



ORLEN Lietuva – overcoming the challenges

PKN ORLEN Investor and Analyst Day

Ireneusz Fąfara, CEO
Jarosław Szaliński, CFO

Warsaw, June 15th, 2010



ORLEN Lietuva

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ORLEN Lietuva business overview

Restructuring plan and operational challenges

Backup



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Brief history of Mažeikių Nafta and ORLEN Lietuva

Key facts

1960

1964 The State Oil and Chemical Industry Committee of the USSR made a decision to build an oil refinery in Lithuania.

1970

1972 Beginning of the Mažeikiai Oil Refinery construction.

1980

1980 Commissioning of LK-6U Unit (atmospheric rectification, catalytic reforming, distillates hydrotreating, and LPG plant).

1990

1999 Commissioning of the Būtingė Terminal.

1999 Williams Int. became a 33-percent owner and operator of the Company.

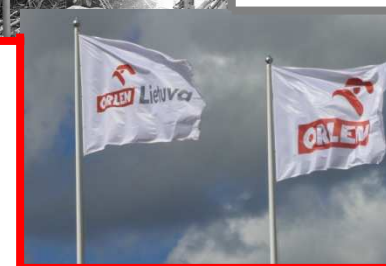
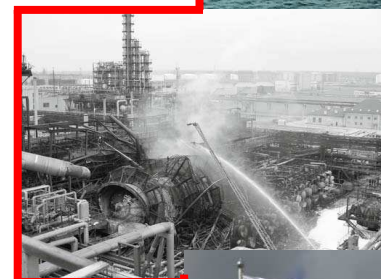
2002 Yukos acquired 54 percent of shares in the Company.

2000

2006 PKN Orlen acquired 84% of Mažeikių Nafta shares; Fire of Vacuum Distillation Unit; Stopped deliveries of crude oil by the Druzhba pipeline;

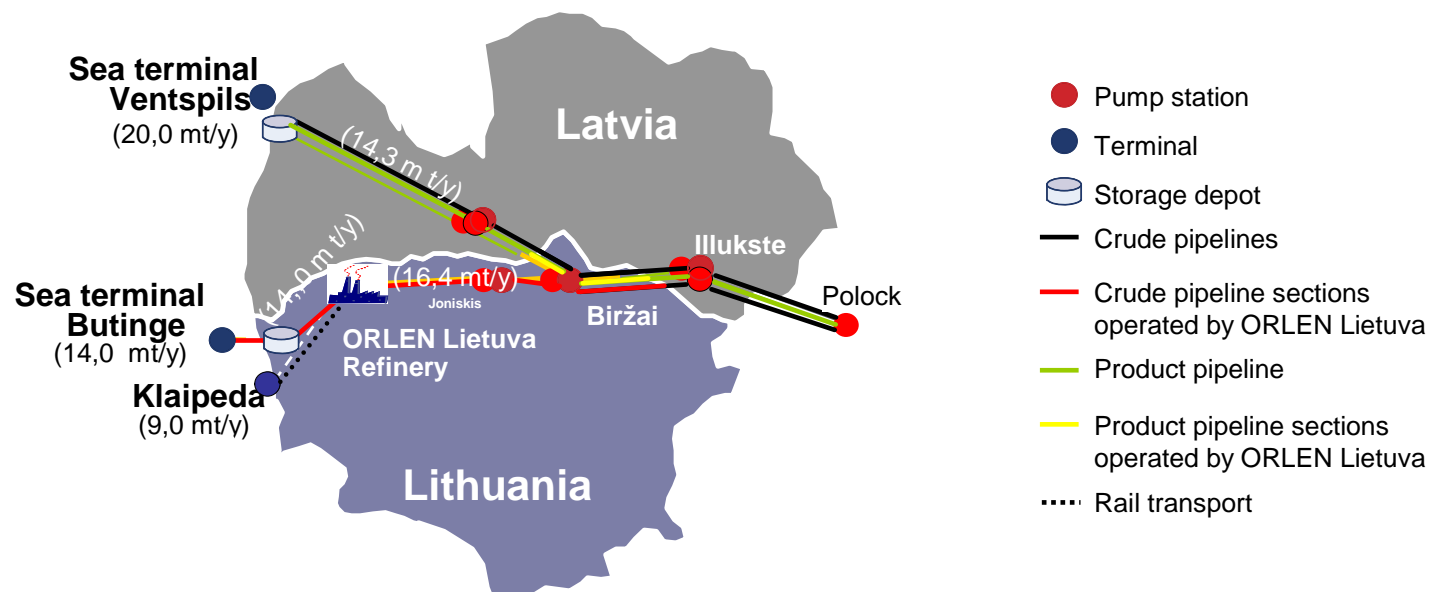
2009 PKN Orlen- owner of 100% of Mažeikių Nafta share capital.

