

Execution of PKN ORLEN 2014-2017 Strategy in the upstream segment

Kicking Horse Energy
and FX Energy
Agreements Signing

Warsaw, October 13, 2015



ORLEN. FUELLING THE FUTURE.



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PKN ORLEN strategy in upstream segment (1/2)

Value creation levers



- **Organic growth in Poland**
 - Increased focus on conventional projects
 - Delineation of prospective areas of the unconventional upstream assets

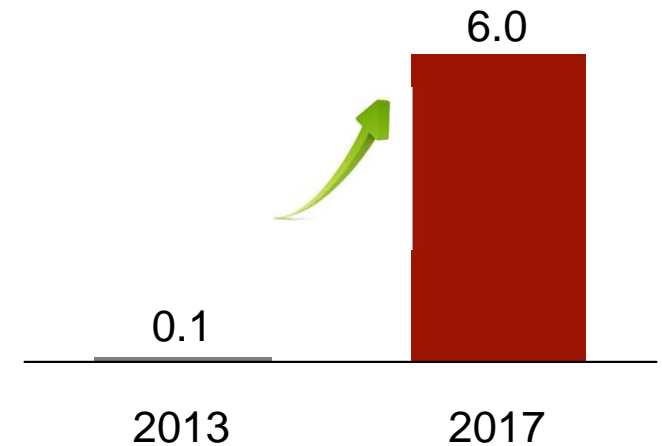


- **Development of Upstream in Canada**
 - Production increase
 - Oil and gas 2P** reserves increase

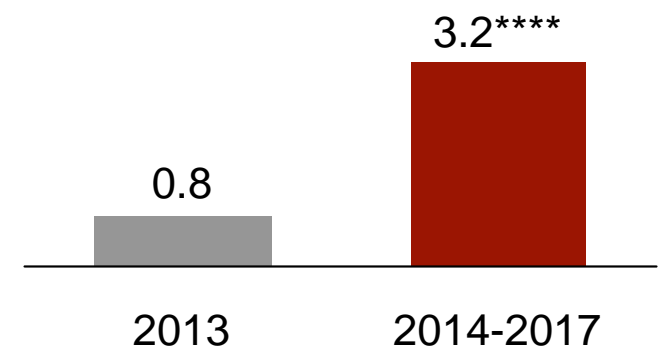


- **Opportunistic acquisitions of assets**
 - Subject to availability of free cash flow (FCF)*** (in Poland as well as on other markets)

Hydrocarbons production*
million boe/year



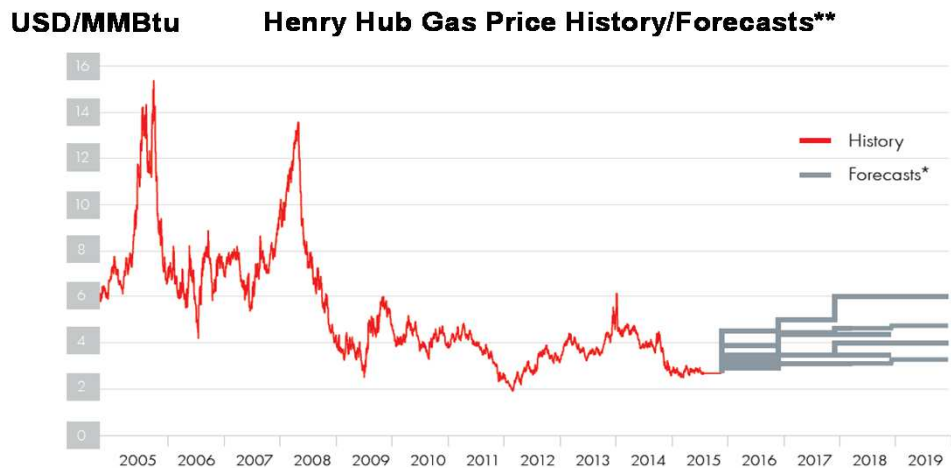
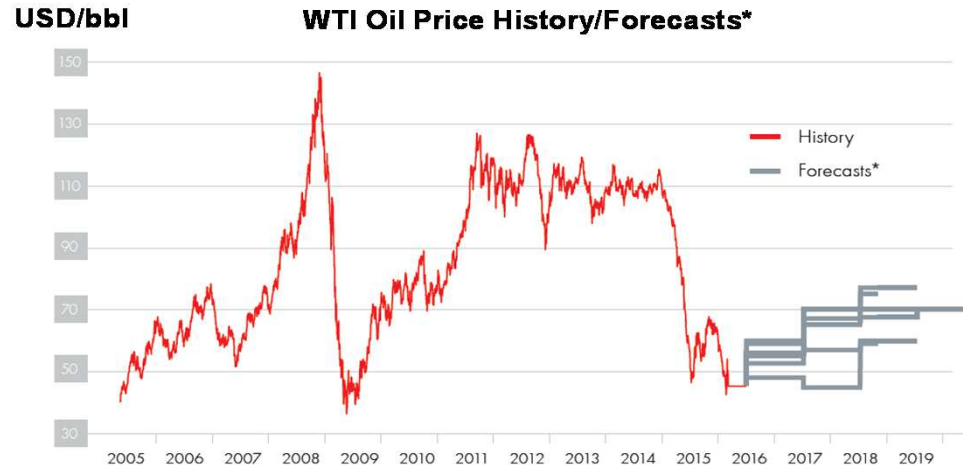
CAPEX, PLN billion





