

PKN ORLEN INVESTOR AND ANALYST DAY



Warsaw, September 22, 2015

***„We discover and process natural resources
to fuel the future”***

Corporate Strategy

Sławomir Jędrzejczyk
CFO



Pillars of PKN ORLEN Strategy for 2014-2017



Financial strength

Dividend: DPS increase*

Value creation

EBITDA: PLN 5.1 billion**

People

Values: ORLEN



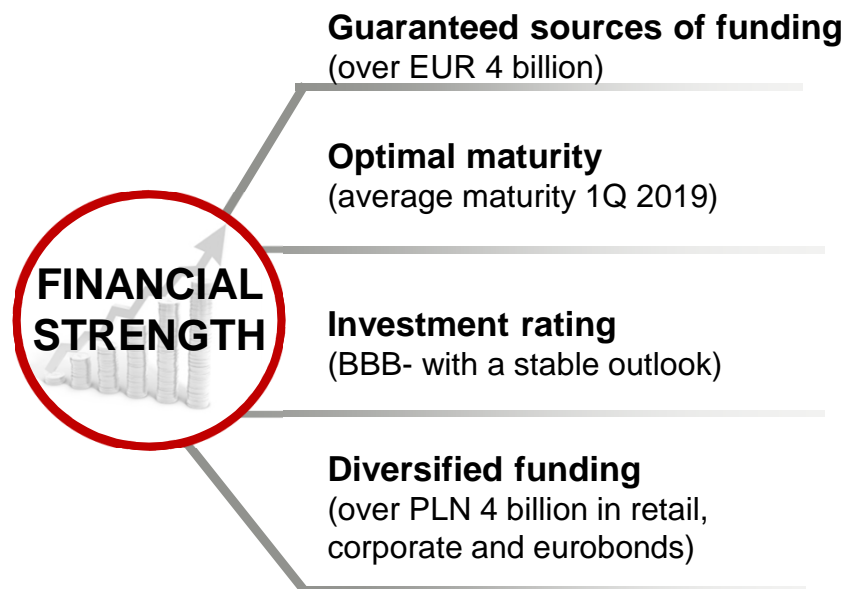
* DPS, *Dividend per Share*

**The average annual EBITDA LIFO in 2014-2017

Financial strength: Flexibility and resilience to market volatility (1/2)



Foundations



Objectives

- **Financial ratios**
 - Rating - investment grade
 - Financial gearing - below 30%
 - Net debt/EBITDA LIFO – less than 2
- **Dividend** – a steady increase of DPS*
- **Positive free cash flow****
- **Additional cash flow**
 - up to PLN 1 billion from non-integrated assets divestment

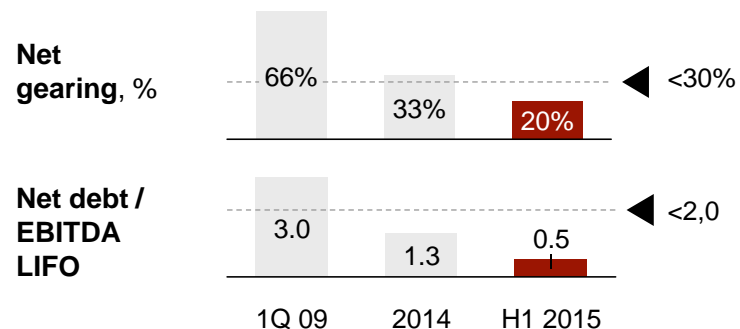
* DPS, *Dividend per Share*

** FCF= EBITDA LIFO – CAPEX

Financial strength: Strong cash flow (2/2)



Strong cash flow leads financial ratios to low levels ...



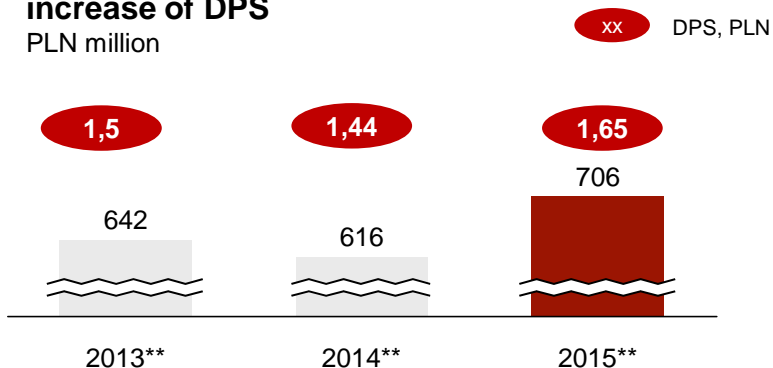
... and offsets mandatory reserves repurchases ...

Cash outflows, PLN billion

▪ Mandatory reserves repurchase* (Jan 2015)	1,1
▪ Mandatory reserves repurchase* (August 2015)	2,7
▪ Dividend payment (July 2015)	0,7
▪ Ceska Rafinerska shares purchase from ENI (April 2015)	0,1

... and confirms strategic goal of a steady increase of DPS

PLN million



Strong financial position

* Net of VAT

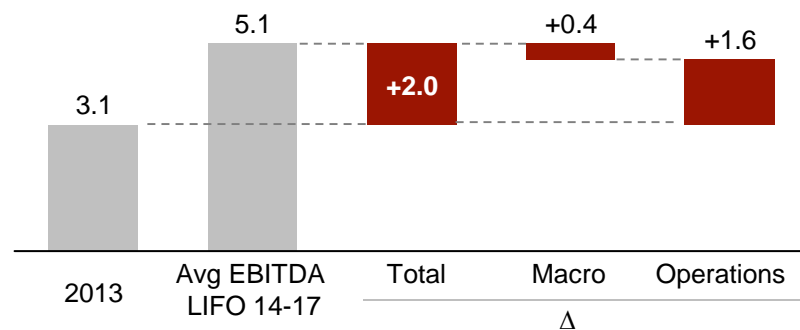
** Year of payment

Value creation: Significant EBITDA LIFO improvement (1/2)



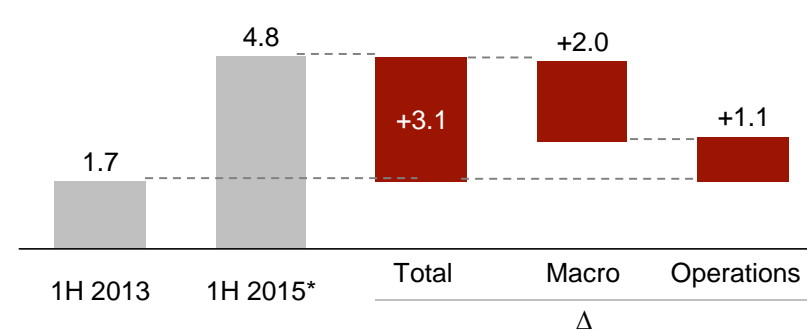
What we have planned for 2014 – 2017...

EBITDA LIFO* plan for 2014 - 2017, PLN billion




...and what we delivered so far

EBITDA LIFO* execution H1 2013 – H1 2015, PLN billion



Key drivers of performance improvement:

-  Sales volumes
-  Integrated value chain
-  Efficiency improvement

We are capable of taking full advantage of favorable macro

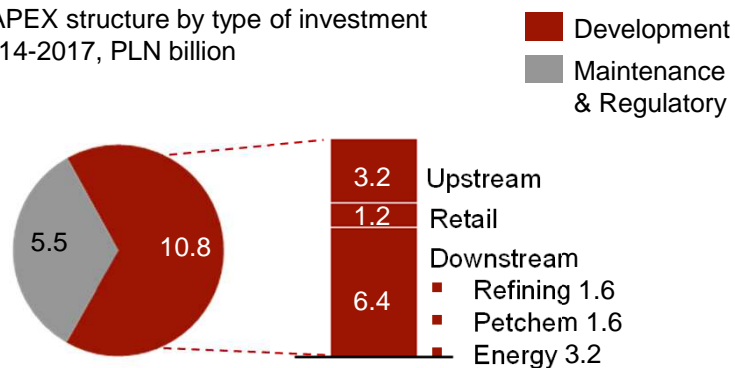
*Before impairments

Value creation: CAPEX focused on growth (2/2)



We reconfirm CAPEX set in the strategy...

CAPEX structure by type of investment
2014-2017, PLN billion



... as well as our growth directions ...