2009 Rename from Mažeikių Nafta to ORLEN Lietuva.



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ORLEN Lietuva overview



KEY FACTS

- Refinery's production capacity exceeds 10 m tons of crude oil per year.
- ORLEN Lietuva operates ca. 500 km of pipelines in the territory of Lithuania (both crude oil and product pipeline).
- Biržai Pump Station transships products transported from Polock Refinery (Russia) to Ventspils by pipeline.
- Crude oil supply to the Refinery via Butinge Oil Terminal. Total capacity of storage tanks in the Terminal – 260 th m³
- Products from the Refinery mainly transported by railway.



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Refinery Configuration: flexible processing of different types of crude, large variety of petroleum products

LK-1 Complex

- Atmospheric distillation
- Naphta hydrotreatment
- Catalytic reforming
- Diesel hydrotreatment
- LPG reforming

LK-2 Complex

- Atmospheric distillation
- Naphta hydrotreatment
- Catalytic reforming
- Isomerization (C5-C6)
- Diesel hydrotreatment
- Kerosene hydrotreatment
- LPG recovery

KT-1/1 Complex

- Vacuum distillation
- Visbreaking
- Vacuum gasoil hydrotreatment
- FCC (fuel catalytic cracking)
- Waste water treatment
- MTBE
- MEROX
- Hydrogen generation

Other facilities

- Sulphur Production Unit No.1
- Sulphur Production Unit No. 2
- Bitumen Production Unit
- Vacuum Distillation Unit
- Power Production Plant
- Utilities

