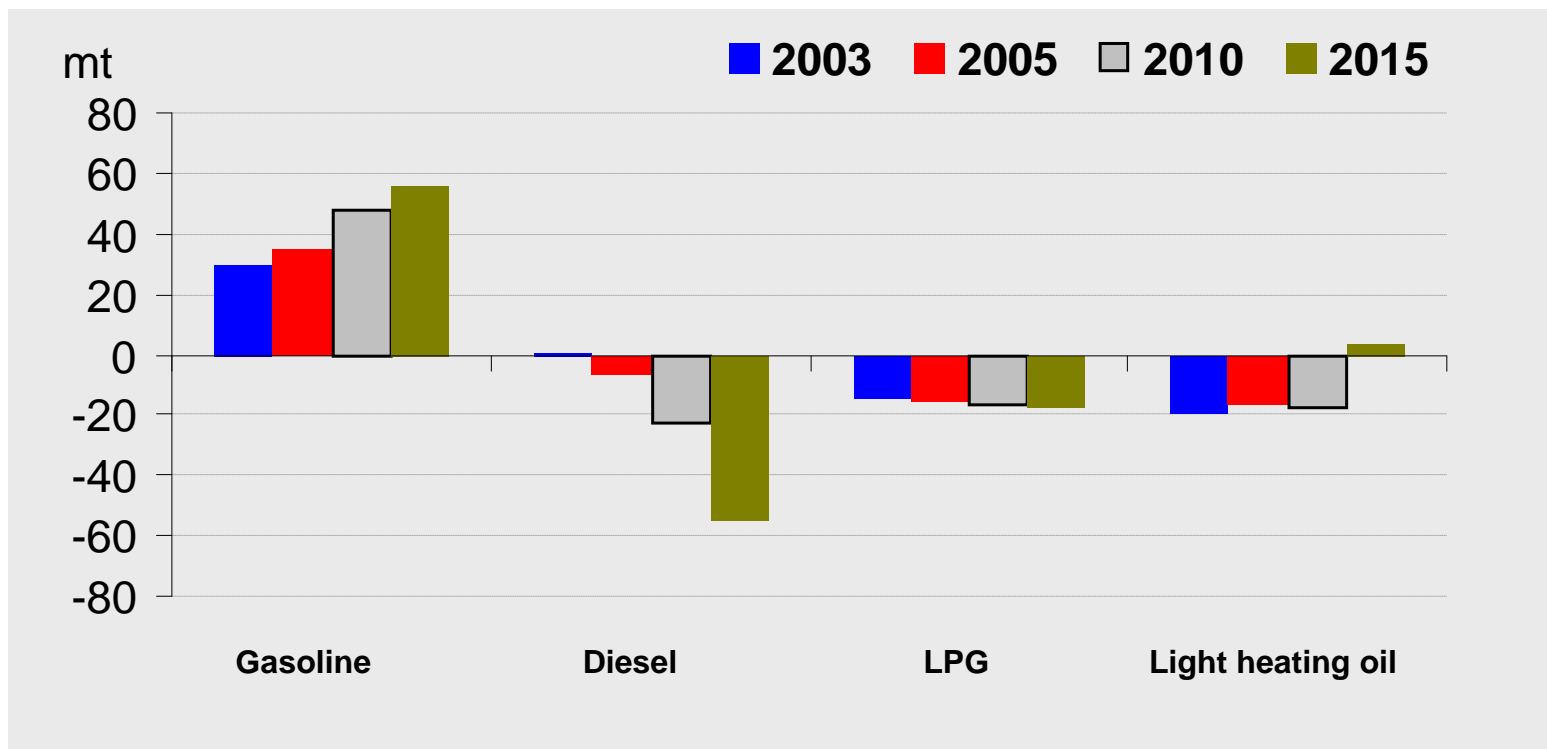
2) Model petrochemical margin on polyolefins = revenues (100% Products = 50% HDPE, 50% Polypropylene) minus costs (100% input = 50% Ethylene + 50% propylene); products' prices according to quotations

3) Model chemical margin = revenues PVC (100%) minus costs (47% Ethylene); products' prices according to quotations