➤ Downstream

- Value chain enhancement
- Product slate improvement
- Operational excellence

➤ Retail

- Growth of fuel sales
- Higher non-fuel yield capture
- Possible M&A

➤ Upstream

- Organic growth
- Possible M&A

... however with optimised capex in 2015

CAPEX initial plan for 2015, PLN billion

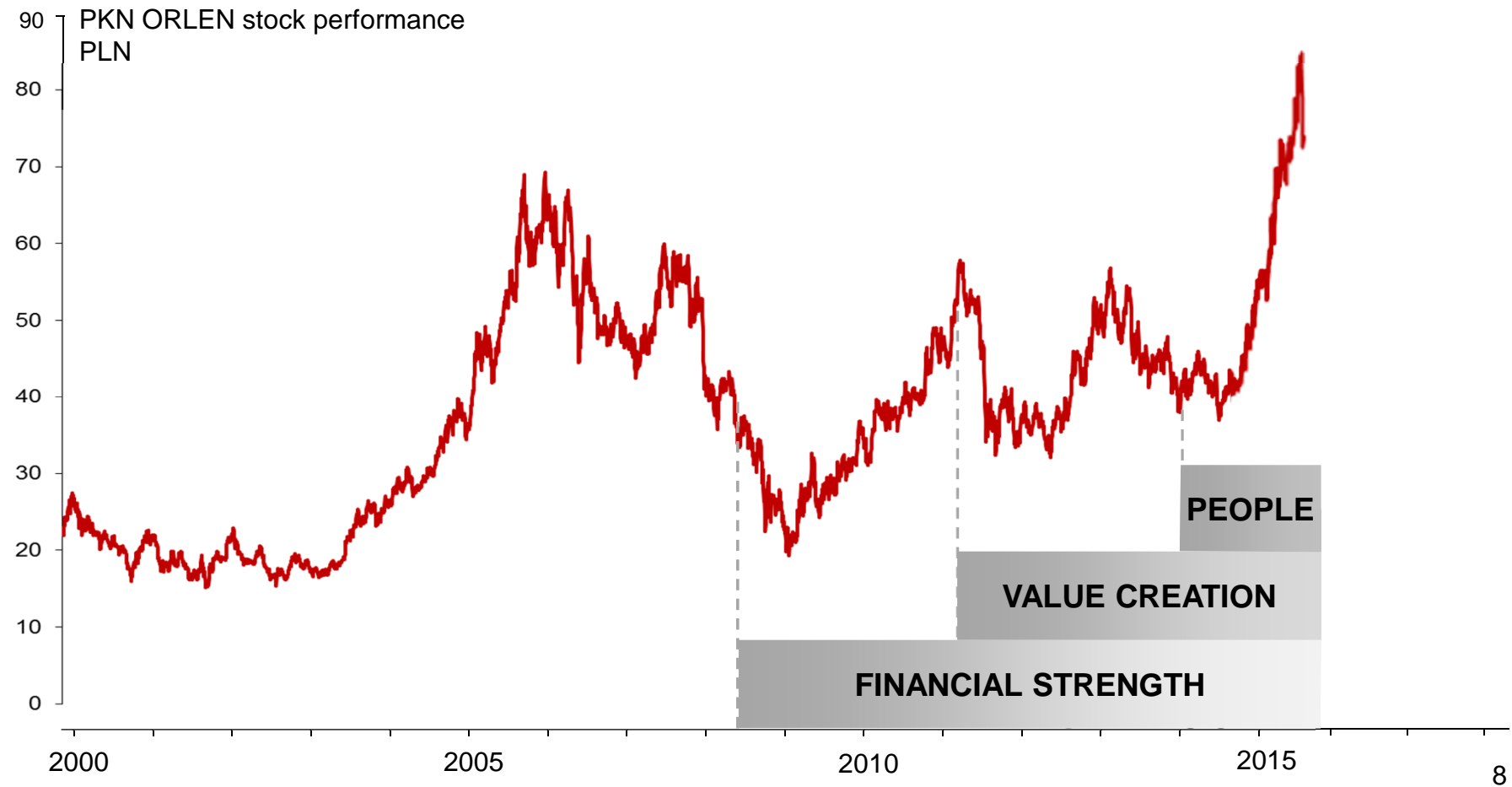


2015 initial plan

- Optimised organic capex in upstream
- Rescheduled petchem project

**Growth initiatives continued
as set in the Strategy**

PEOPLE: Key pillar of our strategy (1/4)



PEOPLE: Even more important in unpredictable times (2/4)

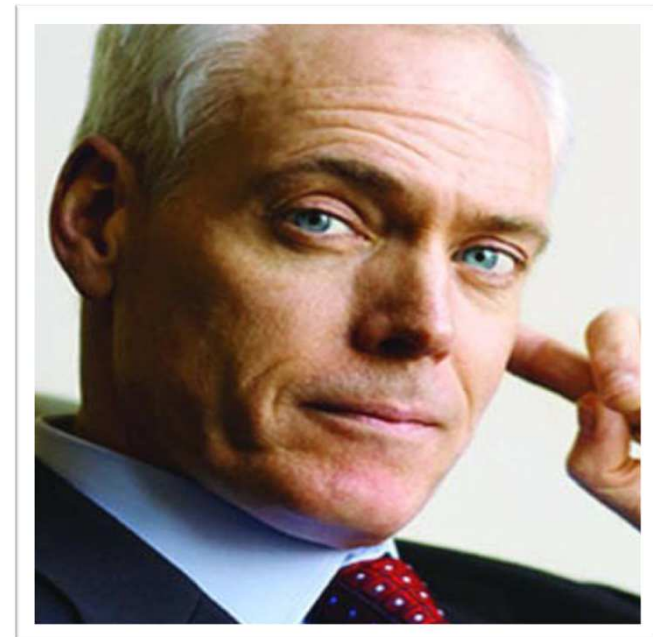


„They hired outstanding people whenever and wherever they found them, often without any specific job in mind.

That's how you build the future (...)

If I'm not smart enough to see the changes that are coming, they will. And they'll be flexible enough to deal with them”

Jim Collins



Quotation source: Jim Collins, „Good to Great”, HarperBusiness, 2011
Image source: J.Collins - www.nndb.com; access date: 16.09.2015;

PEOPLE: ORLEN values as a foundation of our culture (3/4)



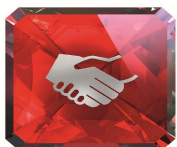
ODPOWIEDZIALNOŚĆ

Szanujemy naszych klientów, akcjonariuszy, środowisko naturalne oraz lokalne społeczności.



ROZWÓJ

Poszukujemy nowych możliwości.



LUDZIE

Naszymi atutami są kompetencje, współpraca i uczciwość.



ENERGIA

Działamy z entuzjazmem.



NIEZAWODNOŚĆ

Można na nas polegać.

RESPONSIBILITY

We respect our customers, shareholders, natural environment and local communities.

PROGRESS

We search for new opportunities.

PEOPLE

Competence, teamwork and integrity are our assets.

ENERGY

We act with enthusiasm.

DEPENDABILITY

You can rely on us.

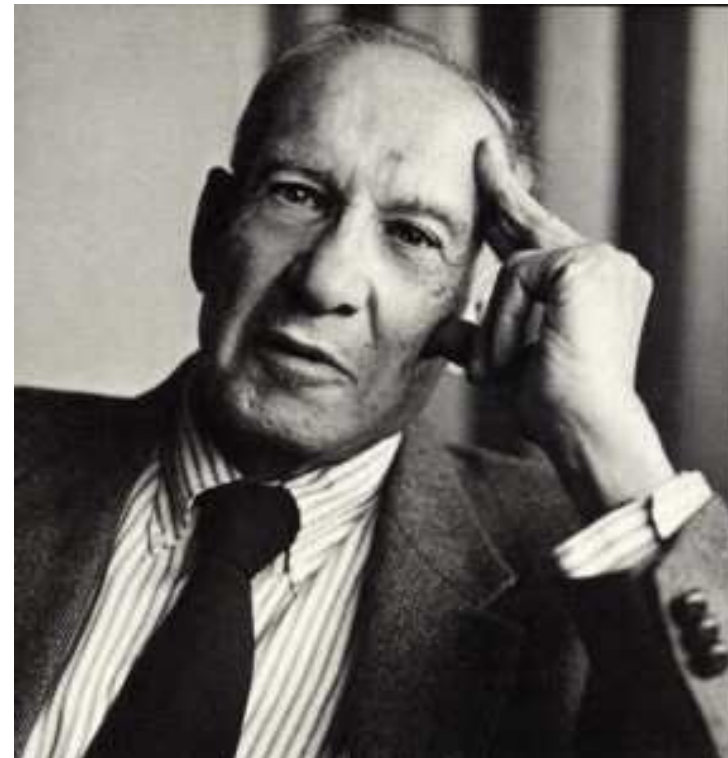
PEOPLE: Focus on leadership (4/4)



*„Management is
doing things right;*

***Leadership is
doing the right things”***

Peter F. Drucker



Quotation source: Peter F. Drucker, „The Essential Drucker”, P. F. Drucker - www.centroatl.pt; access date: 18.09.2015
Image source: P. F. Drucker - www.centroatl.pt; access date: 18.09.2015

Key messages



**Determined to deliver
our strategy**

**Well prepared for
unpredictable future**

Seizing the opportunity

Focusing on people

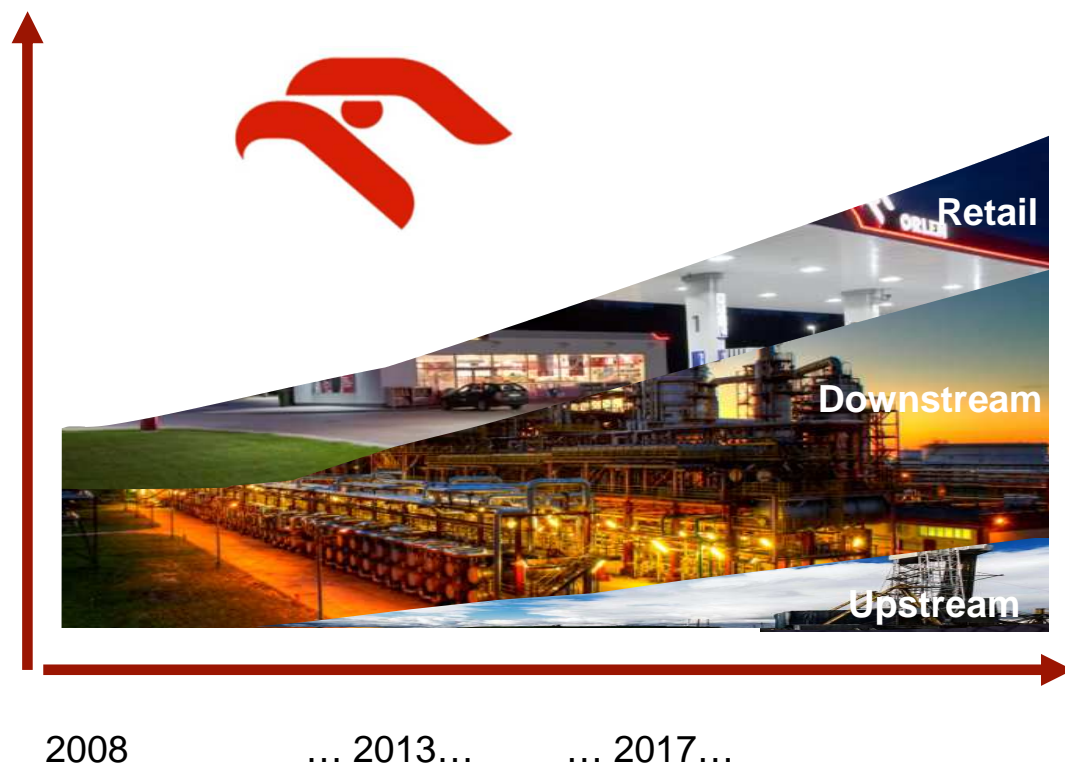


STRATEGY

SEGMENTS

- Downstream
 - Sales
 - Production
 - Energy
- Upstream
- Retail

PKN ORLEN strategic vision



- Strong position on large and growing markets
- Strong customer focus
- Integrated value chain
- Operational excellence
- Sustainable Upstream development
- Modern management culture