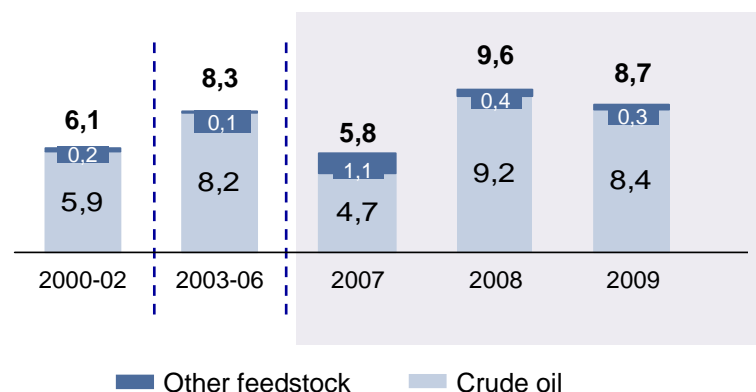


Good quality assets
High Nelson complexity 10.5
Refinery meets EU requirements

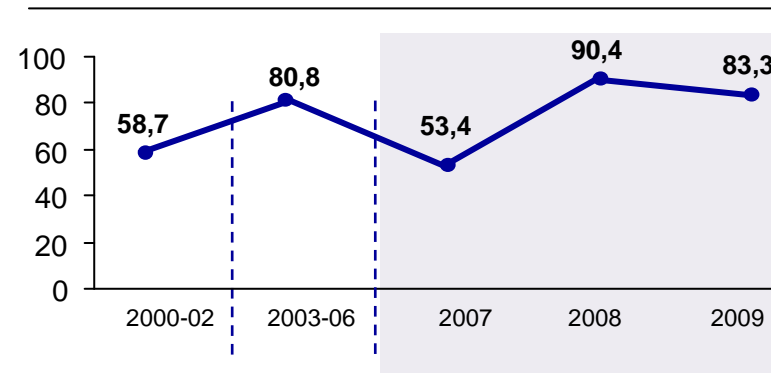


Operational performance: focus on maximisation of capacity utilization, reduction of losses and improvement of light product yields

