PKN ORLEN and Unipetrol – Partnership for Central Europe

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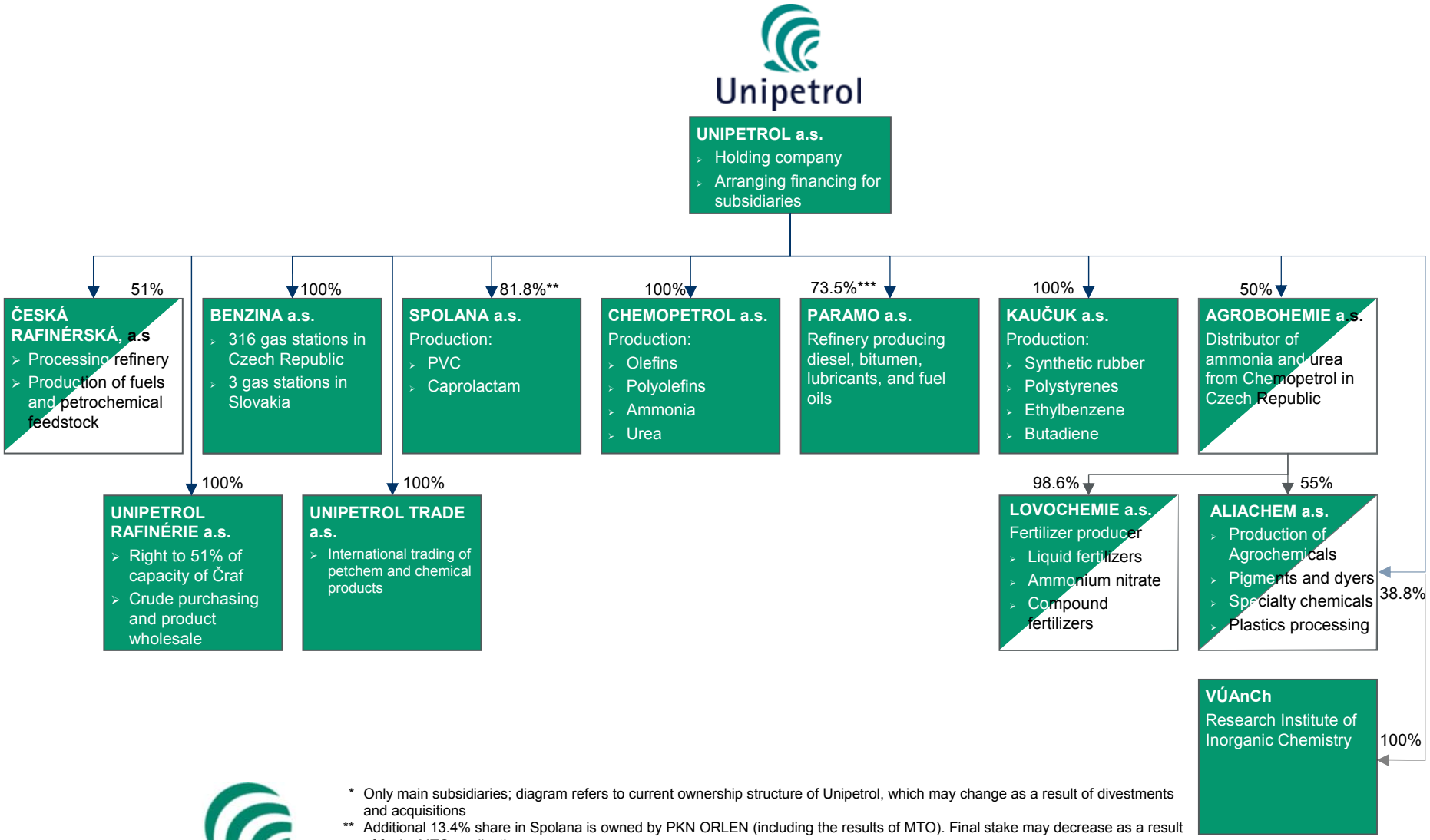
Agenda

New Unipetrol portfolio strategy

Operational improvement program

Unipetrol corporate structure and product groups*



* Only main subsidiaries; diagram refers to current ownership structure of Unipetrol, which may change as a result of divestments and acquisitions

** Additional 13.4% share in Spolana is owned by PKN ORLEN (including the results of MTO). Final stake may decrease as a result of faulty MTO applications

*** Additional 3.7% share in Paramo will be acquired by PKN ORLEN as a result of the MTO. Final stake may decrease as a result of faulty MTO applications