4) Source: NBP

Supply-demand balance in Western Europe

Diesel oil deficit in Western Europe

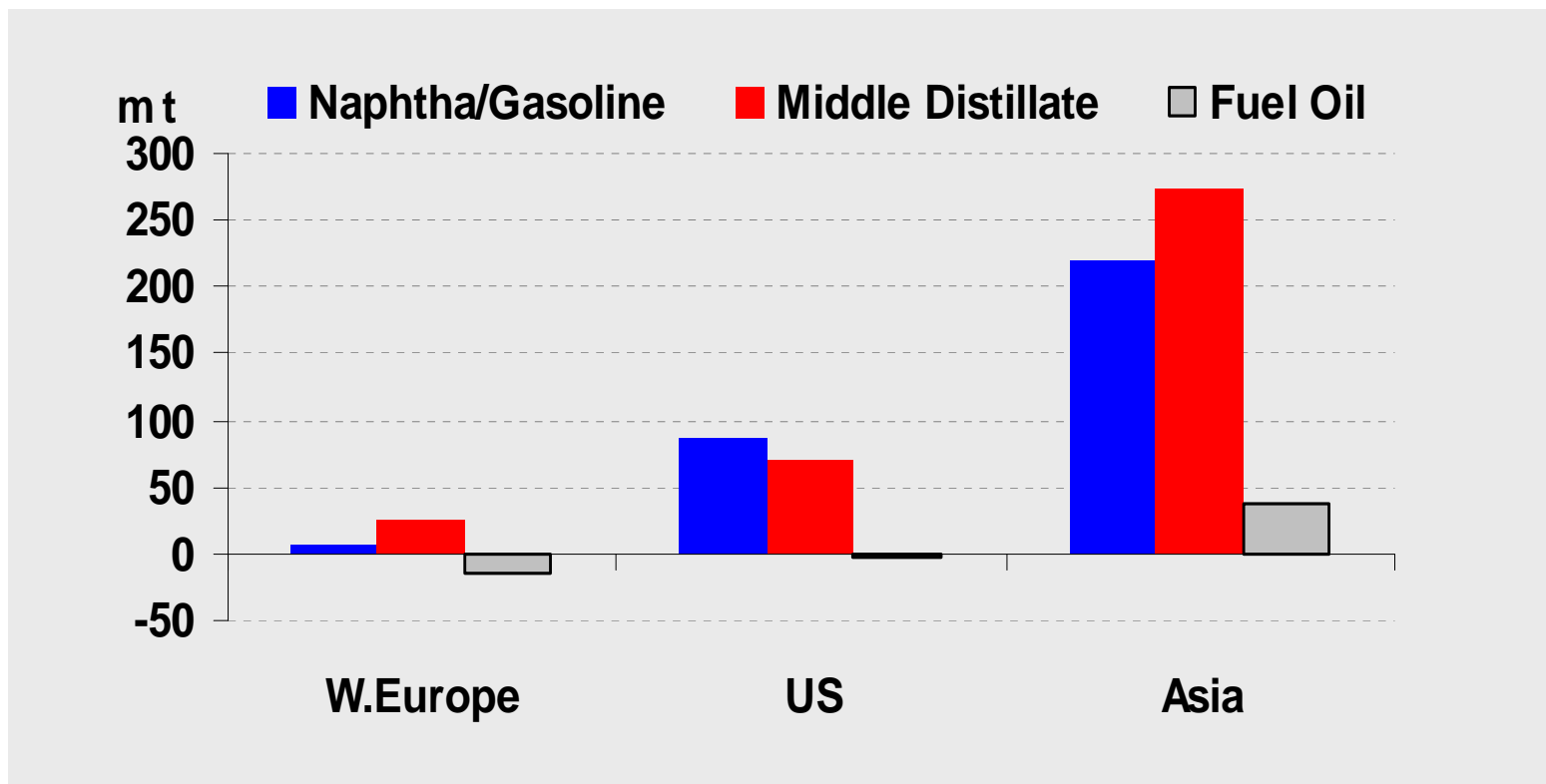


- Decreasing demand for gasoline and heavy fuels → surplus forecast of 56 mt in 2015
- Shift to diesel consumption → deficit forecast of 54 mt in 2015.



