



PKN ORLEN: value growth and strategy implementation – activity update

Igor Chalupec, CEO
September 2006



ORLEN

Mažeikių Nafta acquisition process– update

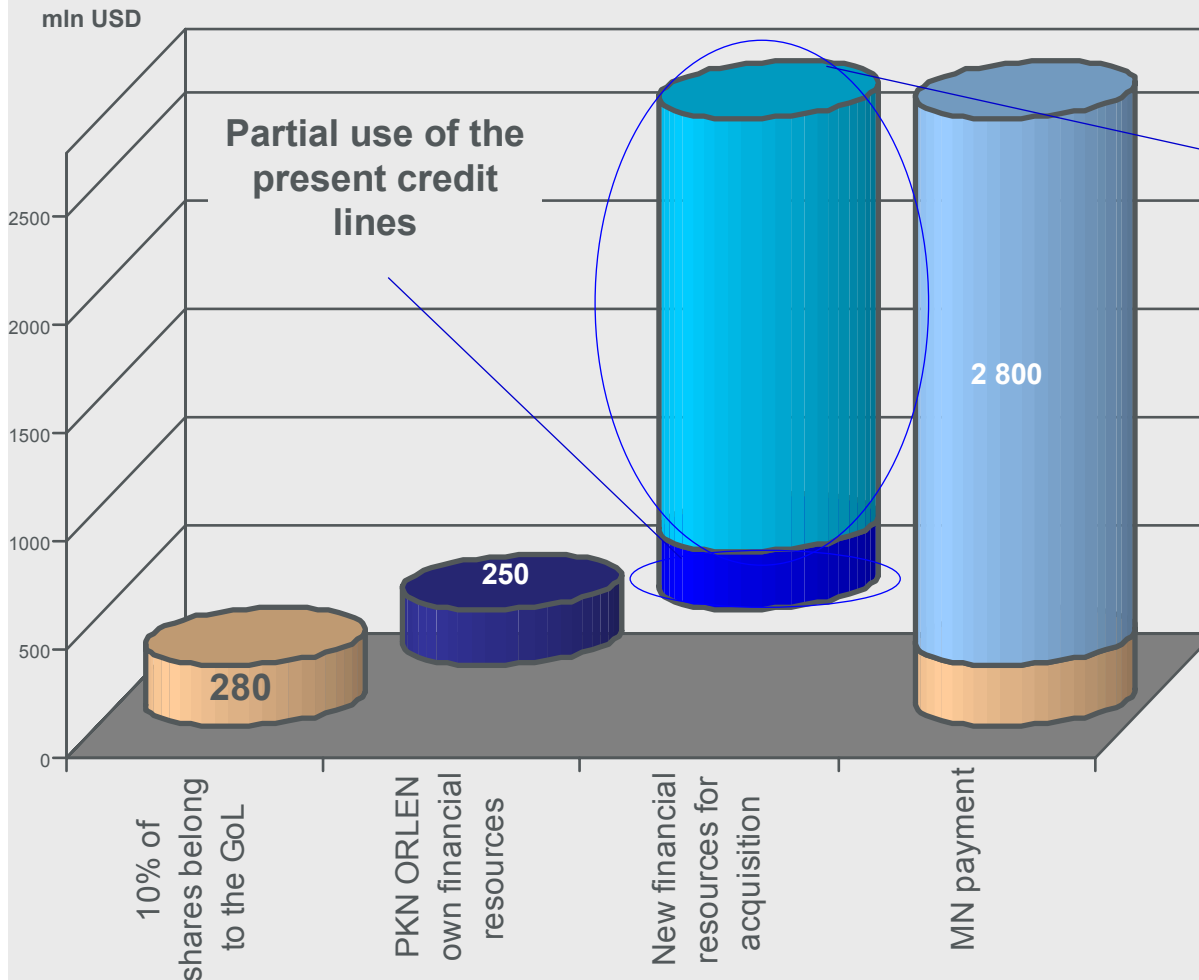
PKN ORLEN is consequently executing steps in order to close the transaction