Source: Unipetrol

The new Unipetrol strategy focuses on core businesses and business cooperation with PKN ORLEN to maximize the value of our assets

Relative ability to extract value	Value-creation potential in business unit: High	Value-creation potential in business unit: Medium/Low
High	**Retain and give top priority** • Česka Rafinerska – diesel, gasoline • Paramo – diesel, lubricants • Chemopetrol – olefins, polyolefins, POX • Spolana – PVC/chloralkali, caprolactam • Benzina • Paramo Trysk	**Retain and manage for cash** • Česka Rafinerska – fuel oils, bitumen • Paramo – fuel oils, bitumen
Low	**Potentially divest** • Chemopetrol – ammonia, urea*, oxo-alcohols, ethanol	**Divest** • Aliachem (Synthesia) – specialty chemicals • Aliachem (Fatra) – plastics processing • Lovochemie – fertilizers • Agrobohemie • Kaučuk – ethylbenzene, styrene, butadiene, SBR, polystyrene, ABS

Keep and expand presence on the home Czech market in core businesses:
- **Refining**
- **Petrochemicals**
- **Fuel retailing**

Divest non-core assets:
- **Specialty chemicals**
- **Plastics processing**
- **Agrochemicals**
- **Subscale units and old technologies**
- **Styrenics**

* Divestment might be possible only as a long-term option, after commercial obligations expire
Note: The strategy presented here has been approved by Unipetrol Board of Directors and will be discussed by respective statutory bodies of Unipetrol
Source: Unipetrol

Unipetrol follows clear strategies for key assets in priority businesses

Business	Assets	Strategy
Refining	• **Unipetrol Rafinérie/ Česká Rafinérská** ➢ Diesel/gasoline ➢ Fuel oils ➢ Bitumen • **Paramo** ➢ Diesel ➢ Fuel oils ➢ Bitumen ➢ Lubricants	• Maximize value from crude purchasing ➢ Leverage joint purchasing power with PKN ORLEN ➢ Shift crude mix in Kralupy towards REBCO • Convert Paramo to processing regime and cooperate with PKN ORLEN to create an integrated lubricant and bitumen producer • Cooperate with PKN ORLEN to create integrated wholesale function organized by product (diesel/gasoline, bitumen, oils, lubricants) • Coordinate production by creating single planning unit and optimizing shutdowns*
Petrochemicals	• **Chemopetrol** ➢ Olefins ➢ Polyolefins ➢ POX	• Integrate and optimize olefin production with refining • Select optimal strategy to maximize polyolefin value • Keep POX given strategic importance of hydrogen source • Decide on non-core assets where spin-off/demerger/sale is complicated by commercial linkages to priority businesses
Chemicals	• **Spolana** ➢ PVC/chloralkali ➢ Caprolactam	• Possible capital integration between Spolana and Anwil to maximize synergies through a joint commercial approach, production planning, CAPEX and headcount optimization in PVC • Explore potential benzene sourcing synergies for caprolactam with PKN ORLEN
Retail	• **Retail** ➢ Benzina ➢ ParamoTrysk	• Restore financial stability of Benzina by: ➢ Comprehensive cost reduction program and restructuring of financing ➢ Shut down of unprofitable subscale stations ➢ Fuel and non-fuel margin stimulation program • Achieve scale by acquiring other networks • Realize scale synergies with PKN ORLEN in selected non-fuel purchasing and gas stations development costs • Pursue integration of Paramo Trysk with Benzina

* Subject to further discussions and agreement with other IOC processing members of Česká Rafinérská.
Note: The strategy presented here has been approved by Unipetrol Board of Directors and is pending approval by Unipetrol Supervisory Board and General Meeting
Source: Unipetrol