Downstream - Sales

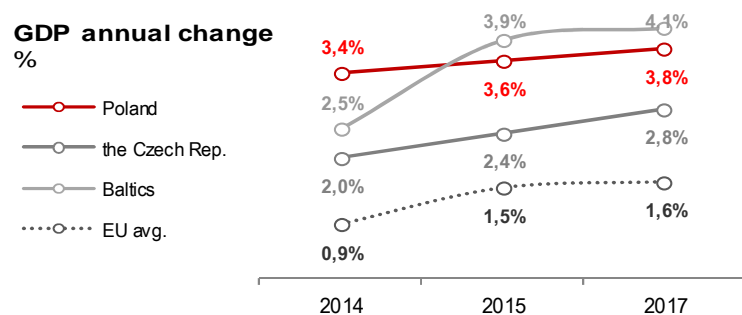


Marek Podstawa
Management Board member

Strong position on large and growing markets (1/2)

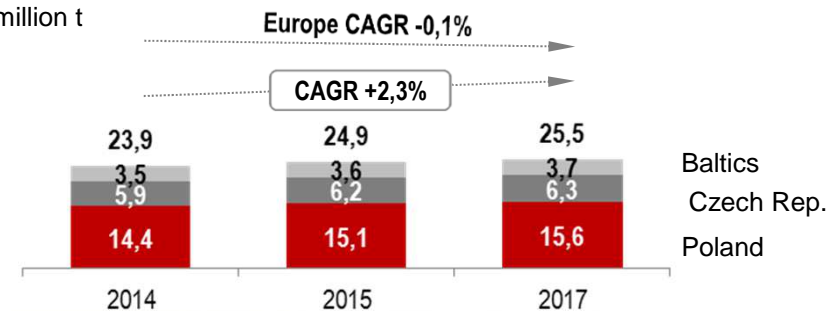


Sales gravity centers located in countries developing faster than the rest of the EU ...



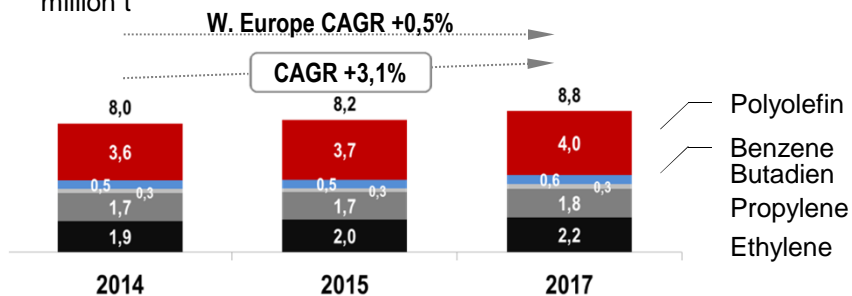
...which offer further growth potential both in fuels...

Fuel consumption in Central Europe
million t



...and petrochemicals

Petrochemicals consumption in Central Europe
million t



**PKN ORLEN's home markets
growing faster than the rest of
Europe**

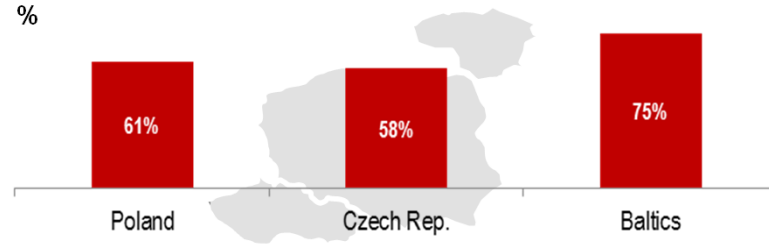
Source: PKN Orlen, IHS CERA, Eurostat, Poland - Energy Agency, Czech Rep. - Český statistický úřad (Czech Statistical Office), Baltics - Lietuvos Statistikos Departamentas (Statistics Lithuania), Valsts ieņēmumu dienests (Latvian State Revenue Service), Maksu- ja Tolliamet (Estonian Tax and Customs Board)

Strong position on large and growing markets (2/2)



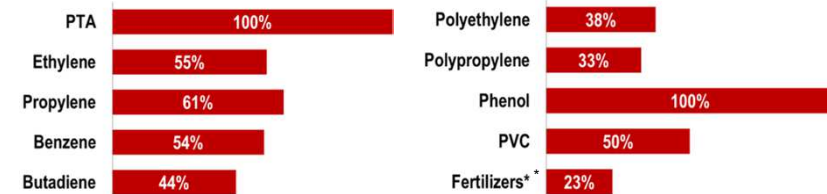
Key player on home fuel markets...

Actual fuel market share*
%



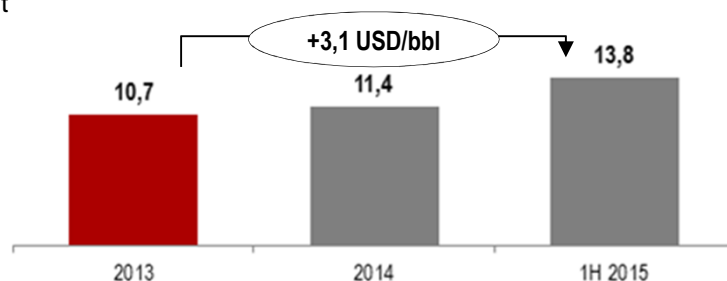
... significant market share in all petrochemical product groups...

ORLEN Group's share in Central Europe production capacity,
%



...brings opportunities to benefit from an extensive value chain.

Average downstream margin
EUR/t



**Dominant position on
growing markets with
healthy margins**

* H1 2015 / for Czech Rep. expected level of market share after full Ceska Rafinerska stake take-over

** Market share in Fertilizers for Poland only

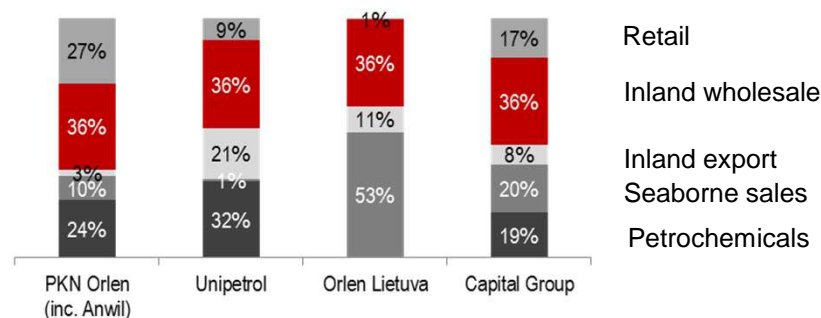
Source: PKN Orlen, ICIS, Baker & O'Brien's European PRISM Newsletter: 2015

Well balanced channels of trade on attractive markets

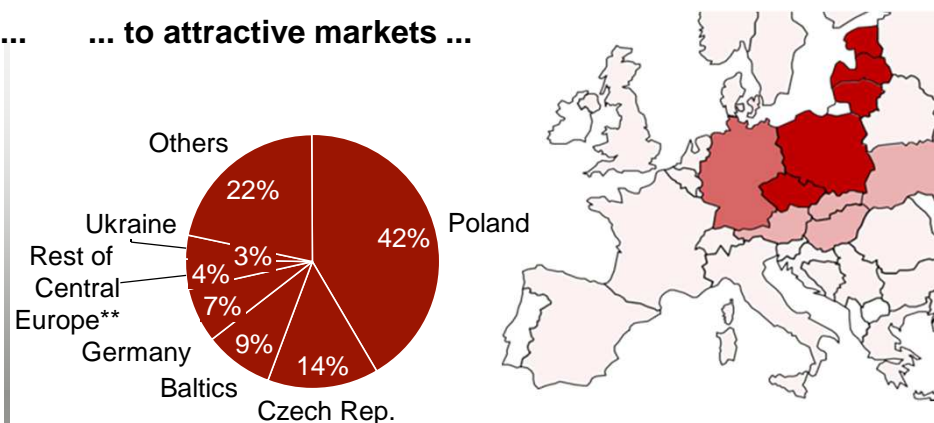


We are selling through well-balanced channels of trade...

Volume share in respective channels*



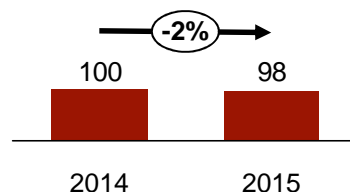
... to attractive markets ...