PKN ORLEN strategy in upstream segment (2/2)

Challenging macroeconomic conditions



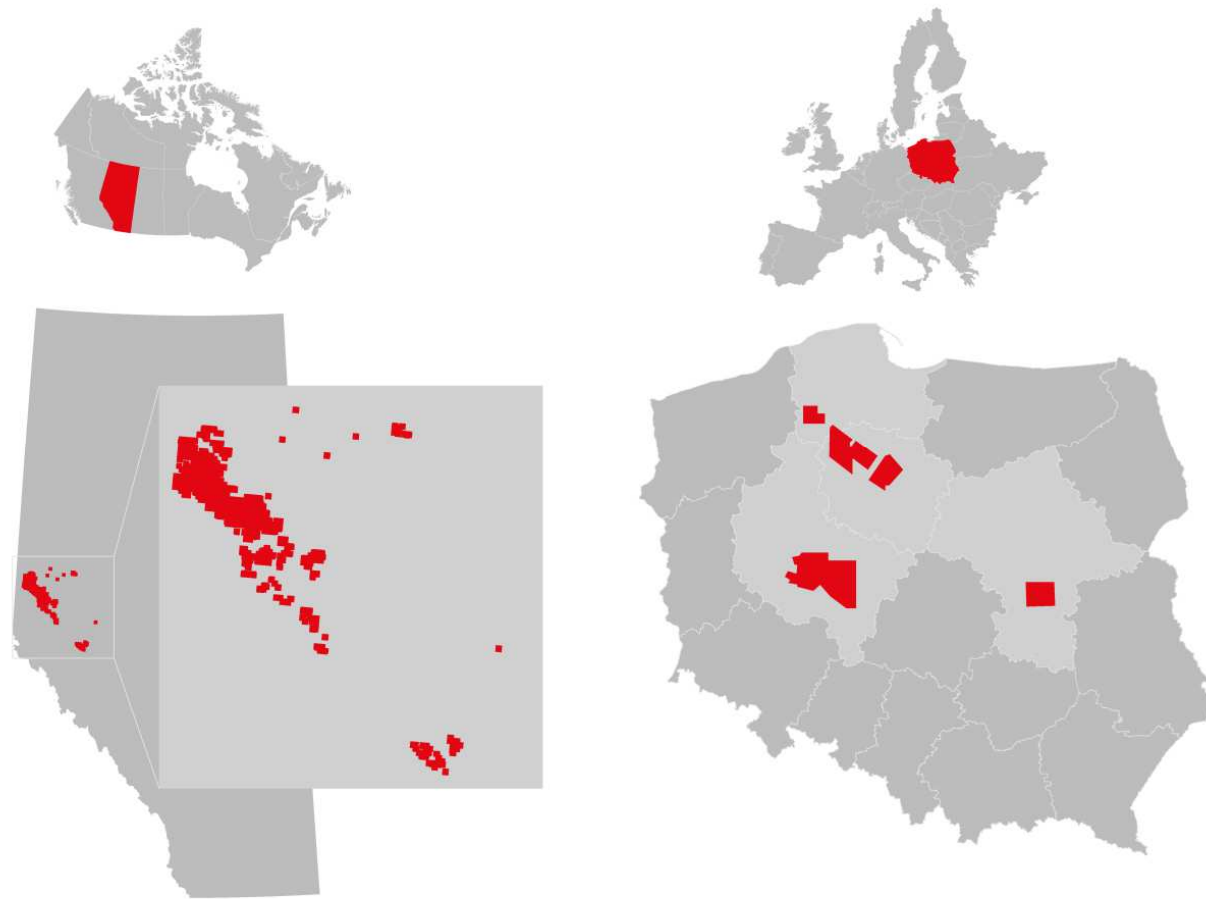
PKN ORLEN's response to the challenging market conditions:

- Project portfolio rationalization in Poland – focus on the more prospective areas (CAPEX for organic growth in Poland reduced to PLN ~0.1 bn in 2015)
- Adjusted development pace in Canada (CAPEX for organic growth reduced to PLN ~0.2 bn in 2015)
- **Screening for opportunistic acquisitions in Europe and Canada**
- Focus on cost efficiencies – flexible business model



PKN ORLEN's new upstream acquisitions: Kicking Horse Energy and FX Energy

Acquisitions of producing assets – strengthening of PKN ORLEN's presence in Canada and project portfolio diversification in Poland



The new acquisitions by PKN ORLEN:

- Consistent with PKN ORLEN strategy
- Next step to strengthen PKN ORLEN's market position in the upstream segment
- Financed from an additional CAPEX pool earmarked for M&A
- Satisfying PKN ORLEN's appetite for inorganic growth in the near term
- Top quality producing assets with upside potential
- No adverse impact on PKN dividend policy and credit ratios



Kicking Horse Energy Executive Summary: Transaction



ORLEN Upstream Canada (OUC), a subsidiary of ORLEN Upstream (OU) has signed an Arrangement Agreement that initiates acquisition of Kicking Horse Energy, a Canadian E&P company listed on the TSX Venture Exchange (trading symbol: KCK)

Price per share	CAD 4.75
Shares to be acquired	100%
Transaction value	CAD 356 M*
Transaction value	PLN 1 023 M**

* Transaction value consisting of the value of 61,8 million outstanding shares of Kicking Horse Energy, net debt and other adjustments; the total equity purchase price to be paid by ORLEN Upstream Canada in cash is approximately CAD 293 MM; the total transaction value representing the enterprise value, including the assumption of Kicking Horse's net debt and working capital as of 30 September 2015 as well as after the settlement of existing options is CAD 356 MM

** CAD/ PLN exchange rate as per Polish National Bank official rate at October 12, 2015



Kicking Horse Energy Executive Summary: Transaction Overview



Business rationale

- Top quality assets in Alberta with within the most condensate-rich part of the Montney play
- Very good economics
- Possible synergies with ORLEN Upstream Canada
- Talented team of highly experienced people available to strengthen ORLEN team in Canada

Process

- ORLEN Upstream Canada's offer positively received and recommended by Kicking Horse Energy's Board of Directors
- Transaction by Plan of Arrangement under Canadian law
- Due diligence and valuation process supported by respected advisors
- Under the Agreement, ORLEN Upstream Canada can match any unsolicited superior proposals made by third parties to Kicking Horse Energy before shareholder meeting date
- Required minimum of 66.7% of shareholder votes at the meeting of Kicking Horse Energy shareholders
- Meeting of Kicking Horse Energy shareholders and transaction closing expected by late November or early December 2015

Financing

- Cash offer
- Acquisition financed from PKN ORLEN's cash at hand and available lines
- Transaction financed from additional capex pool as per 2014-2017 Strategy; 2015: Lower pace of utilization of the base pool of PLN 3.2 bn