Agenda

New Unipetrol portfolio strategy

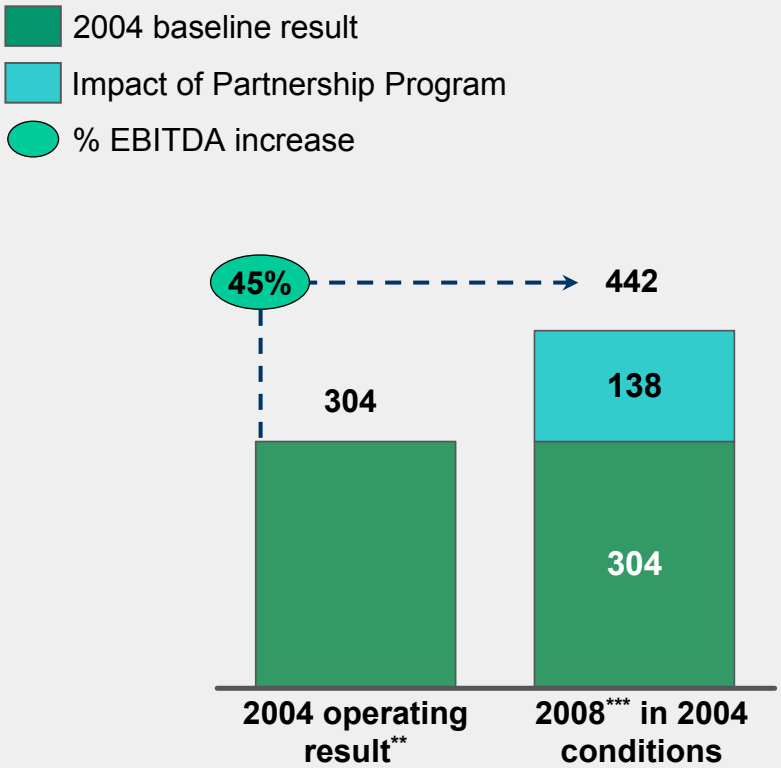
Operational improvement program

Unipetrol and PKN ORLEN have developed a comprehensive operational improvement program: the Partnership Program

Partnership Program

- Started by Unipetrol in June 2005
- Aiming at improving operational performance across all Unipetrol subsidiaries, regardless of any future divestment decisions
- Expert support from PKN ORLEN
- All PKN ORLEN employees involved in Partnership Program bound by confidentiality agreements
- Unipetrol is preparing an additional investment program to secure and create organic growth outside of the Partnership Program

Unipetrol EBITDA* in average 2004 macroeconomic conditions EUR mil



* 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

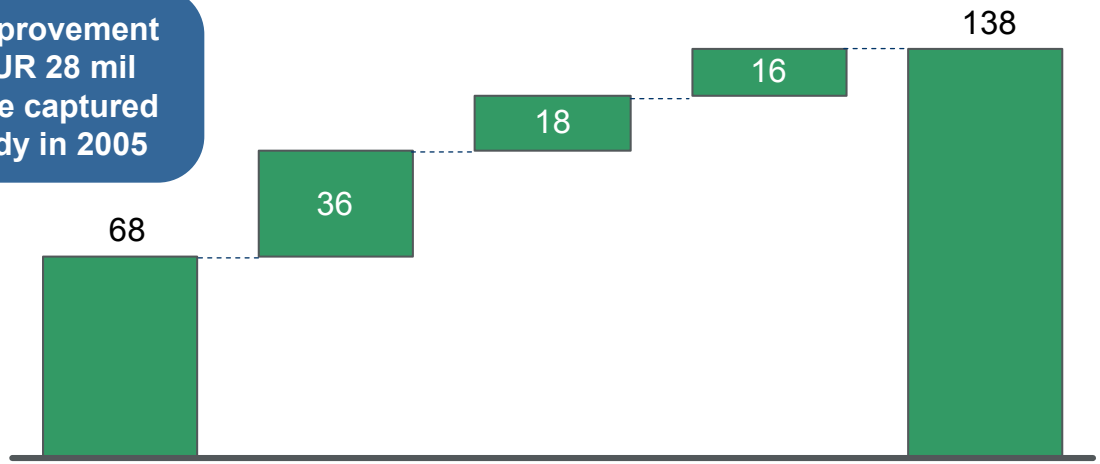
*** Expected EBITDA forecast calculated under fixed 2004 macroeconomic conditions: Brent crude $38.2/b, Brent/Ural differential $4.1/b, refinery margin $3.5/b, CZK/EUR 31.90

Source: Unipetrol

The Partnership Program impact is estimated at EUR 138 mil

2008 Unipetrol EBITDA increase vs. 2004 base*
EUR mil

An improvement of EUR 28 mil will be captured already in 2005



1 Refining	2 Petro-chemicals	3 Chemicals	4 Retail	Total
• Unipetrol Rafinérie • Česká Rafinér-ská • Paramo	• Chemope-trol • Kaučuk	• Spolana	• Benzina • Paramo Trysk	

Key subsidiaries from value creation perspective

Key value drivers
EUR mil

	2008 potential*	%
• Revenue enhancement	88	63
• Variable cost optimization	38	28
• Fixed cost optimization	12	9

* Budget effect calculated under fixed 2004 macroeconomic conditions.
Note: Impact estimation is not reduced by the effects of future divestments.
Source: Unipetrol