... taking advantage of our competitive strengths in logistics

- direct connection to product pipelines
- increasing low-cost own storage capacity
- higher utilization of own logistics assets

Normalized total unit logistic cost



*Gasoline, Diesel, JET, LHO, HFO, bitumen, petrochemicals sales, average 2013-H1 2015

** Austria, Slovakia, Hungary, Romania, average 2013-H1 2015

Source: PKN Orlen

Diversified channels of trade with competitive advantage in logistics

Modern management culture



- Experienced, well trained and **highly motivated team**
- „**Top Employer**” according to sales managers of the largest Polish companies



- Emphasis on **customer relationship**
- **Supply quality and reliability**



- Unique **product offer**
- **New business models** for fuels, petrochemicals, lubricants and bitumen sales



- **Cost discipline**
- Systematic improvement of **sales organization efficiency**



- Continuous focus on **safety and environmental performance**

Key strategic directions: Capture value on growing Central European markets



Fuel marketing



- Development of trading competences
- Expansion to attractive, neighbouring markets
- Capture higher demand from diminishing grey zone

Petrochemicals



- Continuous business development and extension of value chain;
- Diversification of product portfolio and customer base
- Volume increase and maintenance of unit margins

Logistics



- Systematic enhancement of competitive advantage through growing elasticity, service quality and cost optimization
- Divestment of non-strategic assets
- Use of synergies with key infrastructure operators through alliances and strategic partnerships

Downstream - Production

Krystian Pater
Management Board member



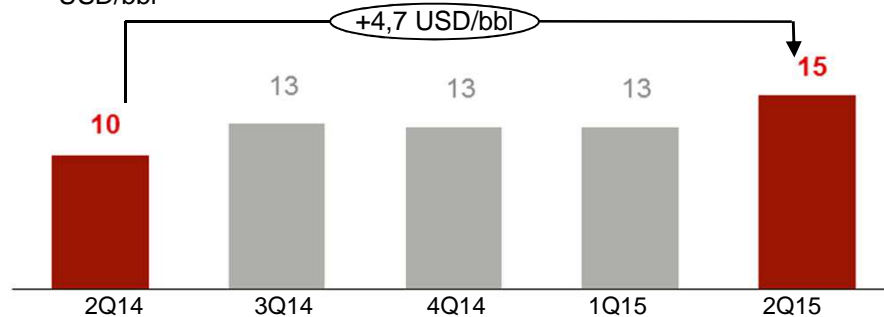
Downstream benefits from favourable market environment



Good macro conditions...

Model margin - Downstream

USD/bbl



...with an increase in capacity utilization and sales intensification ...

Capacity utilisation

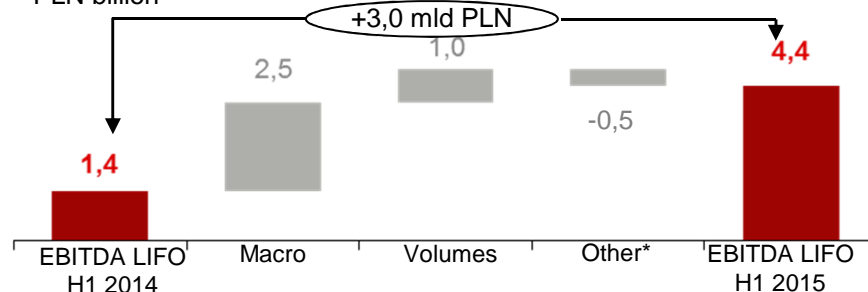
%

Refineries	2Q14	1Q15	2Q15	Δ (r/r)
Plock	79%	87%	100%	21 pp
Unipetrol	90%	84%	95%	5 pp
ORLEN Lietuva	72%	70%	86%	14 pp
Petrochemicals				
Olefins (Plock)	82%	90%	95%	13 pp
Olefins (Unipetrol)	88%	95%	90%	2 pp
BOP	73%	89%	91%	18 pp

... has brought a substantial increase in EBITDA and cash flow

EBITDA LIFO (excl. impairment)

PLN billion



Seizing the opportunities

* Net impact of the transactions on mandatory reserves (negative effect of repurchase of the tranche in Q1 2015 and lack of positive effects from H1 2014)

Constant efficiency increase mitigates the external risks

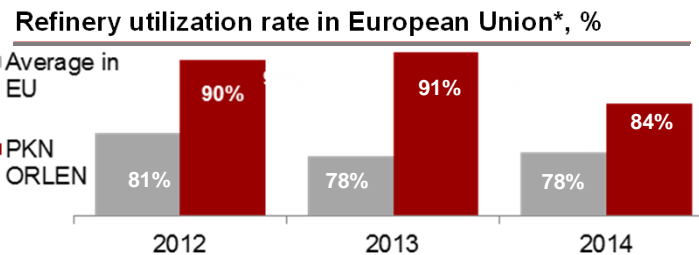


Risks

Business implications

Competitive advantages of Downstream

Weak utilization in Europe



Increasing regulatory pressure

- Adaptation to environmental requirements
- New regulations on HFO / bunker fuel
- Best practice approaches

Unpredictable downstream margins perspective

- Volatility on the raw material markets
- Prolonged lower oil prices would slow ethane cracker capacity expansions – naptha most competitive feed for steam cracker
- Limited European economic growth

- Integration of refinery, petrochemical and energy assets
- Leader on the fuel market in the Central Europe
- Strengthening of supply chain management
- Reduction of energy consumption of technological processes
- High quality assets
- Prepared for regulatory and market trend changes
- Secure and efficient supply of main types of feedstock - flexibility
- Solid GDP growth in Central Europe
- Value chain extension

* Atmospheric distillation capacity on a calendar-day basis
Source: Own calculation and BP Statistical Review of World Energy, June 2015

Deliveries in 2015



People

- Effective process of restructuring (4-shift scheme implementation)
- Strengthening the crew competence
- Implementation of competition for result culture (via management by values)

Development

- Metathesis Unit (capacity 100 kt/year)
- Polyethylene 3 Unit (capacity 270 kt/year)
- Visbreaking Unit (capacity 1100 kt/year)
- Small projects with high IRR

Asset optimization

- Successful consolidation of small refineries (Orlen Południe)
- Effective consolidation of maintenance service companies
- Systematic improvement of ORLEN Lietuva results

Operational excellence

- Further increase of white products yield
- Energy efficiency increase in all technological processes (2017 target achievement)
- Extension of overhaul intervals (CDU3, Steam Cracker)
- Successful implementation of APC

Value creation drivers



Energy intensity optimization despite the end of production cycle of main assets



- Reduction of heat losses
- Reduction of hydrocarbon losses and own consumption
- Reduction of energy consumption in technological processes

Improvement of white products yield will lead to higher and stable yield rate



- Introduction of new production technologies
- Upgrading refining and petrochemical units
- Modernization of process parameters (including modernization of existing installations)

Optimisation of the use of assets will minimize the loss of utilization rate in turnaround year



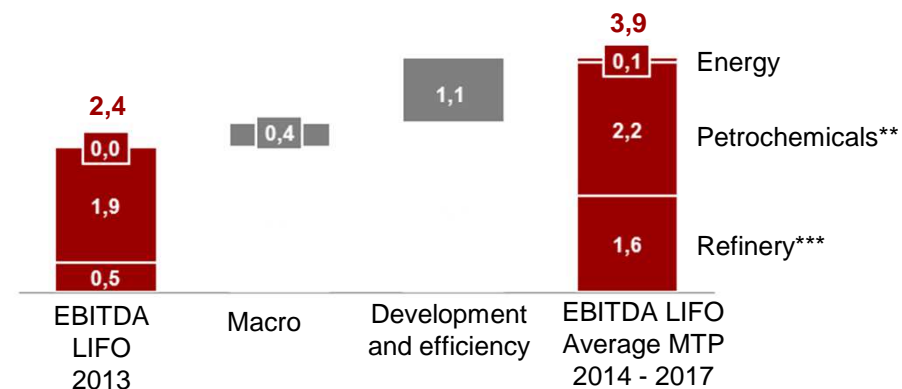
- Extension of turnaround intervals
- Recertification of refinery units
- Modifications to the existing processes

Overdelivery of strategic targets



Refinery	2013	H1 2015	2017
Processed crude oil (mln tonnes)	27,8	14,8 ✓	29,9
Fuel yield, (%)	77,0	77,8 ✓	76,9
Energy consumption (Solomon index)	90,9	86,9 ✓	90,1
Petrochemicals	2013	H1 2015	2017
Energy consumption, (GJ/t)	24,4	22,5 ✓	23,8
S.C. operational availability, (%)	91,0	95,3 ✓	95,0
PTA sales, (million tonnes)	0,56	0,32 ✓	0,55
Downstream capex, PLN billion	2013	H1 2015	Average 2014 - 2017
Development	0,5	0,5	1,5
Maintenance and Regulatory	1,1	0,4	1,2

EBITDA LIFO by segments 2013 – 2017, PLN billion



Focus on operational excellence

** Petrochemicals = Petrochemical production + Petrochemical Wholesale

*** Refining = Refinery production + Refinery Wholesale + Logistics

Key strategic directions: Operational excellence - one step ahead



People



- Full commitment from staff at every operational level
- Further increase of skills and mobility
- Increasing the level of trusted contractors

Development



- ASAP restore production in petrochemical part in Litvinow
- Implementation of key projects: Metathesis, PE3, VB+VVF
- Revamping of the units : PX / PTA, Fertilizers, PVC

Asset optimization



- Integration of planning and production scheduling in ORLEN Lietuva
- ORLEN Południe – synergies after consolidation
- Common maintenance model across the production units