Kicking Horse Energy Executive Summary: Asset Overview

Current cash flows & upside potential

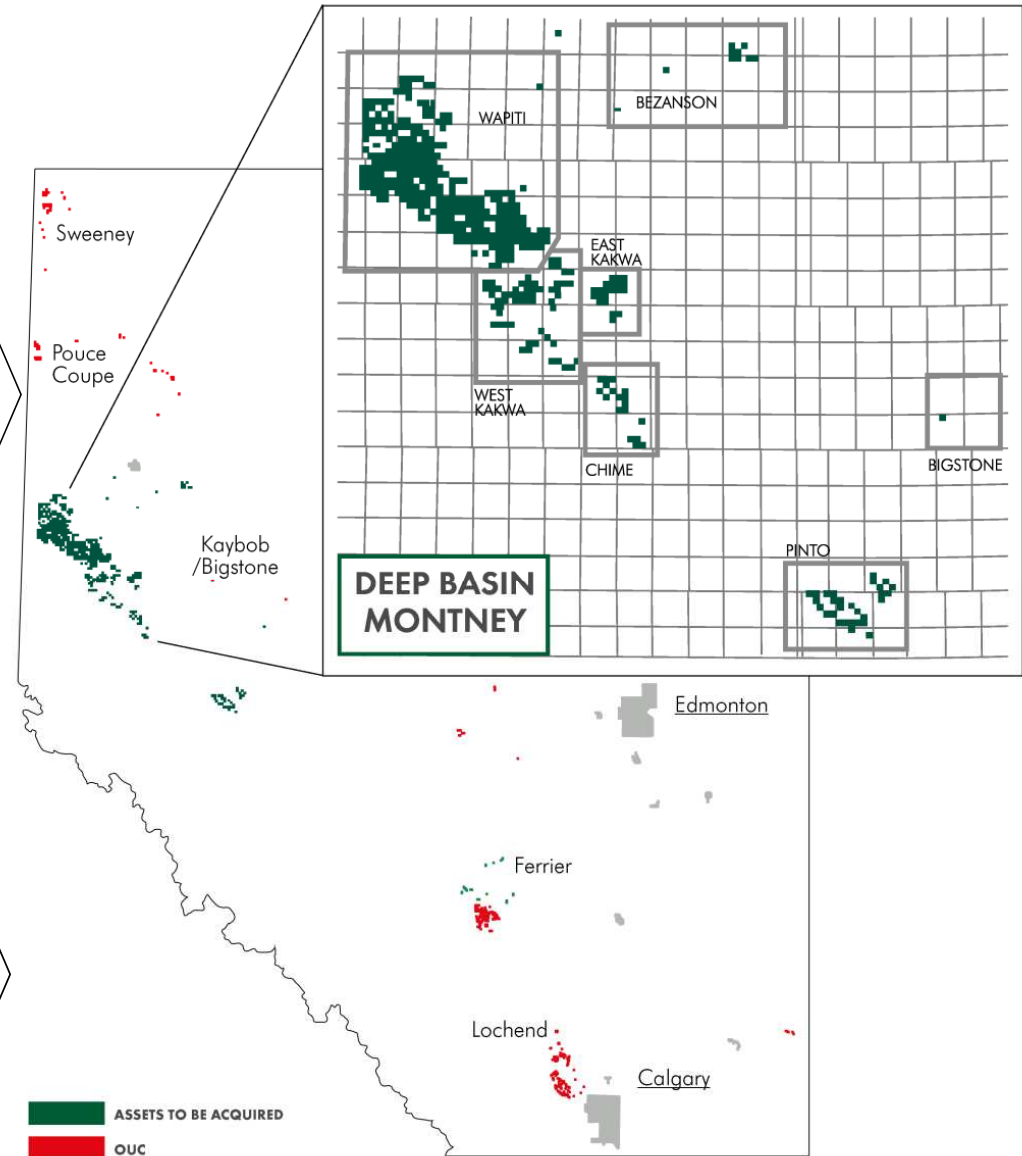
Alberta Lands

- Top quality production area of Alberta
- Current production of 4,000 boe/d (57% liquids)
- Large and highly prospective 471 gross/350 net section land position
- High IRR wells driven by significant condensate volumes and premium pricing

Other Assets

Eastern Canada

- Two small oil and gas fields
- 11% ownership of Peridae Energy:
 - Goldboro LNG project
 - Tight gas project and upstream JV





FX Energy Executive Summary: Transaction



ORLEN Upstream has signed an Agreement and Plan of Merger to initiate an acquisition of FX Energy, a U.S. based E&P company listed on NASDAQ (trading symbol: FXEN) with the core business in Poland