1 Refining – key value creation levers in this area fall within production planning and wholesale

2008 EBITDA increase vs. 2004 base*

EUR mil

Key value creation levers	Initiative examples	Potential*
Production planning	• Intermediate streams optimization and exchange between PKN ORLEN and Unipetrol refineries and ongoing production planning integration	9.1
Wholesale	• Motor fuels sales coordination • Oil and bitumen sales coordination	14.0 1.7
Other	• Replacement of atmospheric gas oil (feedstock to diesel) with virgin naphtha in steam cracker feedstock pattern • Replacement of natural gas by pyrolysis fuel oil • Centralized REBCO crude purchasing**	10.9 3.3

Total effect EUR 68 mil

* Budget effect calculated under fixed 2004 macroeconomic conditions
** Actual details of potential effect are confidential
Source: Unipetrol

2 Petrochemicals – key value creation levers in this area are in purchasing optimization, maintenance and pricing

2008 EBITDA increase vs. 2004 base*

EUR mil

Key value creation levers	Initiative examples	Potential*
Pricing	• Optimization of pricing structure in olefins, polyolefins and agrochemicals and widening of polyolefin grade portfolio	8.8
Maintenance	• Maintenance risk and reliability management system • Optimization of shutdowns: decreasing shutdown duration and extending shutdown cycle • Review of maintenance contracting policy and unit price reduction	2.1 1.2 0.5
Other	• Purchasing optimization • Alternative utilization of shut down ethanol production unit	11.4 2.2

Total effect
EUR 36 mil

* Budget effect calculated under fixed 2004 macroeconomic conditions

Source: Unipetrol

3 Chemicals – key value creation levers in this area are in the PVC business and in purchasing optimization

2008 EBITDA increase vs. 2004 base*

EUR mil

Key value creation levers	Initiative examples	Potential*
PVC business optimization	• S-PVC sales and pricing integration • PVC production optimization by increasing the length of production runs of specific grades at Spolana and Anwil • PVC technology and quality improvement: capacity increase due to defoamer and use of hot water for polymerization	7.4 1.3 0.9
Purchasing	• Phtalate volume concentration in Spolana and Anwil • Medium-term frame contracts for base chemicals purchases • Common tendering for transport services	1.7
Utilities	• Reduction of raw materials and utilities consumption in PVC and VCM plants (ethylene, chlorine, HCL) through process improvement	0.8

Total effect
EUR 18 mil

* Budget effect calculated under fixed 2004 macroeconomic conditions
Source: Unipetrol

4 Retail – key value creation levers in this area are based on pricing improvements and business reorganization

2008 EBITDA increase vs. 2004 base*

EUR mil

Key value creation levers	Initiative examples	Potential*
Business reorganization	• Internal best practice implementation across Benzina and Benzina Trade*, as well merging both organizations, in order to eliminate spare overhead	3.0
Pricing improvement	• Fuel pricing changes and volume drive: target setting, satisfaction improvement ➢ Fleet cards cross-acceptance, sales stimulation for corporate cards ➢ Customer service standard improvement at the filling stations	2.7
	• Non-fuel margins increase: layout redesign in 80 biggest stores, supplier contract renegotiation	2.3
Sales process improvement	• Imposing volume and margin targets on dealer gas stations	1.7