Operational excellence



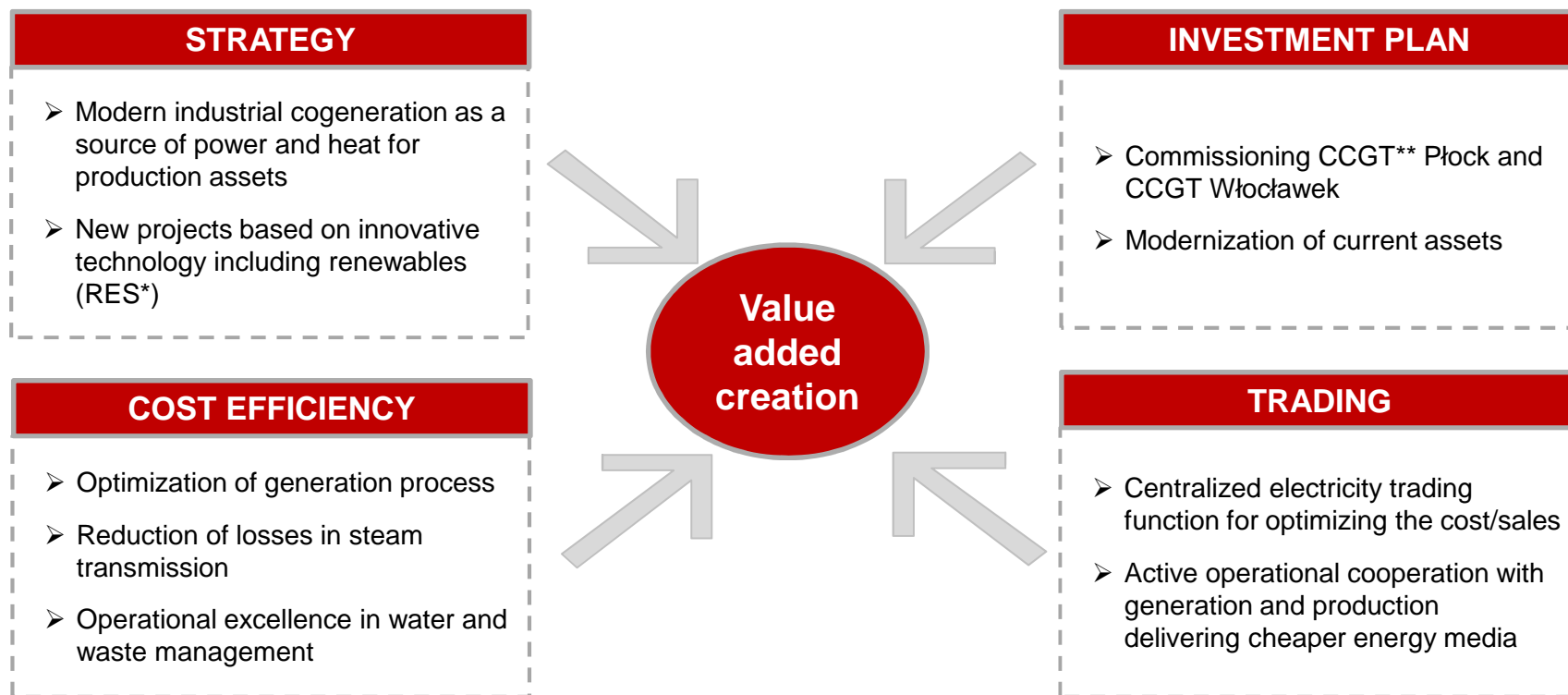
- Improving yields of high-margin products
- Achieving the highest energy efficiency within plants of comparable type
- The increase in the operational availability of the units
- Extending the period between turnarounds

Downstream - Energy

Piotr Chelmiński
Management Board member



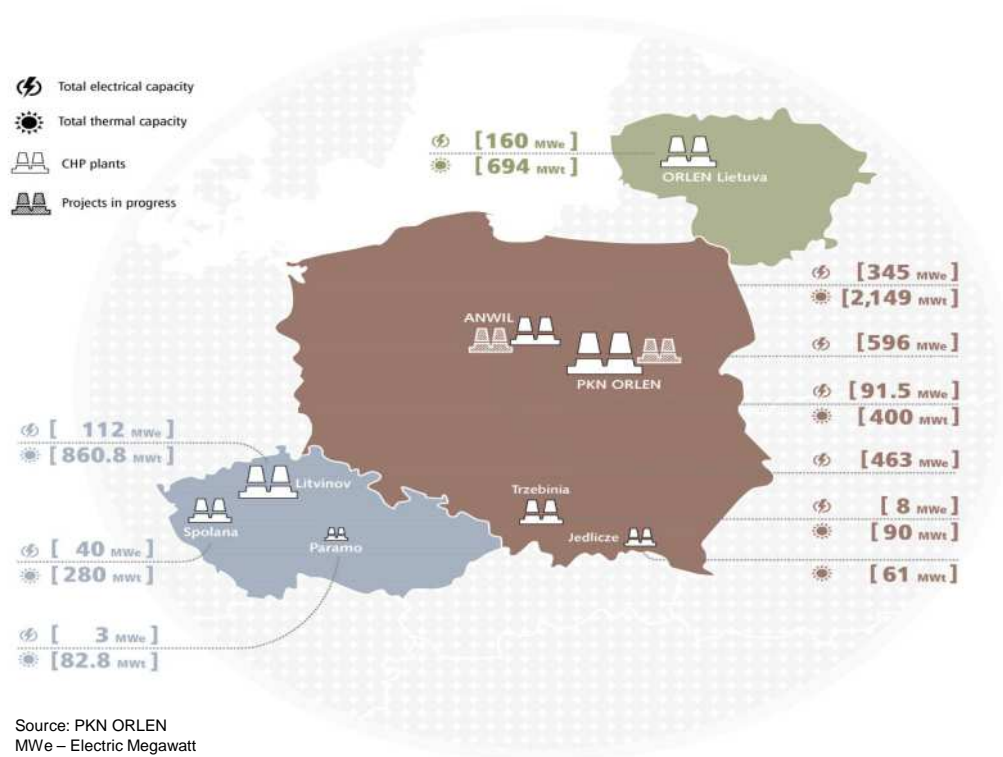
Energy strategy: integrated value in Downstream through innovation and operational excellence



*RES – Renewable Energy Sources

**CCGT – Combined Cycle Gas Turbine

Extensive experience in industrial cogeneration



Source: PKN ORLEN
MWe – Electric Megawatt
MWt – Thermal Megawatt
GWh – Gigawatt
PJ – Petajoule
CHP – Combined Heat and Power Plant
* Annualized value on pro rata basis

Key operational data, H1 2015

Total installed gross electric capacity (MWe)



Total installed gross thermal capacity (MWt)



Electricity production (GWh)



Heat generation (PJ)

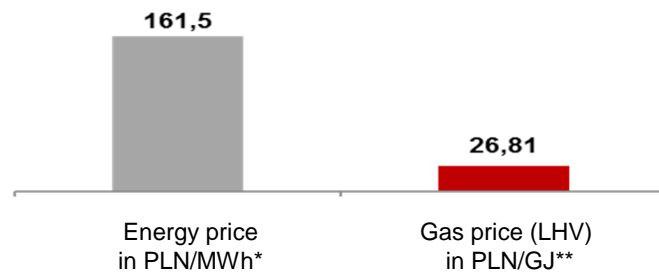


Planned capacity (2017): 1835 MW_e/6071 MW_t

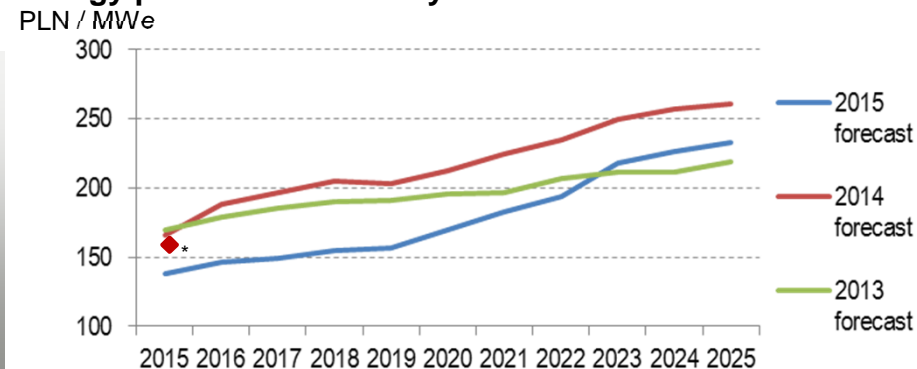
Industrial cogeneration proves to be a profitable business



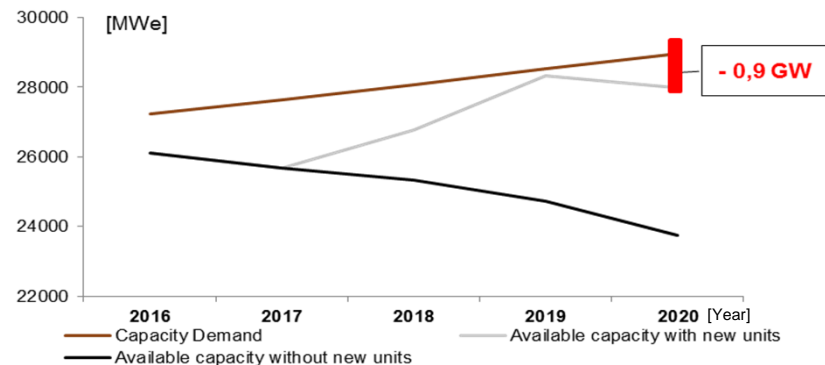
Moderate macro outlook



Energy prices forecasted by CERA are to increase



Insufficient capacity available will call for new units



Regulatory environment will favour clean technologies

CO₂

- CO₂ emission prices are inclined to increase

Support system for cogeneration

The new support system will most probably commence in 2019

- The system will be based on auctions
- The auctions will be fuel-specific for existing units