2Q 2006	<ul style="list-style-type: none">➤ Yukos International UK B.V., Government of Lithuania and PKN ORLEN signed the agreement for the sale/purchase of the Mazeikiu Nafta stake - Yukos 53.70% (signed on May 26th) and GoL 30.6% (signed on June 9th)
Activities already accomplished - in order to close the transaction	<ul style="list-style-type: none">➤ Approval of the Lithuanian government for Agreement signed with Yukos Int. UK B.V. ✓➤ Approval of the Lithuanian Parliament for the Agreement signed with Lithuanian Government ✓➤ GOL's failure to exercise its right of first refusal with respect to the shares being purchased by PKN ORLEN from Yukos International ✓➤ Consent of the Antimonopoly Commission in Ukraine ✓➤ Consent of the United States anti-trust authorities ✓
Process to closing	<ul style="list-style-type: none">➤ European Commission clearance<ul style="list-style-type: none">➤ PKN ORLEN to submit the application seeking consent for the transactions for the purchase of the majority of Mazeikiu Nafta shares➤ Once closing conditions are satisfied<ul style="list-style-type: none">➤ Simultaneous closing of both transactions is expected, at the latest, in Q4 2006
After Closing	<ul style="list-style-type: none">➤ Mandatory tender offer for 5.64% public float will be launched

Mažeikių Nafta acquisition process – update

Advanced state of financing planning for the transaction

Mažeikių Nafta acquisition: financial sources



STAGE 1: Preparing own financial resources

- **Cash in hand** (in 3Q06 around USD 250 million)



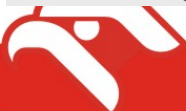
STAGE 2: Planning new financial sources

- **Revolving credit**
EUR 800 million
(5 years with the possibility of extending)
- **Bridge credit**
EUR 800 million
(up to 12 months)



STAGE 3: Refinancing of the bridge credit

- **Issue of bonds on the European market**
(4Q 2006 or 1H 2007)



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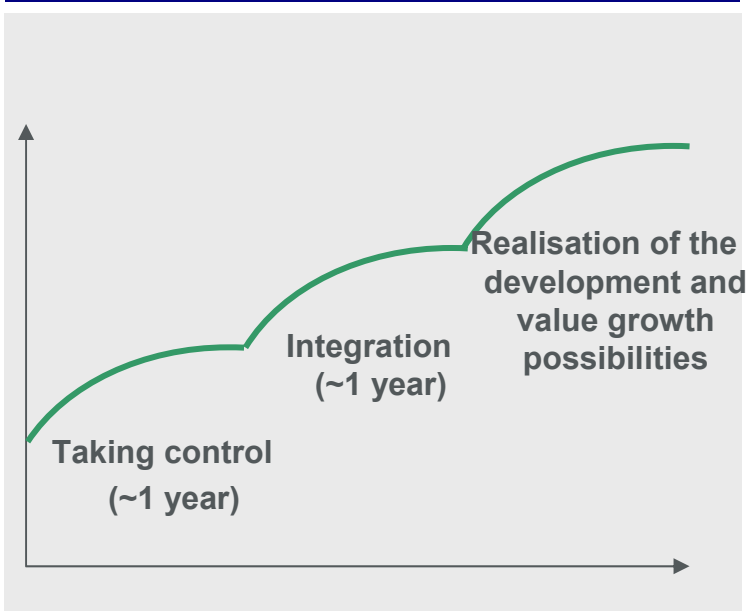
Mažeikių Nafta acquisition process – update

Mažeikių Nafta included in segment management structure immediately after acquisition

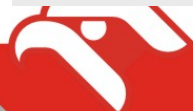
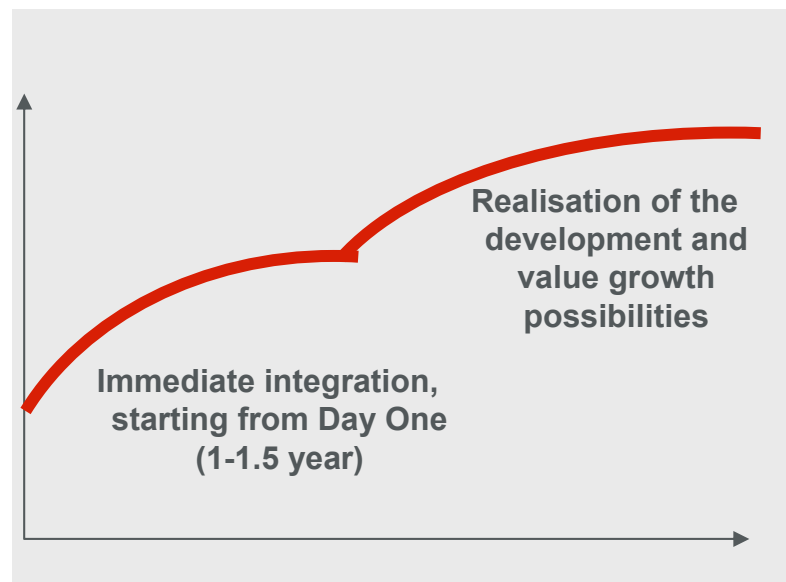
Taking advantage of the Unipetrol integration experience