Total effect EUR 16 mil

* Budget effect calculated under fixed 2004 macroeconomic conditions

Source: Unipetrol

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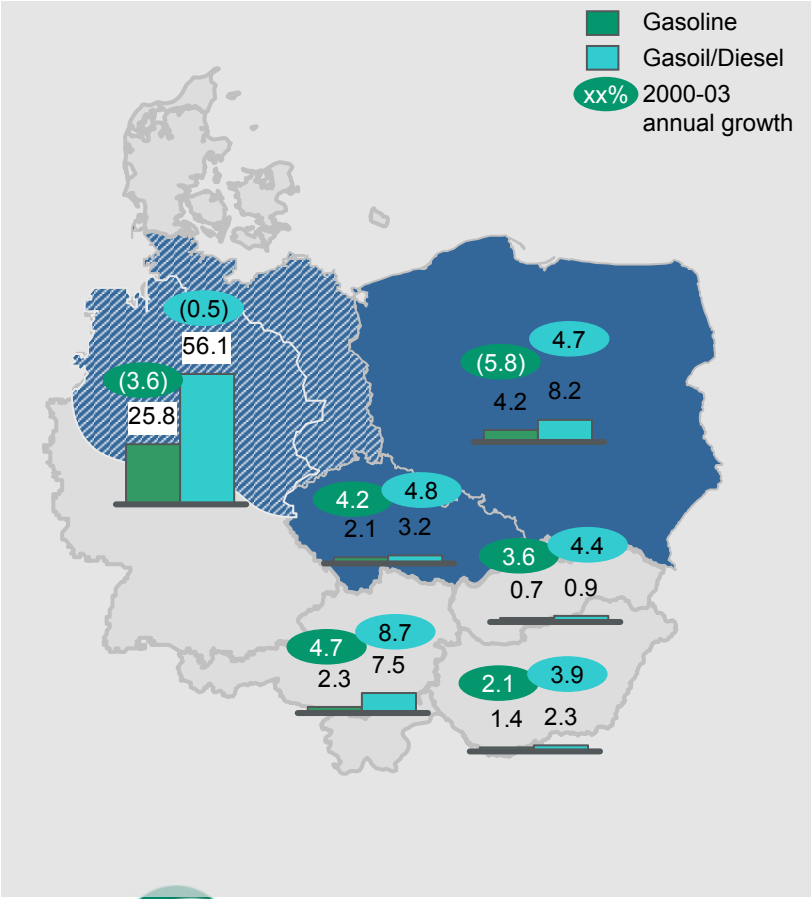
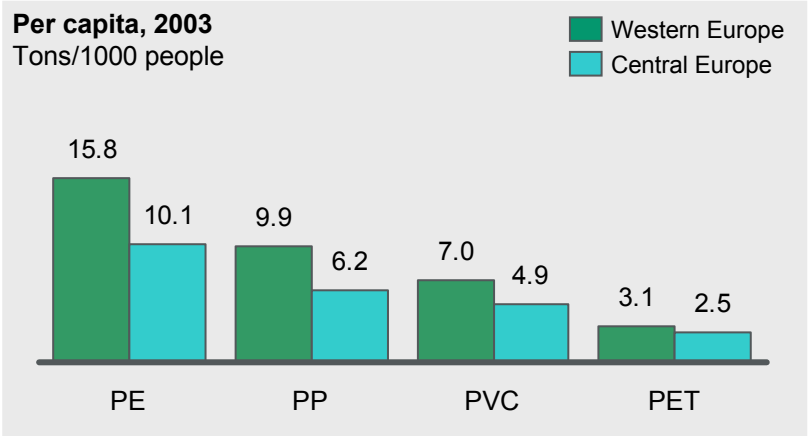
APPENDIX

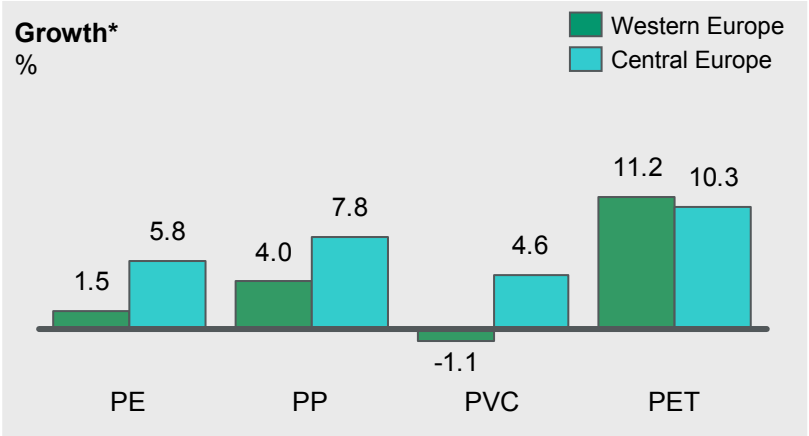
Unipetrol operates on a market of considerable size and with favorable growth outlook