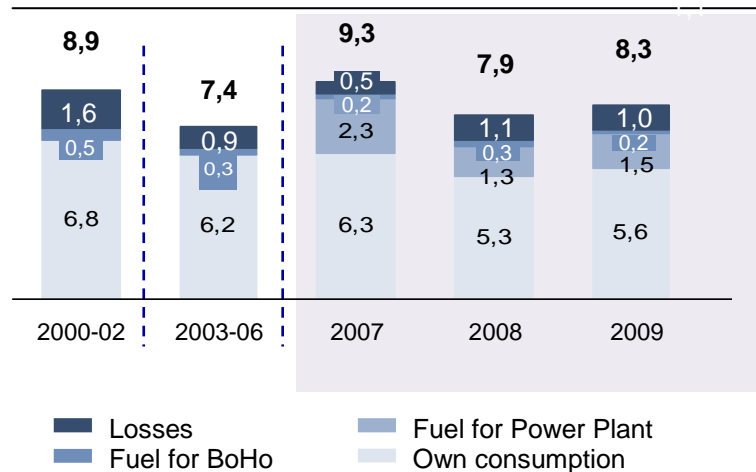
Volume of processed crude oil, mm t



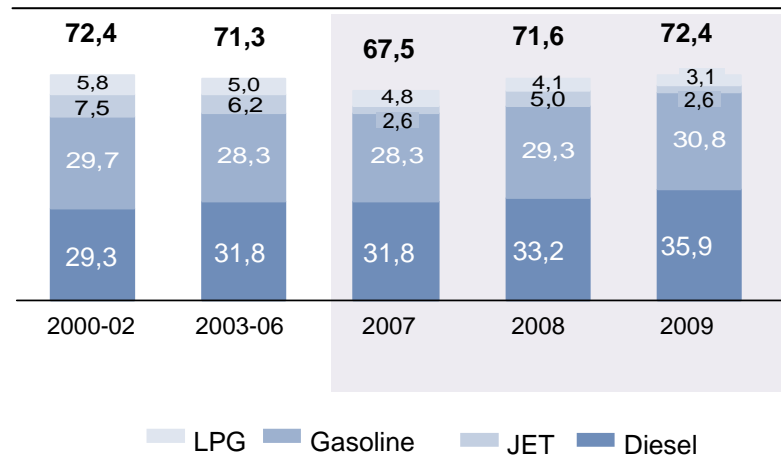
Capacity utilization, %



Products & losses, %



Light product yields, %

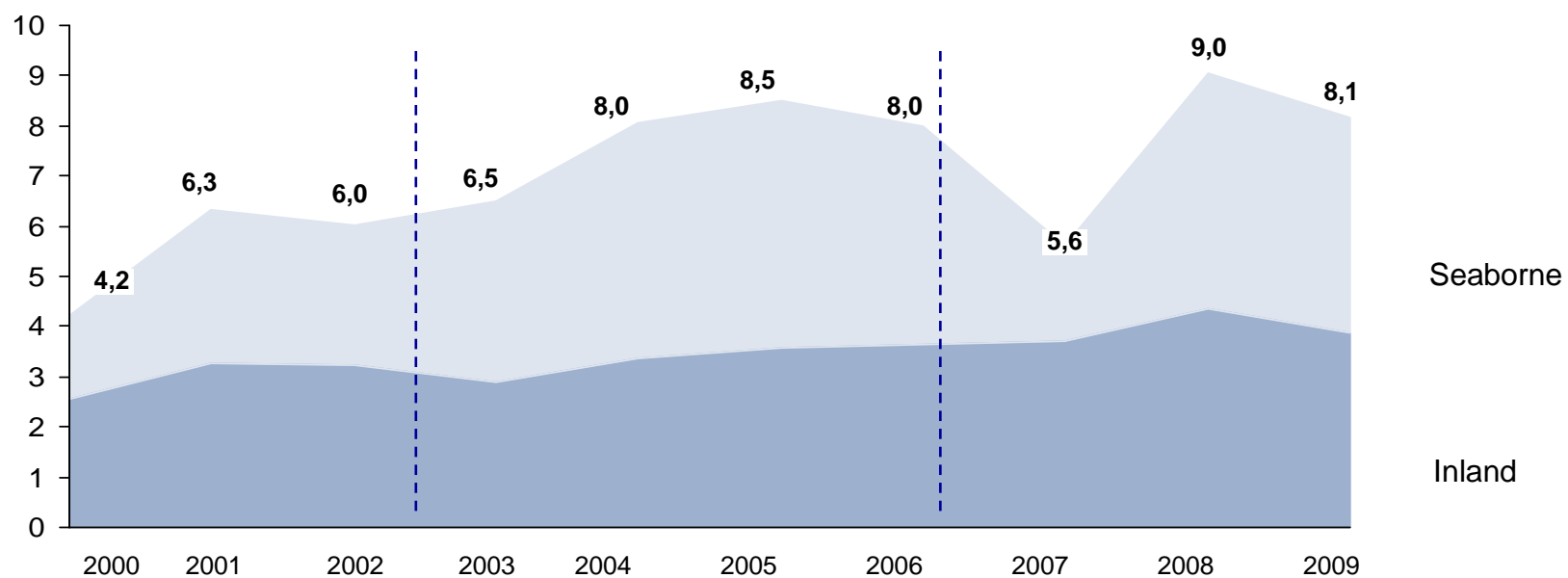


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Sales performance in 2000-2009 – shifting focus into inland markets

Sales volumes

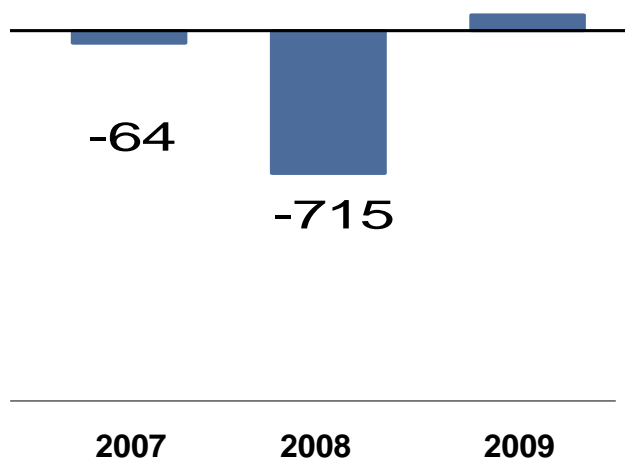
m tons



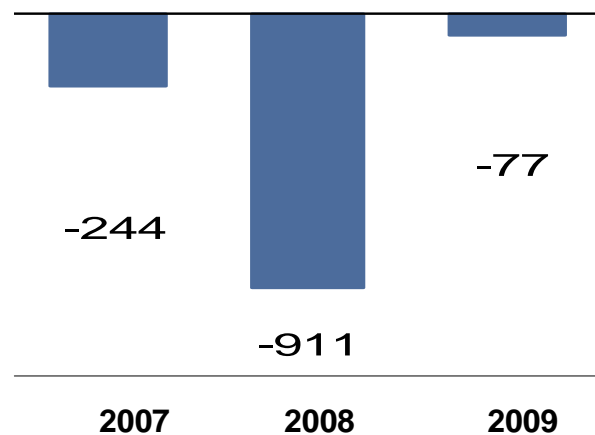
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Gradual improvement of financial results in 2007 to 2009