- Taking over control and simultaneously integrating MN into the segment management structures, PKN ORLEN will accelerate the process.
 - It will positively impact on value creation in MN
 - It will unlock additional opportunities in PKN ORLEN

Gradual integration (e.g. as in Unipetrol)



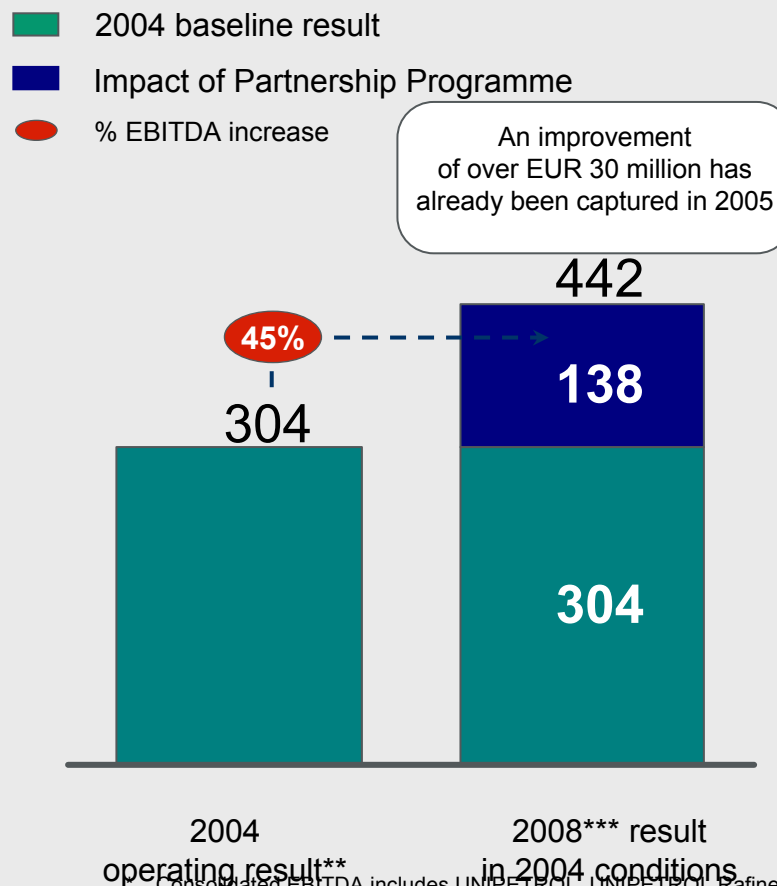
Accelerated “segment” approach to the Mažeikių Nafta integration



PKN ORLEN and Unipetrol integration

Partnership Programme realization well on track

UNIPETROL EBITDA* assuming average 2004 macroeconomic conditions (EUR m)



Partnership Programme effects:

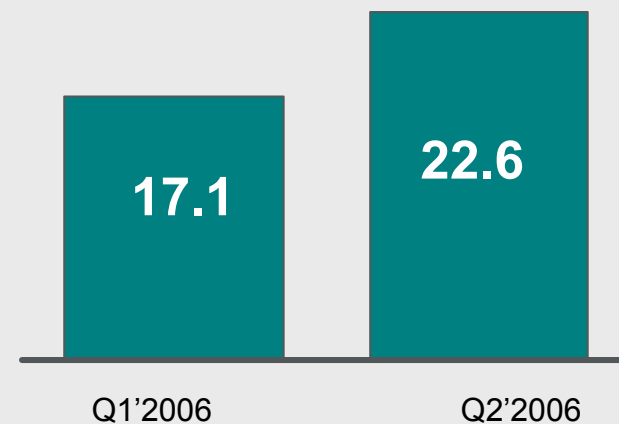
almost EUR 40 m in 1H'2006, assuming average 2004 macroeconomic conditions

Partnership Programme Leaders :

In EUR mln in 1H'06

Uniraf : 16.1

Chemopetrol: 14.8



* Consolidated EBITDA includes UNIPETROL, UNIPETROL Rafinerie, Paramo, Chemopetrol, Kaučuk, Spolana, BENZINA consolidated fully, Česká Rafinérská consolidated following the proportional method and Agrobohemie and Aliachem consolidated following the equity method. EBITDA calculations do not consider the effects of possible divestments

** Adjusted for one-off expenses as well as non-operating and extraordinary charges

*** Expected EBITDA forecast calculated under fixed 2004 macroeconomic conditions: Brent crude USD 38.2/b, Brent/Ural differential USD 4.1/b, refinery margin USD 3.6/b, CZK/EUR 31.90