Fuel consumption, 2003
Million tons



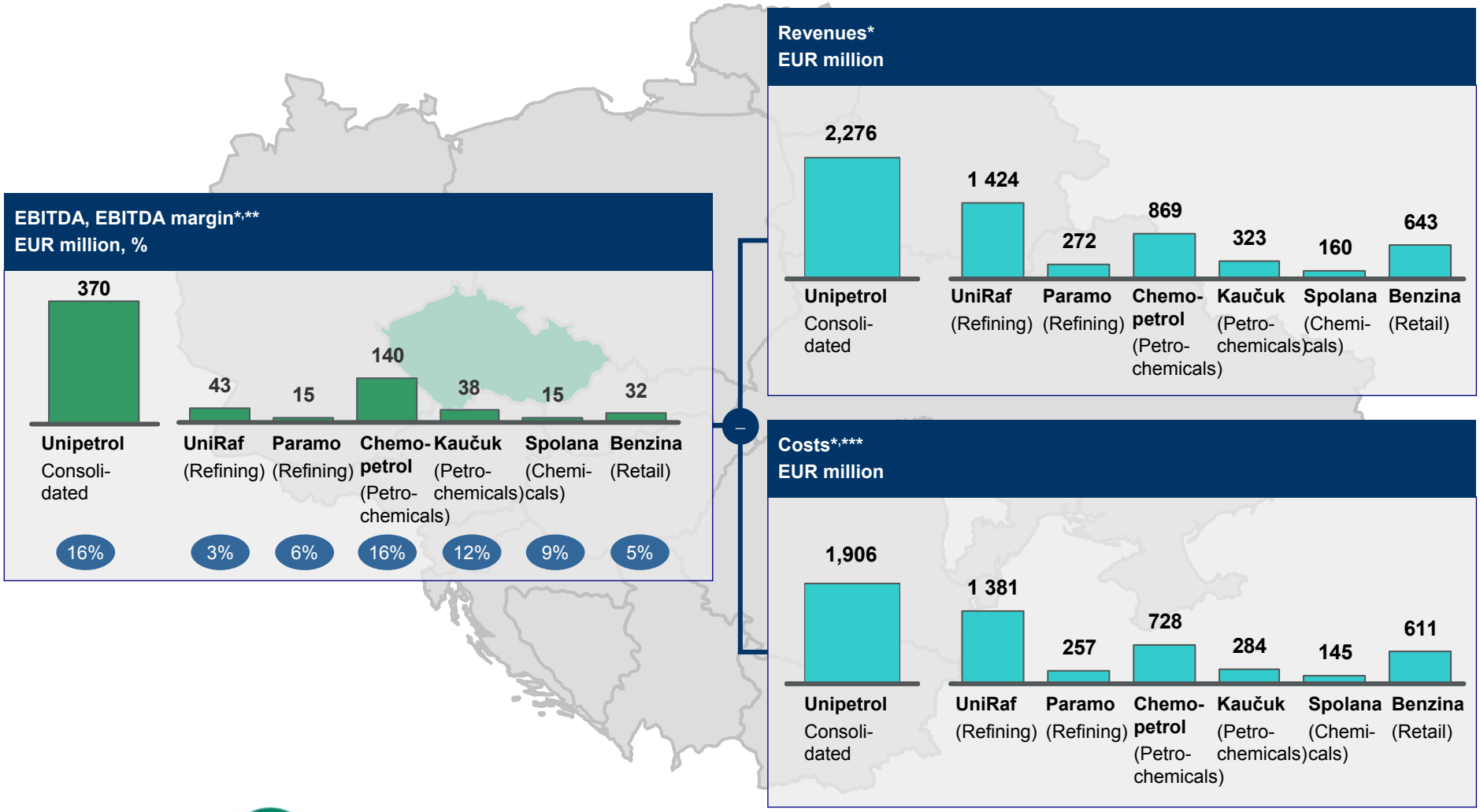
Petrochemicals and plastics consumption





* 2000-2003 demand CAGR
Source: International Energy Agency, CMAI, Nafta Polska

Financials of key Unipetrol subsidiaries, 2004



* Following Czech accounting standards, revenues exclude excise tax
** Chart not drawn to scale
*** Cost excluding tax, interest, depreciation, amortization
Source: 2004 financial statements of Unipetrol a.s. and subsidiaries

The Partnership Program is a structured value creation effort involving our top talent

Goal of the Partnership Program

one team - one goal

Identification, preparation and implementation of value creation initiatives in Unipetrol

Value Creation Teams

- 26 Czech-Polish expert teams focused on specific business, functional or support areas
- Composed of approx. 200 managers from Unipetrol and PKN ORLEN
- Teams are charged with the Identification and valuation of standalone improvements and synergies

Integration Steering Committee

- Comprised of CEO, CFO and CMO from Unipetrol and CEO, CIO and CFO from PKN ORLEN
- Sets aspirations and objectives for the integration process, monitors progress and resolves key issues

Monitoring and review process

- Monthly Integration Steering Committee meetings
- Ongoing implementation progress tracking
- Comprehensive budgetary control

Partnership Agreement

- Regulates the cooperation of Unipetrol and PKN ORLEN on specific value creation initiatives
- Ensures smooth operation of the Partnership Program while preserving minority shareholders' rights