Renewable Energy Sources (RES)

- European Union – strong drive towards RES
- Poland – new regulatory support system

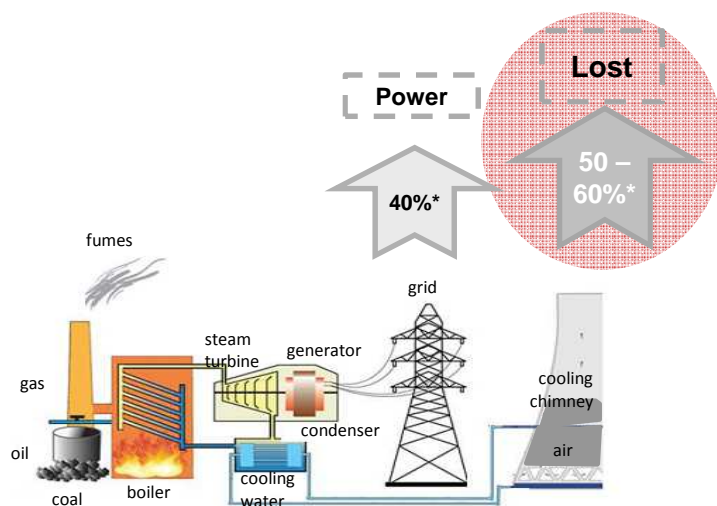
*Polish Power Exchange price for BASE contract on October 2015, dated on 16.09.2015

**European Energy Exchange price, dated on 16.09.2015

Industrial cogeneration is roughly twice as efficient as large condensing power plants

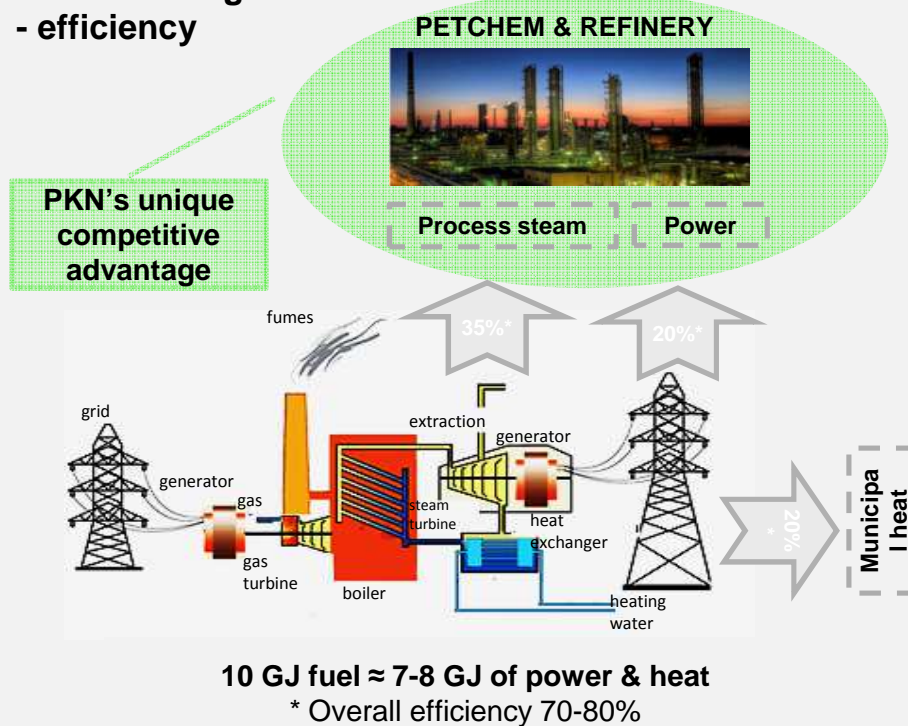


Condensing power plant - efficiency



10 GJ fuel \approx 4 GJ of power
* Overall efficiency 40%

Industrial cogeneration - efficiency



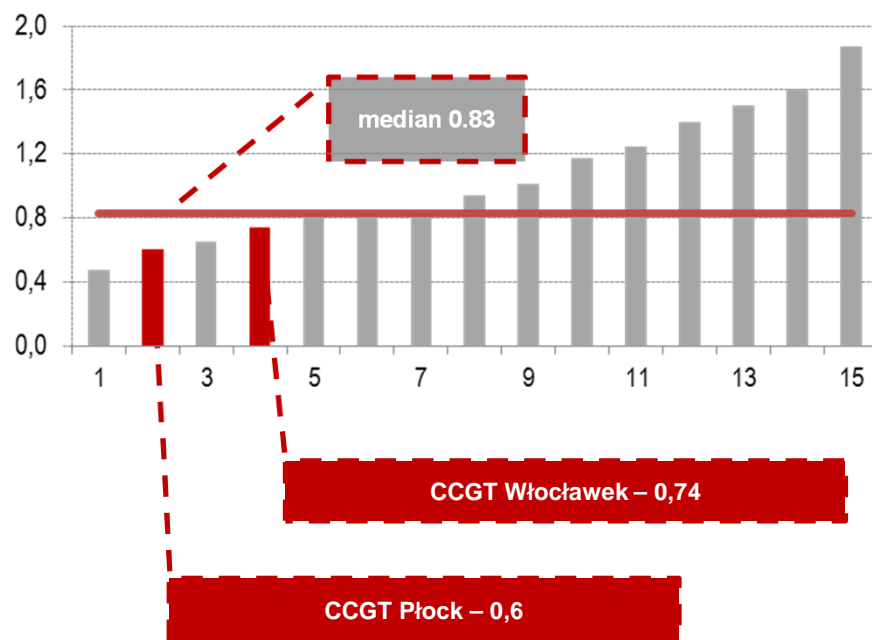
10 GJ fuel \approx 7-8 GJ of power & heat
* Overall efficiency 70-80%

Comments: Just an example, efficiencies as well as steam/electricity structure can vary from plant to plant.

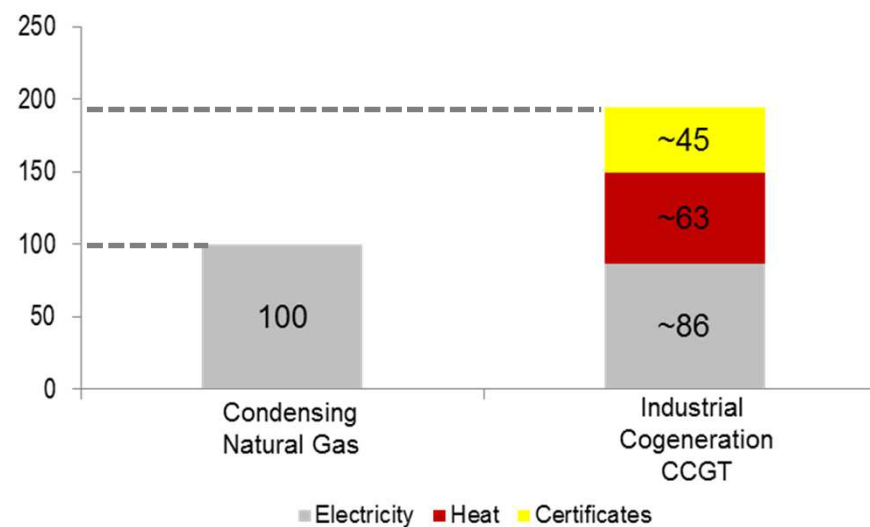
CCGT Włocławek and Płock: Attractive technology at a competitive price



Total budget CAPEX / MWe
EUR million /MWe



Revenue structure index*
index / annum



* Revenue (in index terms) generated by a condensing unit and industrial cogeneration unit respectively based on the same amount of fuel. Index measured @ assumed regimes with overall efficiencies respectively @ ca 60% and ca 82% and the current macro. Capacity assumed @ ca 500 MW. Regimes may vary depending on locations. Index values are approximated.

Source: PKN ORLEN, <http://www.industcards.com/ppworld.htm>

Becoming a leader in operational excellence and natural gas cogeneration sector in Poland



Flue-gas desulfurization (FGD) 2015



**Compliance with the EU
standards > 2018**

- Desulfurization
- Denitrification (SCR*)
- Dust extraction

*SCR - Selective Catalytic Reduction

CCGT Włocławek 2016



**Capacity: 463 MWe (net)
Capex: PLN 1.4 billion**

CCGT Płock 2017/2018



**Capacity: 596 MWe (net)
Capex: PLN 1.65 billion**

Key strategic directions: Focus on industrial cogeneration and operational excellence



Industrial cogeneration



Focus on industrial cogeneration projects utilising synergies with Petchem & Refining segment

- CCGT Włocławek
- CCGT Płock

Cost efficiency



Cost efficiency improvement of existing production assets

- Distribution losses
- Increased efficiency

Experience



Extensive experience in industrial cogeneration and in developing investment projects

- PX / PTA*
- K8, TG6**
- Metathesis

People



People - team of highly experienced professionals

- Highly motivated, dynamic team with unique expertise
- Energy trading division - certified, experienced traders

*Paraxylene/ Purified Terephthalic Acid installation in Włocławek

**Boiler no.8 in the existing CHP in Płock; Extraction and Condensing Steam Turbine in the existing CHP in Płock

Upstream

Wiesław Prugar
CEO ORLEN Upstream

Matt Rees
President ORLEN Upstream Canada



Global macro environment: While pricing has decreased recently, most forecasts indicate recovery