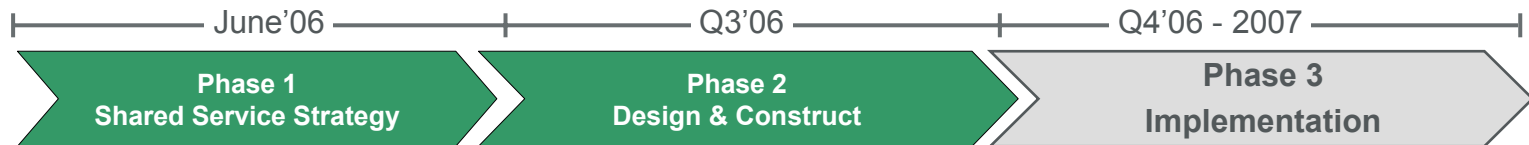
Source: Unipetrol

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PKN ORLEN and Unipetrol integration

Advanced preparations for implementation of segment base management

Final preparation of the implementation phase



Key activities undertaken in process of preparation to implement segment base management

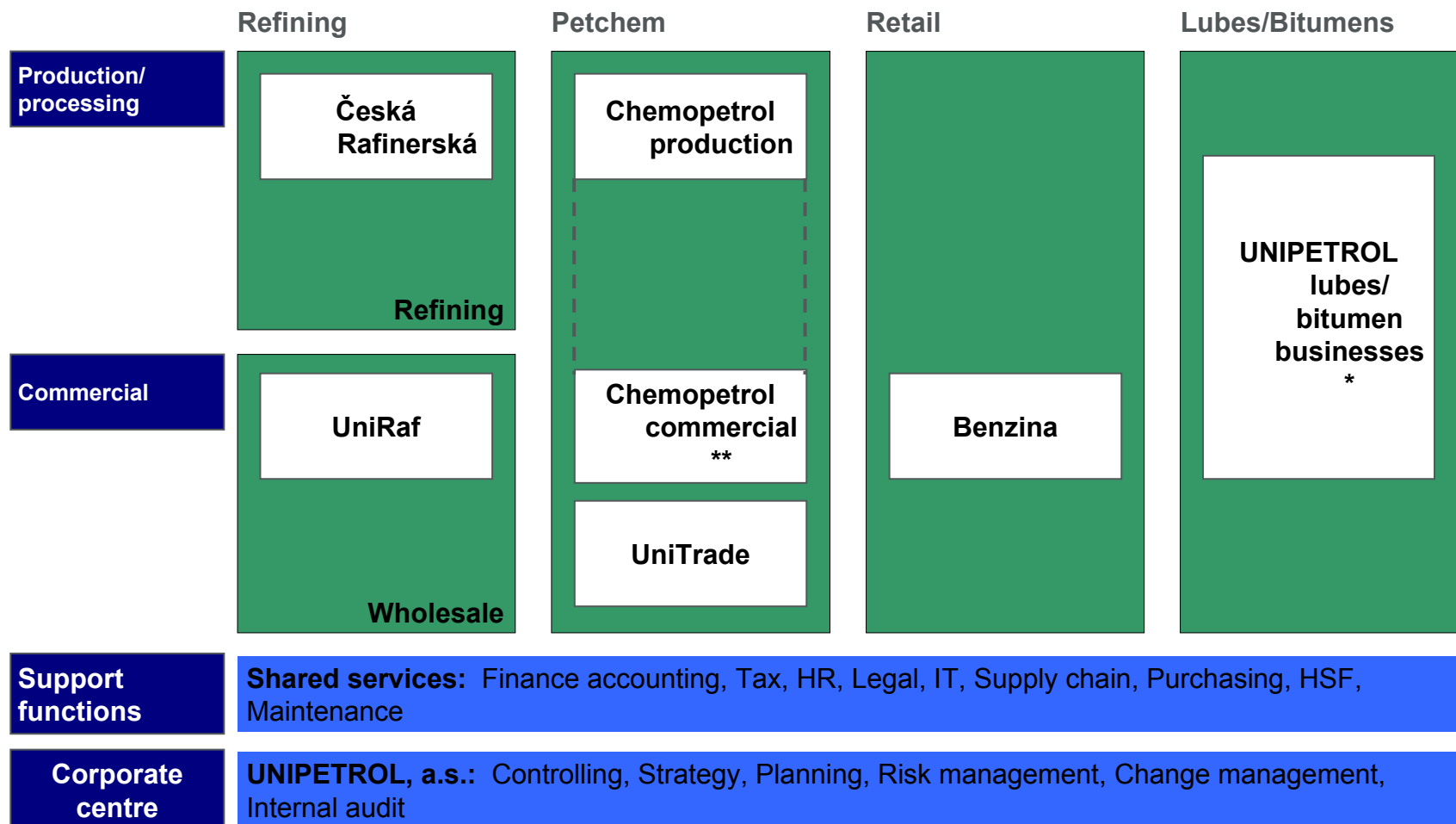
- Define scope of functional split in production, sales and support functions
- Prepared mapping plan of Unipetrol segments with PKN ORLEN
- Centralize all functions (both corporate and service)
- Align structure in functional segments (e.g., purchasing, IT) with PKN ORLEN functional managers as executives in Shared Service Centre (SSC)