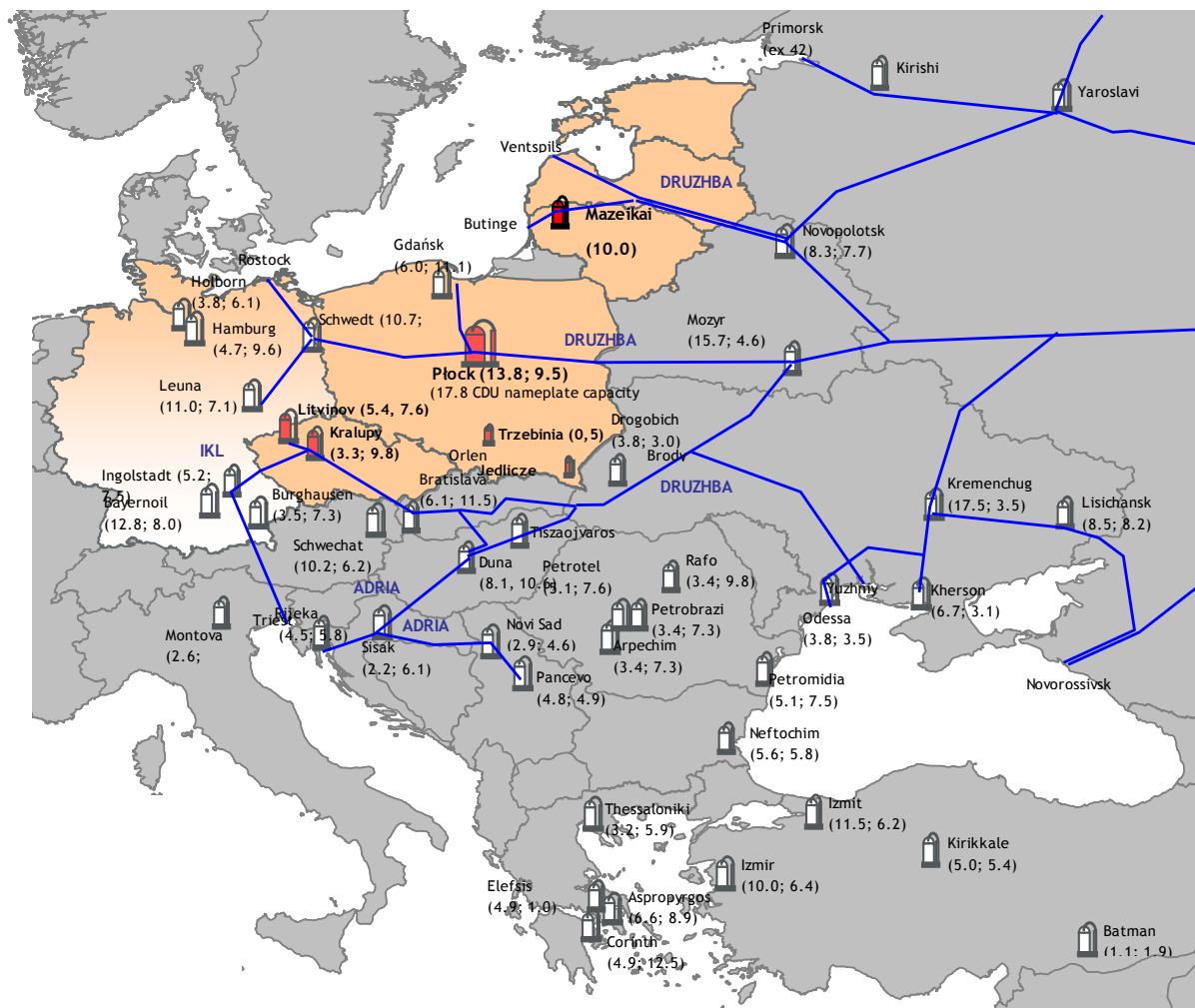
Global demand for refined products

Biggest demand in Asia, mainly for middle distillates



Major crude oil and logistics assets in Central Europe

Mažeikių Nafta terminal in Butinge – possibility of export and crude oil supplies



Refinery (processing capacity in mt/p.a.; Nelson complexity Index)

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

Sea Terminal (capacity)
 Oil pipeline Ca [capacity]
 Projected oil pipeline

PKN ORLEN brands across the region

Premium and economy filling sites

Poland



Poland



Czech Republic



Czech Republic



Lithuania



Germany



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THANK YOU FOR YOUR ATTENTION

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