WTI Oil Price History/Forecasts

USD/bbl



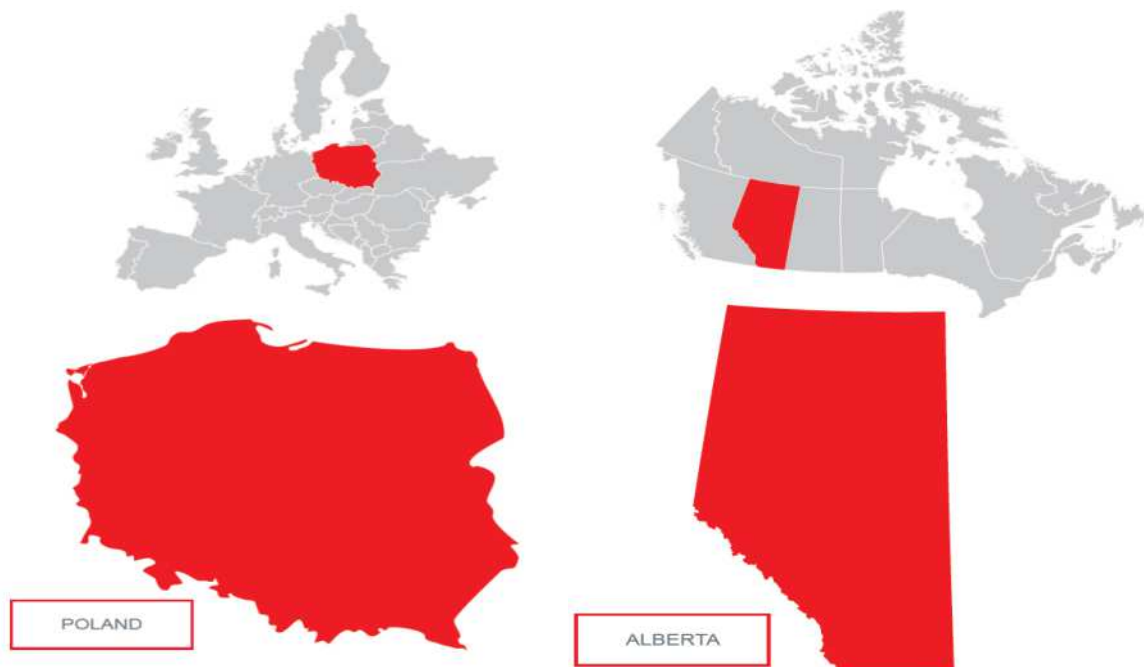
Henry Hub Gas Price History/Forecasts

USD/MMBtu



* WTI and Henry Hub price forecasts by key investment banks as reported by Bloomberg @ Sep 10, 2015

ORLEN Upstream: we aim at continuing growth our presence in Poland and Canada



- **Poland and Canada** are stable markets where geopolitical risk is low
- **Why Canada?**
 - Stable financial system
 - Favorable tax regime
 - One of the largest oil and gas resource bases in the world
 - Highly educated workforce
 - Development of logistics can drive positive changes in Canadian crude and gas market
 - Well-developed market with best-in-class E&P technology

ORLEN Upstream Canada: growth on quality assets



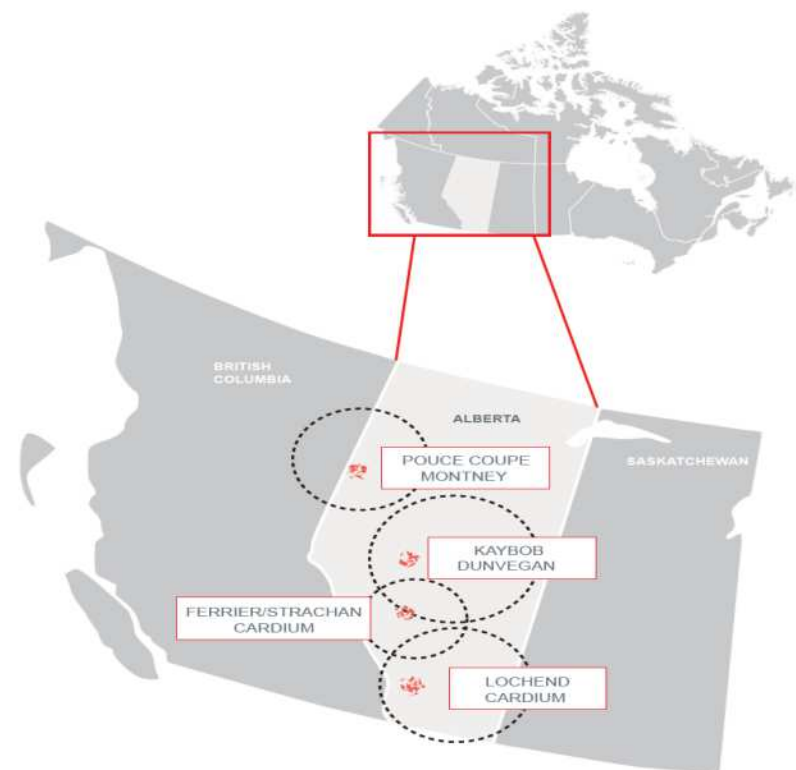
ORLEN Upstream Canada

Key Features

- Strong position in proven areas
- Application of horizontal multi-stage frac technology
- RLI*: 17 years

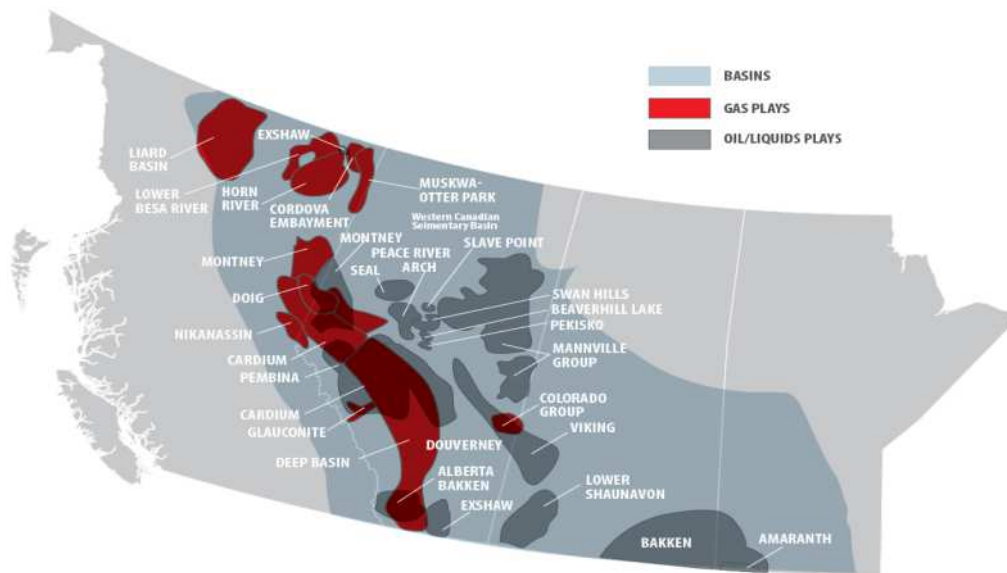
Key Advantages

- Highly experienced team
- Assets with high upside potential
- Flexible business model enables price challenge absorption
- Strong balance sheet enables opportunistic investment in low price environment



* RLI – Reserve Life Index

ORLEN Upstream Canada: well positioned for acquisitions



Key screening criteria

- Focused land base
- Running room
- Upside potential
- Leverage existing skillset
- Right transaction size
- Gas to liquids ratio
- Operatorship

Focus on the key formations

Cardium	Meaningful position Significant consolidation opportunity
Dunvegan	Strong netbacks Reasonable consolidation opportunity
Montney	Large running room Good netbacks in the right area
Viking	Excellent netbacks Factory mindset required
Belly River	Strong netbacks Running room in multiple layers

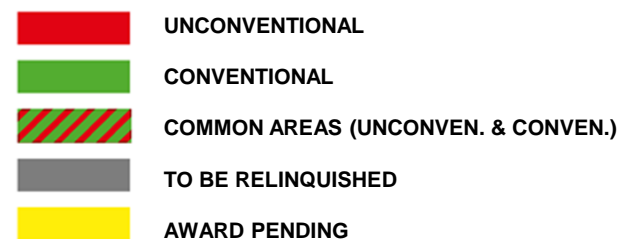
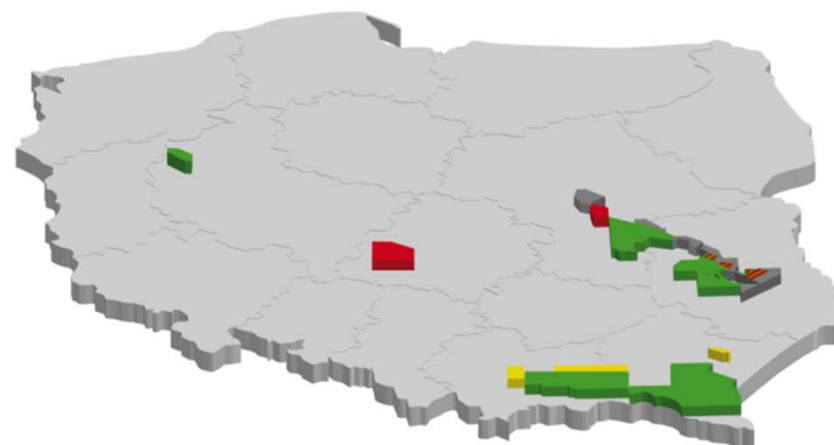
ORLEN Upstream Poland: further diversification of assets portfolio