(SSC: Finance accounting, Tax, HR, Legal, IT, Supply chain, Purchasing, Maintenance)

Support the capture of synergies by creating functional segments within Unipetrol

PKN ORLEN and Unipetrol integration

Split processing and commercial functions in key Unipetrol subsidiaries



* Integration of Paramo fuels with UniRaf to be resolved

** Integration of olefin sales to UniRaf to be resolved

 PKN ORLEN segments

PKN ORLEN and Unipetrol integration

New initiatives in HR

MBO system related issues:

- A further step for alignment with PKN ORLEN is the implementation of MBO
- The MBO committee for coordination and monitoring of MBO targets (financial and operational) will start to work in Q4 2006.
- MBO will cover 224 employees in 2006 and a further 172 employees in 2007 (in the whole PKN ORLEN Capital Group, the MBO system will cover 803 employees in 2006 and 1,262 in 2007)
-

New HR tools to be implemented :

New HR tools for more effective and transparent work with staff will be proposed for new structure such as:

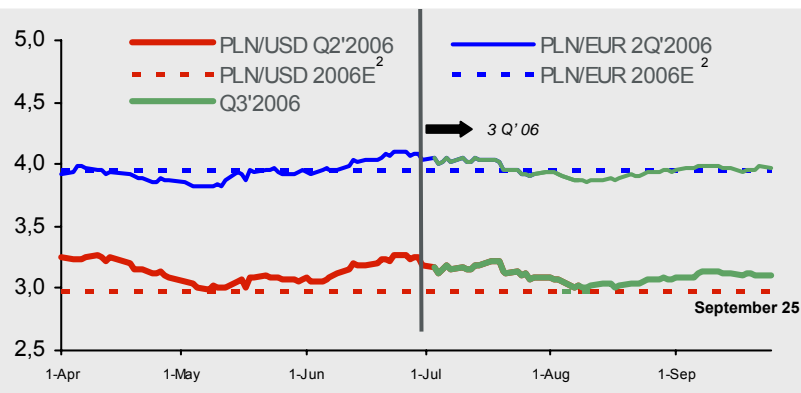
- SDP= succession development planning
- risk assesment for high potential employees,
- IDP = individual development plan



External environment

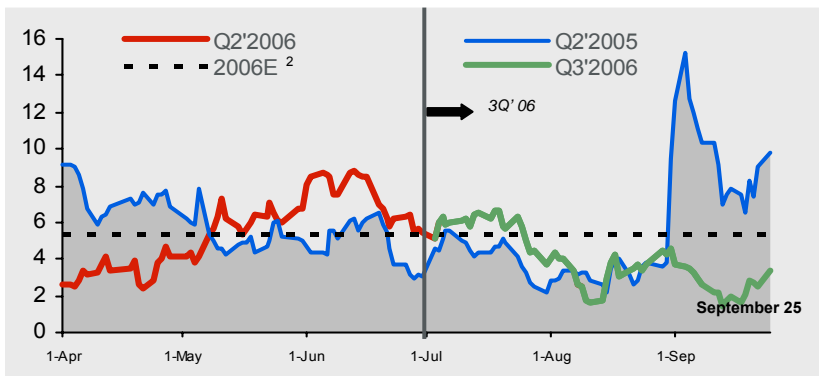
High volatility of margin and differential. Data to September 25th, 2006