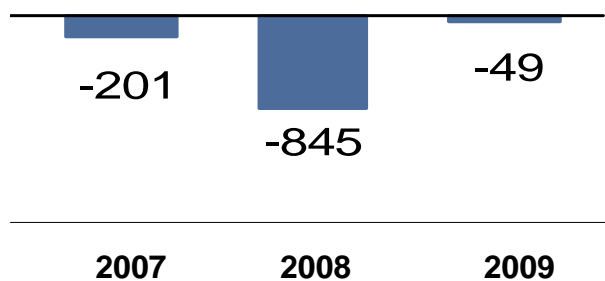
EBIDTA 78 m USD



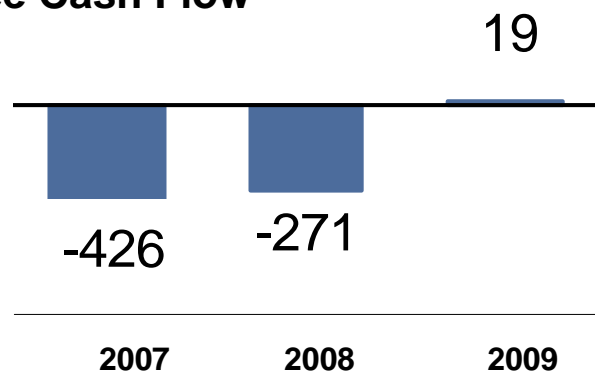
EBIT



Net profit



Free Cash Flow



The above given numbers are subject to PKN ORLEN Group consolidation.