Source: Unipetrol

1 Refining initiative example: Leveraging a strong regional position to drive market share and margin

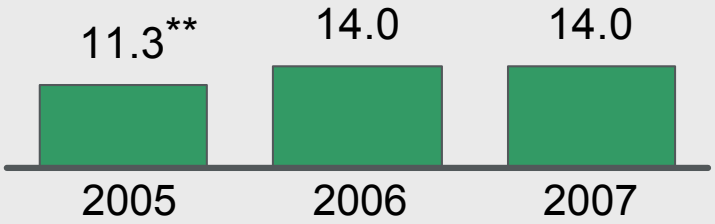
Key elements

- Coordination of market activities and approach to clients in both markets
- Debottlenecking full conversion capacity of the Kralupy refinery thanks to the higher fuel sales in CR achieved through a coordinated approach to clients and competitors
- As a result, placing additional 100 kt/year of gasoline and 500 kt/year of diesel on the Czech market by 2007

Value creation potential

Sustainable EBITDA increase vs. 2004 base*

EUR mil



* Budget effect calculated under fixed 2004 macroeconomic conditions

** Result of cooperation between PKN ORLEN and Unipetrol as of April 2005, even prior to the official partnership kick-off

Source: Unipetrol

2 Petrochemicals initiative example: Pricing strategy improvement

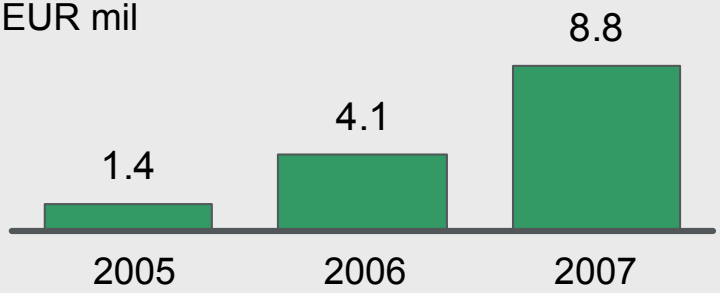
Key elements

- Renegotiation of key olefins contracts based on improved competitive position assessment and vigorous evaluation of clients and own options
- Direct sales to selected olefins customers currently served through 3rd parties
- Introduction of disciplined account planning focused on pricing improvement of polyolefins – assessment of net-net margin, sources of underperformance, client option analysis own fallback and client replacement analysis
- Improved product allocation and prioritization for ammonia and urea
- Coordination of production volume and pricing with Anwil
- Improved product launch process of tailor-made specialty polyolefin grade; challenge of sales targets and rigorous qualification of price premium and commercial offer

Value creation potential

Sustainable EBITDA increase vs. 2004 base*

EUR mil



* Budget effect under fixed 2004 macroeconomic conditions

Source: Unipetrol

3 Chemicals initiative example: PVC business optimization

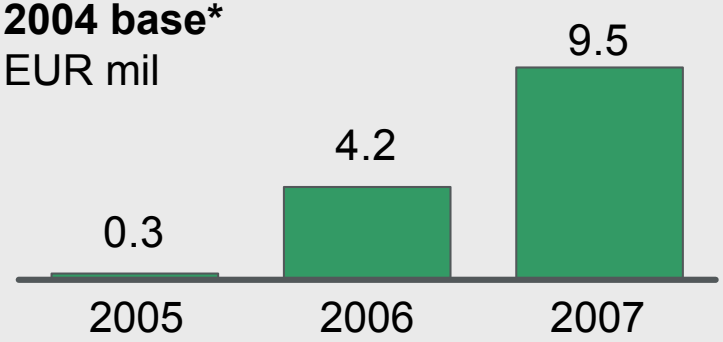
Key elements

- Coordination of S-PVC sales and pricing policy leading to revenue optimization on the market due to
  - Coordination of sales and pricing policy
  - Prevention of price competition
  - Increase of domestic sales
- Coordination of S-PVC production allowing Spolana to produce at full capacity
- Optimization of PVC compounds business – possibility of both price and volume enhancement due to
  - Joint sales activities
  - Production lines use optimization

Value creation potential

Sustainable EBITDA increase vs. 2004 base*

EUR mil



* Budget effect under fixed 2004 macroeconomic conditions

Source: Unipetrol

4 Retail initiative example: Fuel pricing strategy and volume drive

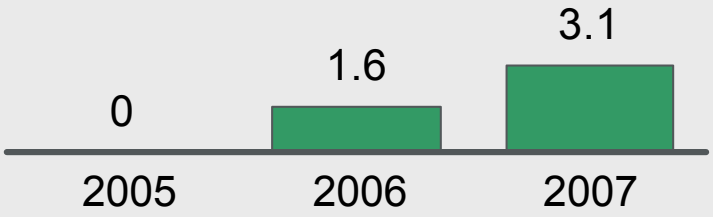
Key elements

- Modification of pricing policy
  - Increase of repricing frequency from once a week to several times a week
  - Introduction of micro market pricing
  - Introduction of pricing support system
- Assigning volume targets to stations and regional managers
- Sales stimulation through corporate and fleet cards
- Implementation of new standards to dealer's contracts, dealer's motivation to standards adherence, trainings, etc.
- Customer satisfaction improvement – introducing RFB system (ready for business)