Average exchange rates¹



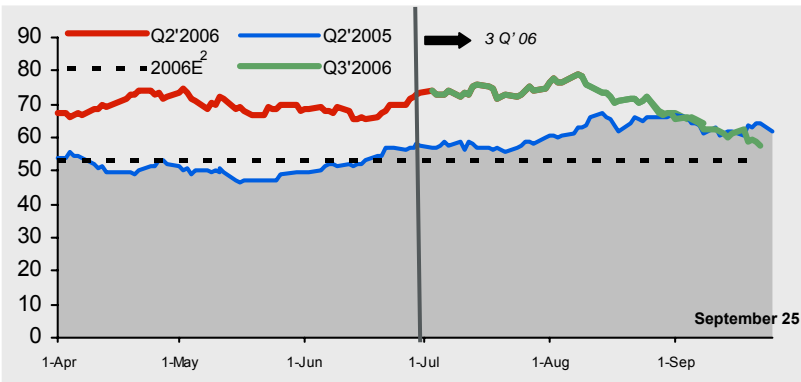
Refinery margin

\$4.00/b average in 3QTD'2006³ Decrease by 34% y/y and 29% q/q



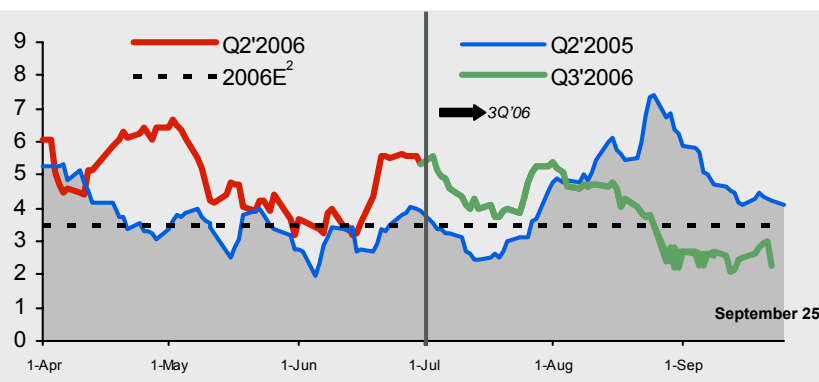
Brent crude oil

\$70.3/b average in 3QTD 2006 Increase by 14.5% y/y and 1% q/q



Brent/Ural differential

\$3.8/b average in 3QTD 2006 Decrease by 15.5% y/y and by 21% q/q



1) Source: NBP (Polish National Bank)

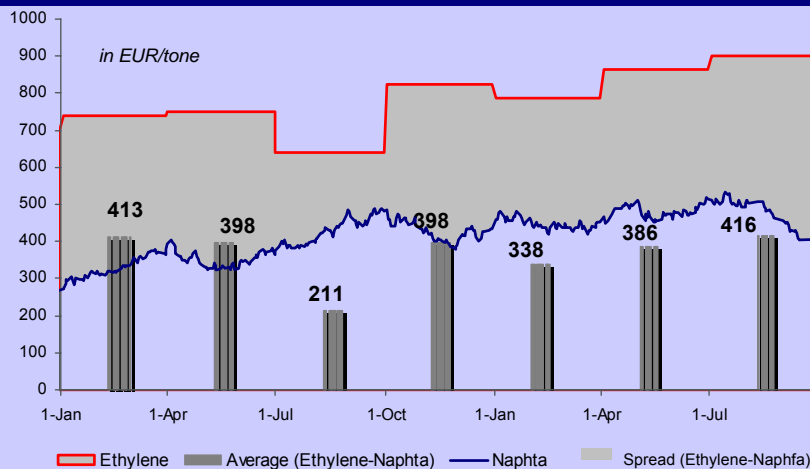
2) Estimates published in PKN ORLEN Strategy

3) Calculated as: 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)