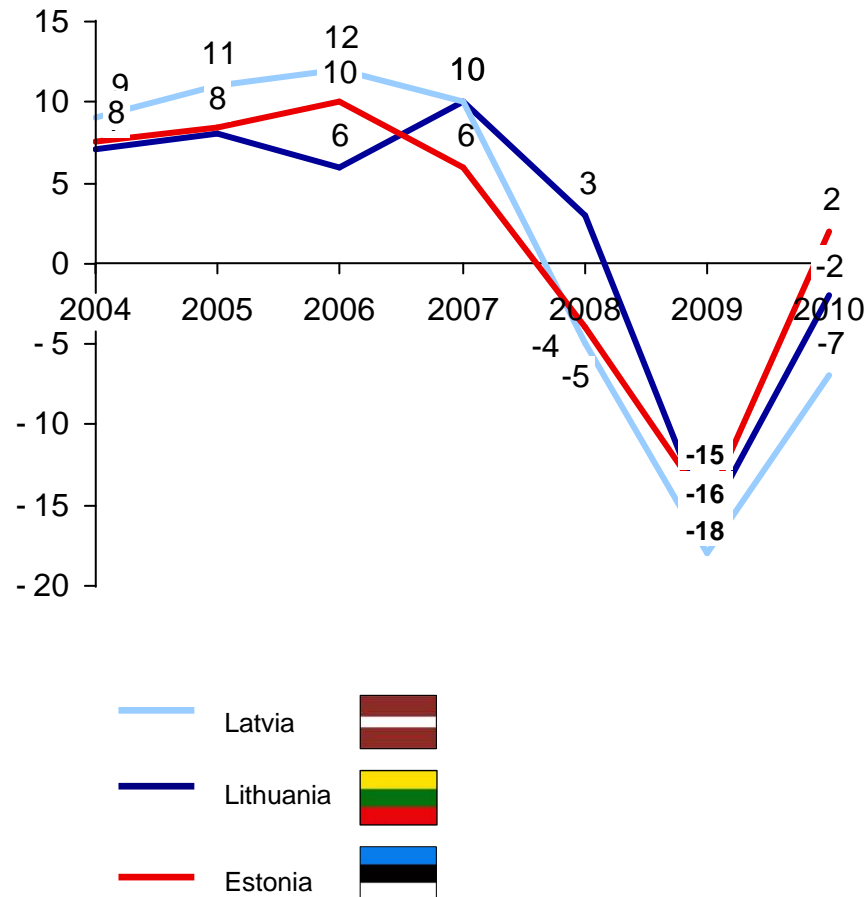


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Baltic countries seriously hit by the global crisis in 2009

GNP growth

%



- The main market of ORLEN Lietuva is the **Baltic States**.
- Gross National Product dropped to 15% in Estonia and 18% in Latvia. Level of unemployment has grown dramatically and resulted nearly 20% consumption drop.
- **Stabilization and later recovery is expected in 2011.**



Source: Eurostat

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Restructuring plan - key objectives for 2010

To address all crucial issues and to ensure value creation for the shareholder in the future restructuring plan was implemented



The main objectives:

- Operational efficiency improvement;
- Improvement of commercial activities;
- Increase in production units availability and utilization;
- Decrease in energy consumption;
- EBIT and FCF improvement.



Restructuring plan – areas of improvement

Key initiatives

Commercial:

- Better discounts for Term Contract in seaborne sales
- Savings in fixed costs & salaries
- Staff reduction in LV & EE TH

Production:

- Implementation of Energy Saving Program
- Increase of light products yields
- Savings on additives and catalysts

Maintenance:

- Decrease of maintenance costs
- Start-up of Maintenance Improvement Program

Logistics:

- Higher discount for transit through Belorussia
- Decrease in rail tariffs and reloading tariff in Klaipėdos Nafta
- Optimization of terminal costs

Business support:

- Additional staff reduction target for 2010 resulted in 10% of employees in total
- Salary and Social Insurance Costs reduction
- Savings of Consulting & Other Services Costs
- Restructuring Program includes all of the companies of the ORLEN Lietuva Group

➤ The major part of savings comes from operational and logistics areas

➤ During the year 2010, the Company is planning to release over 10% of FTEs, this action will give a full financial effect in 2011 and later periods.

➡ The total effect of the restructuring program is ca. **50 m USD** in 2010 alone ⬅



Further actions in value growth of ORLEN Lietuva

Logistics

- Access to the sea terminal
- Building of production pipeline
- Optimization of railway transport conditions
- Potential restart of direct deliveries by pipeline

Commercial

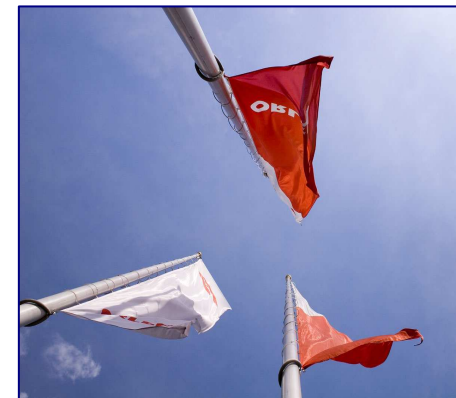
- Retention of Inland market share and maximization of profits
- Improvement of Seaborne sales margins

Production

- Increase of light product yields
- Reduction of energy consumption
- Manpower optimisation

CAPEX

- Visbreaker Vacuum Flasher
- Increase of light product yields
- Increase of operational efficiency





Thank You for Your attention

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Board of Directors



Ireneusz Fąfara, Chairman of Board of Directors,
General Director of Public Company ORLEN Lietuva



Edmond Seghman, member of Board of Directors,
Deputy General Director for Operations of Public
Company ORLEN Lietuva