Offered price per share	USD 1.15
Shares to be acquired	100%
Transaction value	USD 119 M*
Transaction value	PLN 442 M**

* Transaction value consisting of the value of 54,9 million outstanding shares of FX Energy, preferred shares, net debt and other adjustments; the total amount to be paid for 100% of FX Energy common shares and 100% redeemed shares will amount to approximately USD 83 MM; the total transaction value including the assumption of FX Energy net debt as of 30 June 2015 will amount to ca. USD 119 MM ** USD/PLN exchange rate as per Polish National Bank at October 12, 2015



FX Energy Executive Summary: Transaction Overview



Business rationale

- Best producing assets with upside potential available in the Polish market
- Successful track record in the Fences area
- Talented team of highly experienced people available to strengthen ORLEN Upstream

Process

- ORLEN Upstream's offer positively received and recommended by FX Energy's Board of Directors
- Transaction by tender offer under US law
- Due diligence and valuation process supported by respected advisors
- Under the Agreement, ORLEN Upstream can match any unsolicited superior proposals made by third parties to FX Energy
- Requires min. of 90% of shareholders (post top-up) to tender via short form merger
- With 50% + 1 share, a two-step merger procedure possible
- Tender offer expected to be launched by October 23, 2015
- Closing expected in Q4 2015 or Q1 2016*

Financing

- Cash offer
- Acquisition financed from PKN ORLEN's cash at hand and available lines
- Transaction financed from additional capex pool as per 2014-2017 Strategy; 2015: Lower pace of utilization of the base pool of PLN 3.2 bn



FX Energy Executive Summary: Asset Overview

1

Current cash flows

Fences

- Concessions 3 450 sq km
- Gas production: over 1650 boe/d
- Partnership with PGNiG

2

Upside potential

Edge

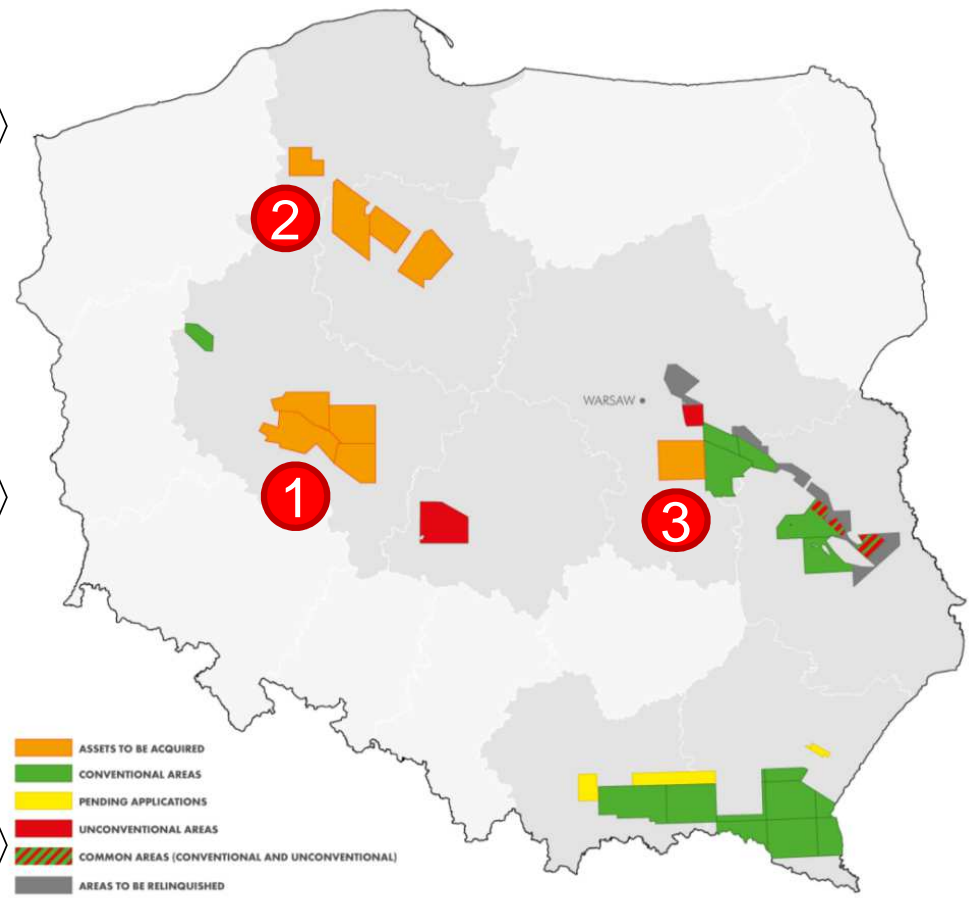
- Concessions 2 967 sq km
- Exploration & development phase
- 1155 sq km of 3D seismic acquired
- New prospects identified and ready to drill