ORLEN Upstream

Key Features

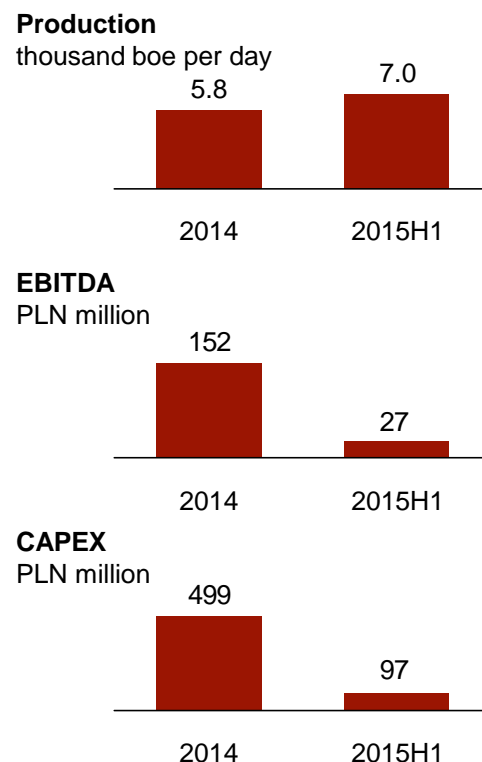
- **Continued exploration works in unconventional projects:** Lublin Shale (shale gas, focus on areas with higher exploration potential), Mid-Poland Unconventionals (tight gas)
- **Continued exploration and appraisal/development works in legacy conventional projects:** Carbon (extension of existing licenses) Sieraków (cooperation with PGNiG; development phase)
- **New conventional projects:** Bieszczady (Joint-Venture with PGNiG), Karpaty (two concessions just acquired from Dea)
- Obtaining **new licenses** from the Ministry of Environment and capturing other investment opportunities to further diversify the portfolio in Poland



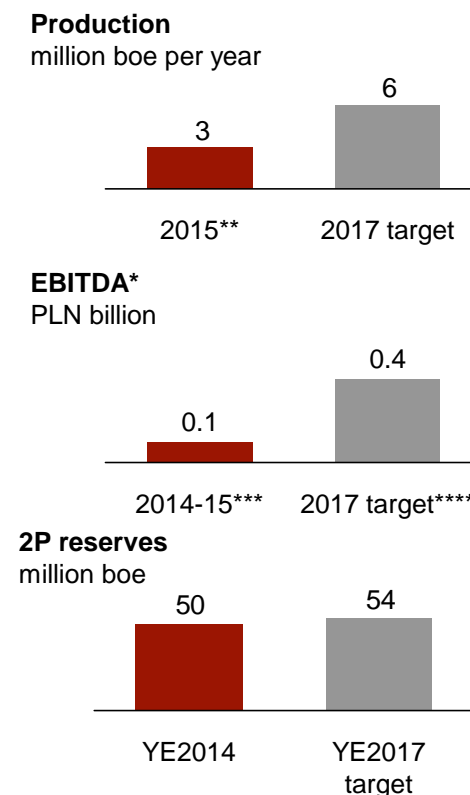
Results: operational indicators remain in line with the 2014-17 plan, the financial performance is highly affected by the depressed prices



Current results



Current results vs Strategic targets



*before impairments ** annualized H1 results *** Avg of 2014 and 2015 H1 annualized results **** Average 2014-2017

Key strategic directions



- **Project portfolio rationalization in Poland** – focus on the more prospective areas



- Adjusted development pace **in Canada**



- Screening for opportunistic acquisitions **in Europe and Canada**



- **Focus on cost efficiencies** – flexible business model

The Upstream Team



**We have worked
in 13 countries
on 5 continents**



**On average each of us
has over 18 years
of experience
(236 years in total)...**



Future fueled by...



**...while 27% of this
time we worked
together for:**



ORLEN



...people !

Retail

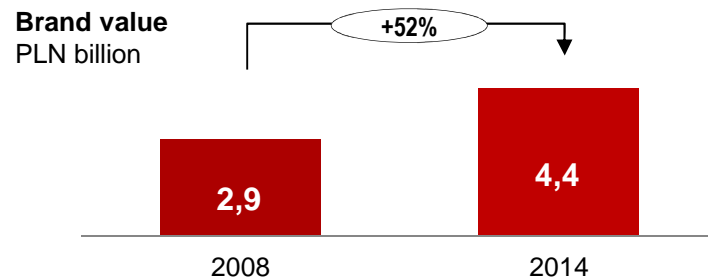
Marek Podstawa
Management Board member



ORLEN: the power of brand



„The Most Valuable Polish Brand” for 8 consecutive years...



... supported by variety of sponsorship activities and events...

- **Volleyball** Polish National Team
- Polish National **Atletics'** Team
- **Motorsports** (Orlen Team and Verva Racing Team)
- **Biggest sport events in Poland** (Orlen Warsaw Marathon and Verva Street Racing)



... highly recognizable amongst customers.



90% Orlen spontaneous brand awareness



69% Regular visit on Orlen filling stations (at least once a month)



2,6m Loyalty program active participants (each month)

The most valuable, strongest
and highly recognizable
Polish brand

Strong competitive market position



Operational performance in line with strategic commitments...

	H1 2014	H1 2015		2017*
Share in home markets, %	14,2%	14,4%		+2,6pp
Volume per site mln liters	3,5	3,6		+0,2
Nonfuel margin index; 2014 =100	100	106		+14

* increase vs H1 2015

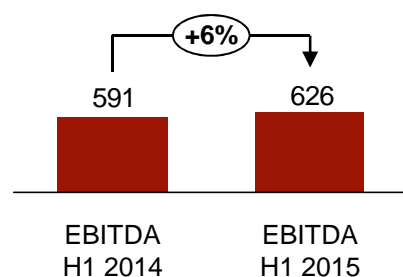
... with high quality of service ...

- Customer Service Excellence Star 2014 and 2015
- Petrol Station of the year 2014
- Fleet Awards for Fuel Card 2015
- Most Trusted Brands 2014
- Czech Superbrands 2014



... producing outstanding financial results

EBITDA
PLN million



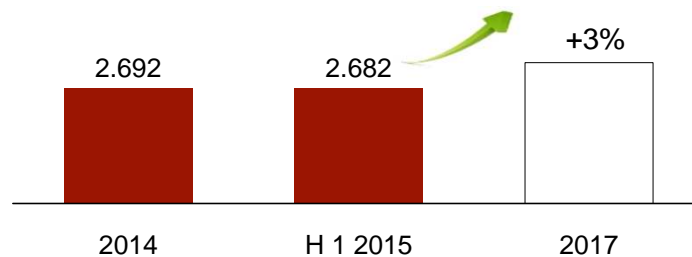
First class retail sites and high performing team focused on customer service

Further retail development focused on value creation



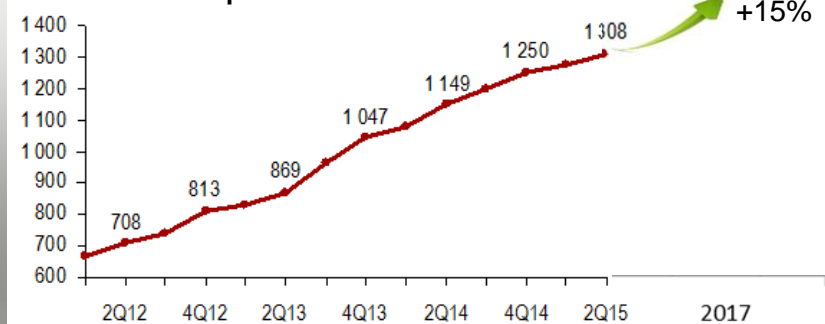
Selective network development...

Number of stations



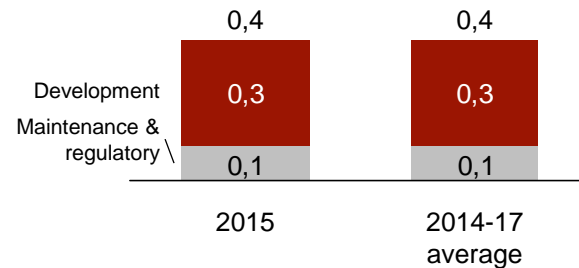
... with significant increase of Stop Cafes...

Number of Stop Cafes in Poland



... thanks to solid CAPEX for development

CAPEX,
PLN million



**Continuous retail development
with potential for opportunistic
acceleration**

Key strategic directions: From a solid product supplier to customer experience provider



Fuel ...

- Core competence
- High quality of fuels and services
- Increasing market efficiency



... store ...

- ‚Must have’ for a filling station
- Convenience and fast shopping
- Store formats adjusted to market needs



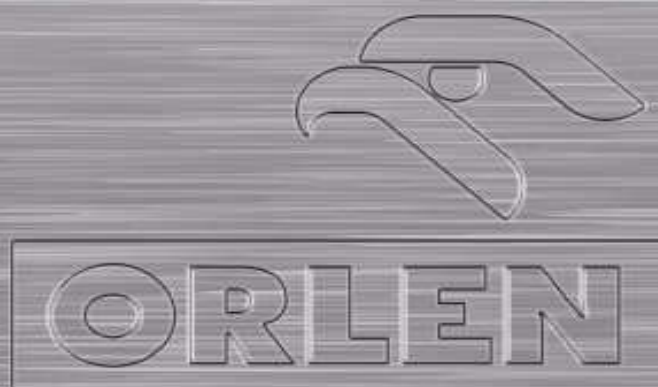
... food ...

- Response to changing lifestyle and eating habits
- Innovative products tailored to local preferences
- Rapid development



... experience





ORLEN. Fuelling the future.