Sławomir Robert Jędrzejczyk, member of Board of
Directors, Vice-President of the Management Board of
PKN ORLEN for Finance



Jacek Szafranski, member of Board of Directors,
Deputy General Director for Commercial Sales of
Public Company ORLEN Lietuva



Krystian Pater, Member of Board of Directors, Member
of the Management Board of PKN ORLEN for
Refineries



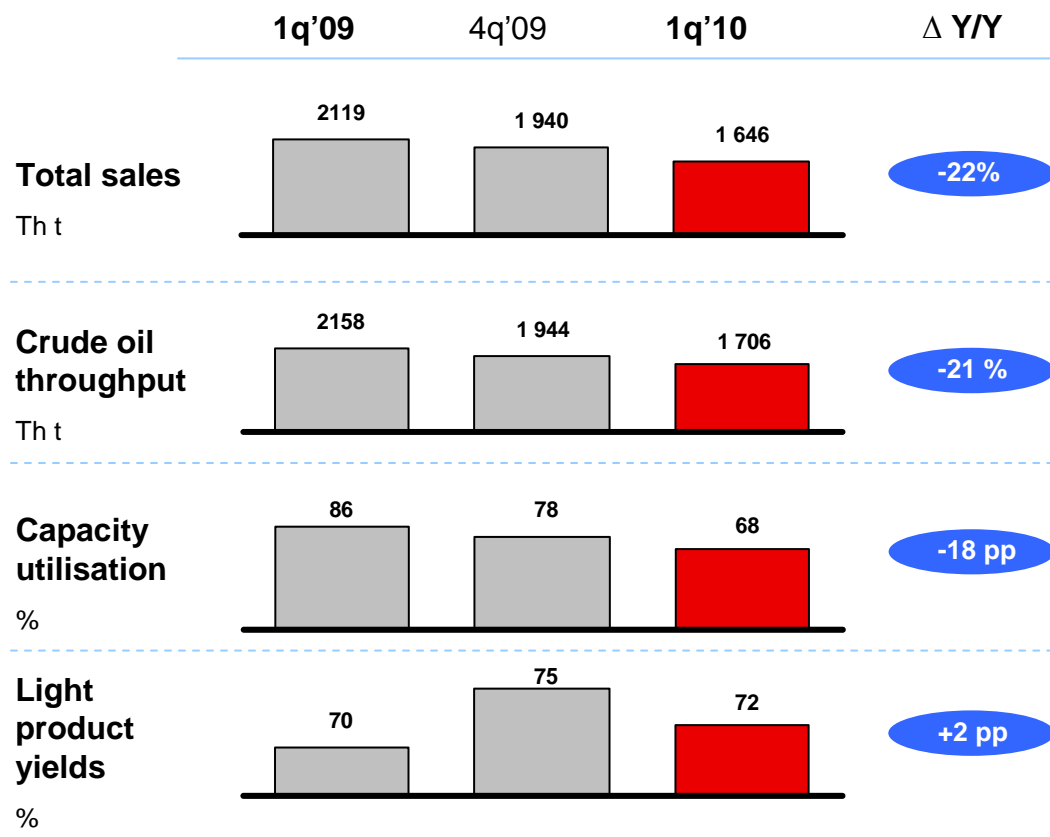
Jaroslaw Szalinski, member of Board of Directors,
Chief Financial Officer of Public Company ORLEN
Lietuva (Deputy General Director for Finance)



Vita Petrošienė, member of Board of Directors, Deputy
General Director for Business Support of Public
Company ORLEN Lietuva



Key operational indicators for Q1 of 2010



Lower crude oil processing due to unfavorable market prices in Jan & Feb 2010.



15 days' Spring Shutdown in March – negative effect on capacity utilization in Q1.



Lower volumes of sales due to limited throughput.



Higher light product yields (gasolines and middle distillates) despite limitations on FCC Unit.



Lower operational availability in relation to extended maintenance works in FCC Unit during Spring Shutdown.



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