3

Possible synergy

Block 255

Area directly adjacent to ORLEN's current assets

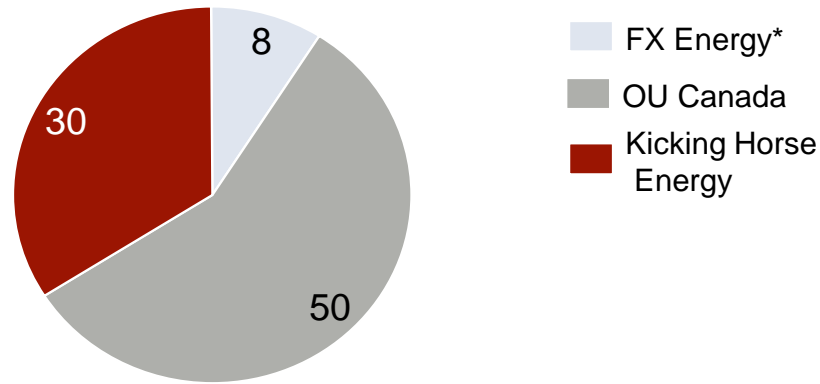




ORLEN Upstream Portfolio Post Acquisitions



2P Reserves (MM boe) as of 2014YE

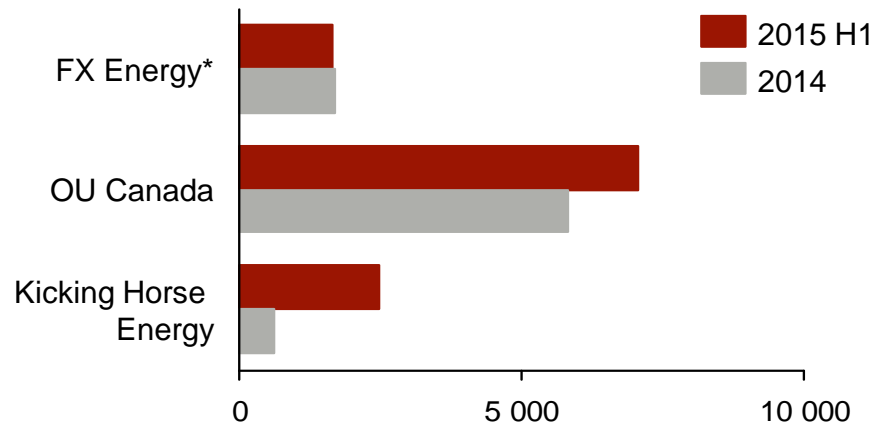


* Assuming 80% methane content oin the Fences gas fields

Source: Company reports

Total 2P reserves:
Over 88 MM boe

Oil and Gas production (boe/d)



* Assuming 80% methane content in the Fences area

Source: Company reports

Total production:
Over 11 kboe/d



Summary



Strategic rationale

- The acquisitions are consistent with PKN ORLEN strategy
- Next step to strengthen PKN ORLEN's market position in the upstream segment
- Opportunistic acquisitions of quality assets in favorable hydrocarbon price environment
- Top quality producing assets in Canada with plenty of running room
- Best producing assets with upside potential available in the Polish market

Next steps

- The two transactions are satisfying PKN ORLEN's appetite for inorganic growth in the near term
- Continuous focus on cost efficiencies – flexible business model
- PKN ORLEN on track to deliver the 2017 strategic targets in the upstream segment
- Dividend policy and financial fundamentals remain unaffected by the acquisitions

Thank You for Your attention



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