Value creation potential

Sustainable EBITDA increase vs. 2004 base*

EUR mil

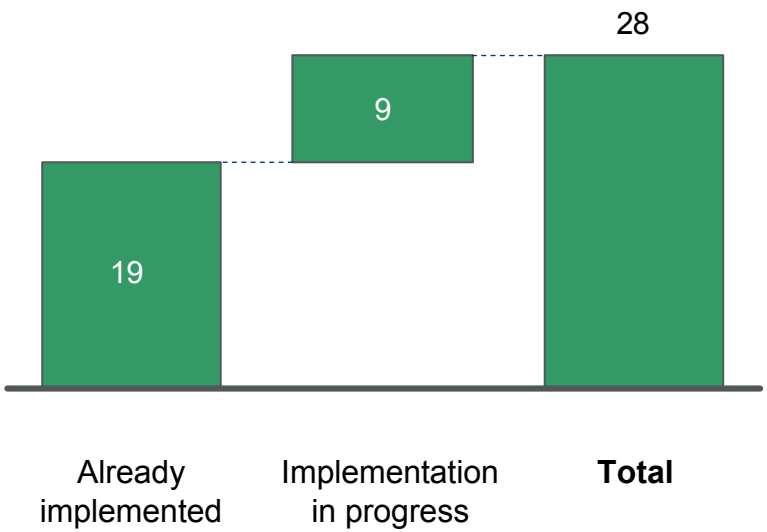


* Budget effect under fixed 2004 macroeconomic conditions

Source: Unipetrol

‘Quick win’ initiatives of EUR 28 million will be realized already by the end of 2005 in Unipetrol

2005 impact of ‘Quick win’ initiatives
EBITDA, EUR mil, consolidated to Unipetrol level*



Key ‘Quick Win’ initiatives
EUR mil

Implemented	2005 potential*
• Motor fuel sales coordination	11.3
• Replacement of atmospheric gasoil in steam cracker feedstock with naphtha	7.9
• Insurance cost reduction	0.3

In progress	
• Integration of production planning	3.3
• Petrochemicals pricing improvement	1.4
• Steam cracker feedstock optimization	0.9
• Other	3.3**

* Budget effect calculated under fixed 2004 macroeconomic conditions
** Including other initiatives mentioned on previous slides, with impact in 2005
Source: Unipetrol

Business and functional teams complement each other in the value creation effort

	Functional Value Creation Teams	Business Value Creation Teams: Refining	Petrochemicals	Chemicals	Retail
Cost	Purchasing optimization				
Cost	Maintenance optimization				
Cost	Utilities optimization				
Cost	HR optimization				
Cost	Logistics optimization				
Cost	Crude oil procurement				
Cost	Financial cost optimization				
Revenues	Wholesale optimization				
Revenues	Product planning optimization				
CAPEX	CAPEX optimization*				

Value Creation Teams are assisted by 12 support teams in non-business areas

* Not included in Partnership Program potential

Source: Unipetrol

Definitions and formulas used in the presentation

Definitions

- BOP – Basell Orlen Polyolefins
- EBITDA – Earnings Before Interest, Taxation, Depreciation, Amortization
- EBT – Earnings Before Tax
- HDPE – High Density Polyethylene
- IRR – Internal Rate of Return
- PE – Polyethylene
- PET – Polyethylene terephtalate
- POX – Partial oxidation reforming
- PP – Polypropylene
- PVC – Polyvinyl Chloride
- REBCO – Russian Export Blend Crude Oil
- ROI – Return on Investment
- S-PVC – Suspension Polyvinyl Chloride

Formulas

- CE (capital employed) = Net debt + Equity
- Net debt = Debt – Cash – Marketable securities
- ROACE = net operating profit less adjusted taxes (NOPLAT) / average capital employed (CE)

Average 2004 macroeconomic assumptions used in forward-looking calculations

- Brent crude oil price: $38.2/b
- Brent/Ural differential: $4.1/b
- Refinery margin $3.5/b
- CZK/EUR conversion rate: 31.90