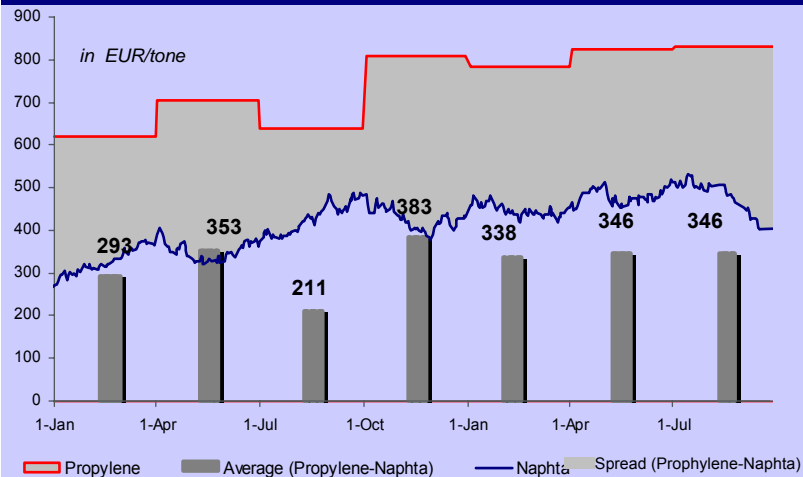
Petrochemical market

Quotation improvement for olefins and polyolefins. Data to September 15th 2006

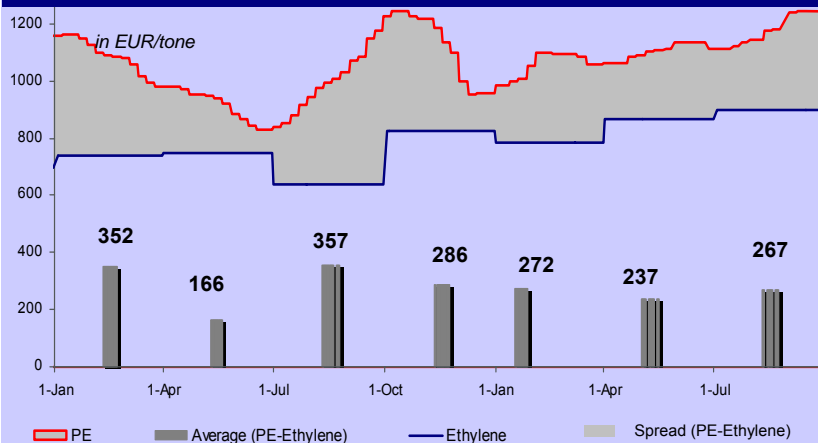
Ethylene



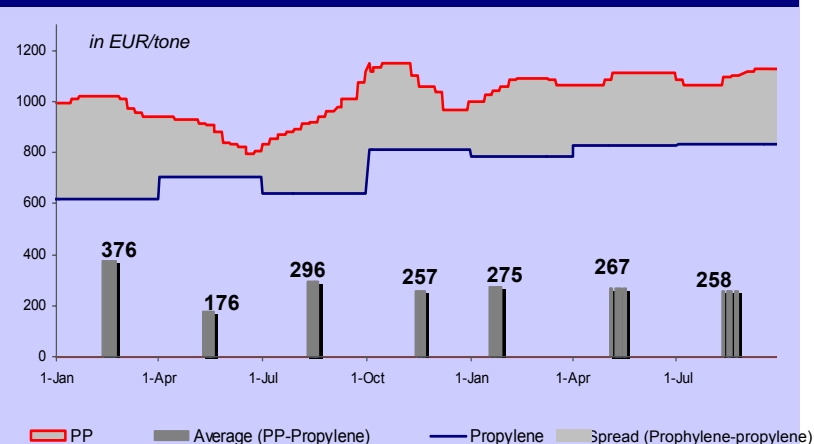
Propylene



Polyethylene (LDPE)



Polypropylene



Source: Market quotations

Operating results after 2 months of Q3'06

Significant volume sales increase in Poland and in whole Group

Key operating data

	July-August 2005		July-August 2006		y/y [%]	y/y [%]
	<i>PKN ORLEN parent company</i>	PKN ORLEN	<i>PKN ORLEN parent company</i>	PKN ORLEN	<i>PKN ORLEN parent company</i>	PKN ORLEN
Wholesale fuel volume sales (kt) ^{1,4}	890	1,439	1,009	1,520	13.4%	5.6%
Petrochemical volume sales (kt) ⁴	133	335	279	408	109.8%	21.8%
Retail volume sales (m litres) ²	687	1,028	729	1,095	6.1%	6.5%
Utilisation ratio ³	93%		105%		12.5%	
Crude oil throughput (kt)	2,096	2,883	2,411	3,238	15.0%	12.3%

1) Refers to gasoline, diesel, Jet, LHO

2) Refers to retail sales of gasoline, diesel, LPG

3) Refers to deep processing capacity at PKN ORLEN 13.5 m t/y in 2005 and 13.8 m t/y in 2006

4) Refers to PKN ORLEN parent company excluding export

Retail segment in Poland

Favourable effects from continuation of implemented initiatives

Area	Effects of the initiatives undertaken in retail segment
Sales	<ul style="list-style-type: none">▪ Sales dynamics at a satisfactory level of 6.1% in Poland (for July-August 2006, y/y) and 6.5% for whole Group.▪ BLISKA sites recorded ca 30% volume sales increase on like-for-like basis. Average throughput per site in whole network is ca 2.1 ml/l annually▪ Dynamic increase by ca 12% on non-fuel sales in our shops y/y (for July-August 2006)
Quality service	<ul style="list-style-type: none">▪ Modern management systems, marketing support, new initiatives and loyal employees results in better network performance.▪ We have recorded an increase in average number of transaction by ca. 6% q/q and average value of these transactions by 5% q/q
Investments	<ul style="list-style-type: none">▪ Capex plan realisation is on track in terms of the investments fulfilled and cash spend▪ Currently we operate under 109 BLISKA sites. By the end of 2006 we plan to operate 176





Thank you for your attention

For more information please contact the IR Department:

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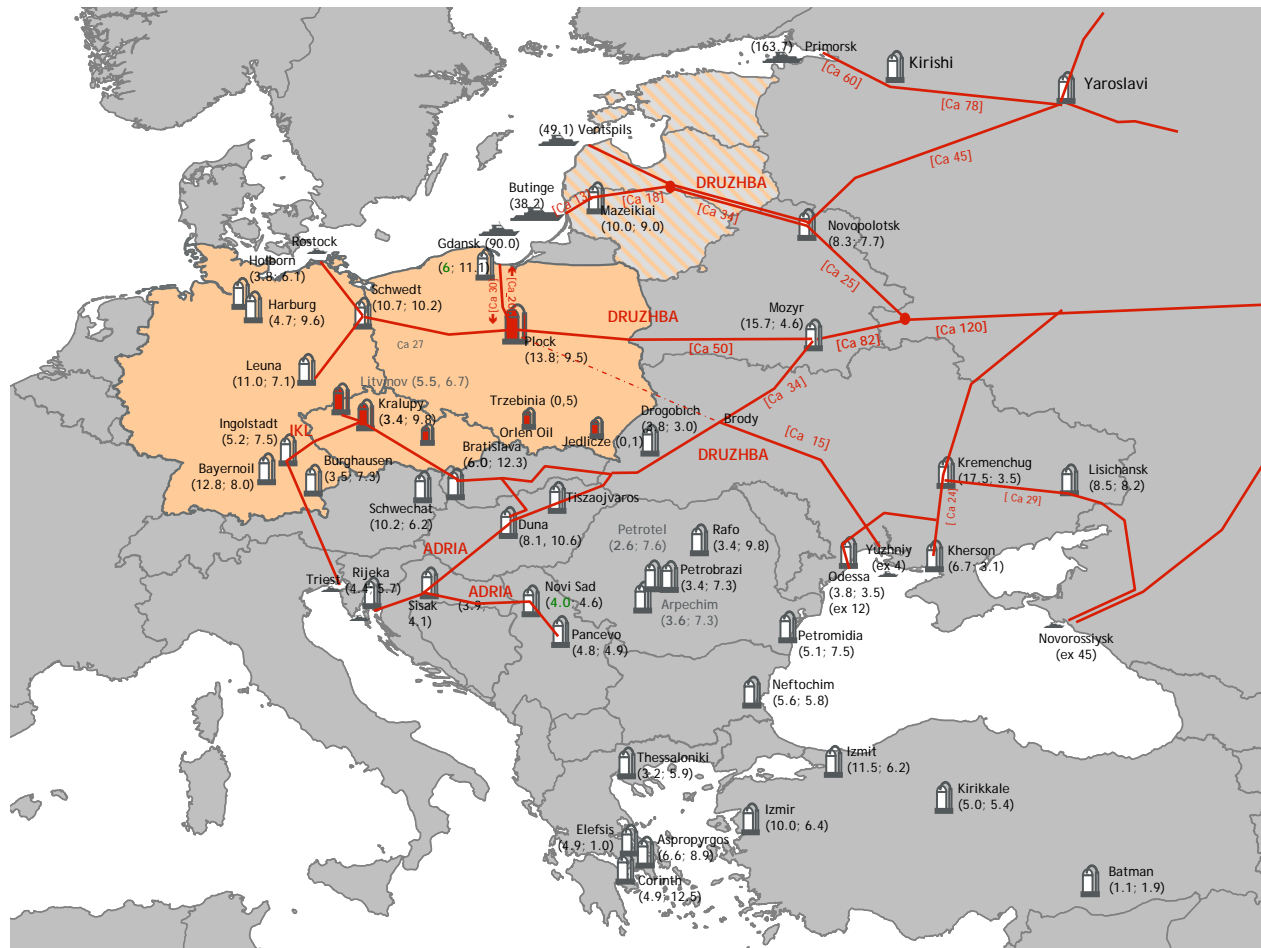
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Main oil & gas assets in Central Europe and logistics infrastructure

Home markets of PKN ORLEN



Refinery (capacity m tonnes p.a.; Nelson complexity index)



Rafineria PKN ORLEN



Sea terminal [capacity]

Oil pipeline Ca [capacity]

Projected Oil pipeline

Source: Oil & Gas Journal (as of January 2005), PKN Orlen, others, Concawe, Reuters, WMRC, EIA, NEFTE Compass, Transneft.ru