PKN ORLEN and Unipetrol – Partnership for Central Europe

Igor Chalupec – CEO, PKN ORLEN S.A.
Cezary Smorszczewski – CIO, PKN ORLEN S.A.

October 17, 2005

Legal disclaimer

This presentation of PKN ORLEN S.A. (“Presentation”) has been prepared by PKN ORLEN S.A. (“PKN” or “COMPANY”) Neither the Presentation nor any copy hereof may be copied, distributed or delivered directly or indirectly to any person for any purpose without the PKN’s knowledge and consent. Copying, mailing, distribution or delivery of this Presentation to any person in some jurisdictions may be subject to certain legal restrictions, and the persons who may or have received this Presentation should familiarize themselves with any such restrictions and abide by them. Failure to observe such restrictions may be deemed infringement of applicable laws.

This Presentation contains neither a complete nor a comprehensive financial or commercial analysis of PKN and of PKN ORLEN Group. Nor does it present its position or prospects in a complete or comprehensive manner. PKN has prepared the Presentation with due care, however certain inconsistencies or omissions might have appeared in it. Therefore it is recommended that any person who intends to undertake any investment decision regarding any security issued by PKN or its subsidiary shall only rely on information released as an official communication by PKN in accordance with legal and regulatory provisions that are binding for PKN.

The Presentation, as well as the attached slides and descriptions thereof may and do contain forward-looking statements. However, such statements must not be understood as PKN’s assurances or projections concerning future expected results of PKN or companies of the PKN ORLEN Group. The Presentation is not and shall not be understand as a forecast of future results of PKN as well as of PKN Group.

It should be also noted that forward-looking statements, including statements relating to expectations regarding the future financial results give no guarantee or assurance that such results will be achieved. The Management Board’s expectations are based on present knowledge, awarteness and/or views of PKN’s Management Board's members and are dependent on a number of factors, which may cause that the actual results that will be achieved by PKN may differ materially from those discussed in the document. Many such factors are beyond the present knowledge, awareness and/or control of the COMPANY, or cannot be predicted by it.

No warranties or representations can be made as to the comprehensiveness or reliability of the information contained in this Presentation. Neither PKN nor its directors, managers, subsidiary undertakings, advisers or representatives of such persons shall bear any liability that might arise in connection with any use of this Presentation. Furthermore, no information contained herein constitutes an obligation or representation of PKN, its managers or directors, its Shareholders, subsidiary undertakings, advisers or representatives of such persons.

This Presentation was prepared for information purposes only and is neither a purchase or sale offer, nor a solicitation of an offer to purchase or sell any securities or financial instruments or an invitation to participate in any commercial venture. This Presentation is neither an offer nor an invitation to purchase or subscribe for any securities in any jurisdiction and no statements contained herein may serve as a basis for any agreement, commitment or investment decision, or may be relied upon in connection with any agreement, commitment or investment decision.

Agenda

Overview of the transaction

PKN ORLEN perspective on Unipetrol

Overview of the Unipetrol acquisition and the cooperation with PKN ORLEN

May 24, 2005
PKN ORLEN acquires 62.99% shares in Unipetrol[1]

June 8-9, 2005
New statutory bodies appointed

September 2, 2005
Mandatory Tender Offer Announced

October 12, 2005
Mandatory Tender Offer Expired

2005

May | June | July | August | September | October

Closing of share purchase transaction

Mandatory Tender Offer
- Mandatory Tender Offer for shares of UNIPETROL a.s., SPOLANA a.s. and PARAMO a.s
- Total shares to be purchased under the MTO not exceeding EUR 3.1 mil[2]

Valuation of assets and environmental risk
- Adjustment of the opening balance sheet based on valuation of assets and environmental risk
- Valuation exceeded current Unipetrol asset book value
- Inclusion of preliminary negative goodwill from PKN ORLEN investment in Unipetrol led to a positive accounting effect of EUR 514 mln[3] in PKN ORLEN H1 2005 consolidated P&L

Price adjustment
- Audit of net asset value and final price definition
- Total price paid for Unipetrol shares increased by 14.55% to EUR 428 million[4]

Restructuring Unipetrol

Introduction of modern corporate governance structures
- Integration of Unipetrol companies under a single Unipetrol management with common objectives and shared P&L responsibility
- Appointing Unipetrol board members to boards of key companies in four business segments: refining, petrochemicals, chemicals, retail

Reorganization of the asset portfolio
- Unipetrol developed a strategy for its key assets to maximize the value of the company

Value creation program

Partnership Program
- Partnership Program launched in Unipetrol with support from PKN ORLEN with the aim of improving Unipetrol day-to-day operational performance

1 PKN ORLEN acquired: 62.99% shares in Unipetrol for EUR 373.2 million (EUR 1 = CZK 30.35), 9.76% shares in Spolana for EUR 33 thousand (EUR 1 = CZK 30.35), debt of Unipetrol entities (Aliachem, Benzina, Paramo, Spolana) at a nominal value of EUR 119 million for EUR 58 million (EUR 1 = CZK 30.35)
2 Provisional results – total volume purchased may decline as a result of faulty applications. Exchange rate as of October 12, 2005: EUR 1 = CZK 29.57
3 Provisional results, pending results of Czech Refining Company fair value assessment. Exchange rate of September 29, 2005: EUR 1 = PLN 3.91
4 Exchange rate of May 24, 2005: EUR 1 = CZK 30.35
Source: PKN ORLEN, Unipetrol

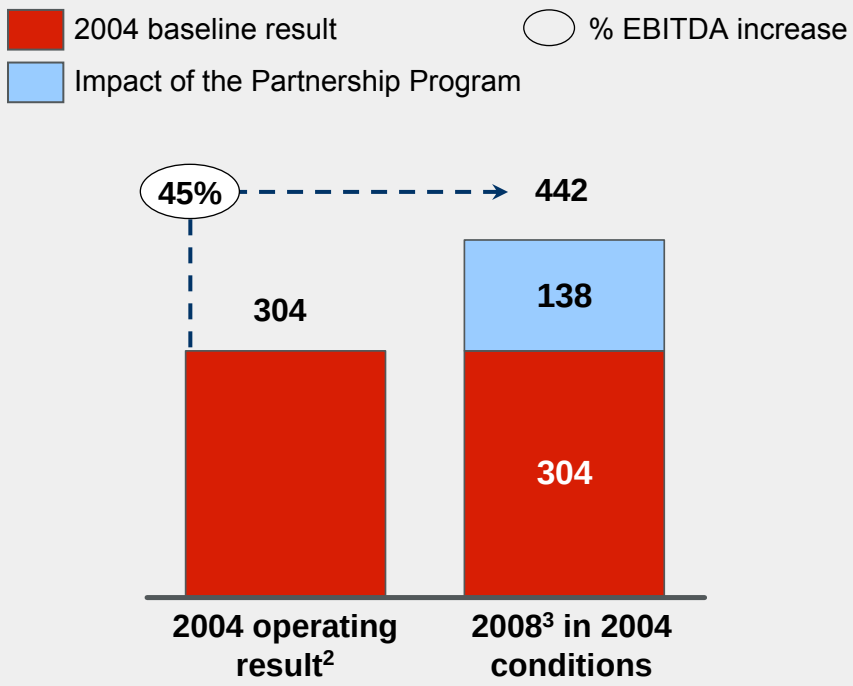
Agenda

Overview of the transaction

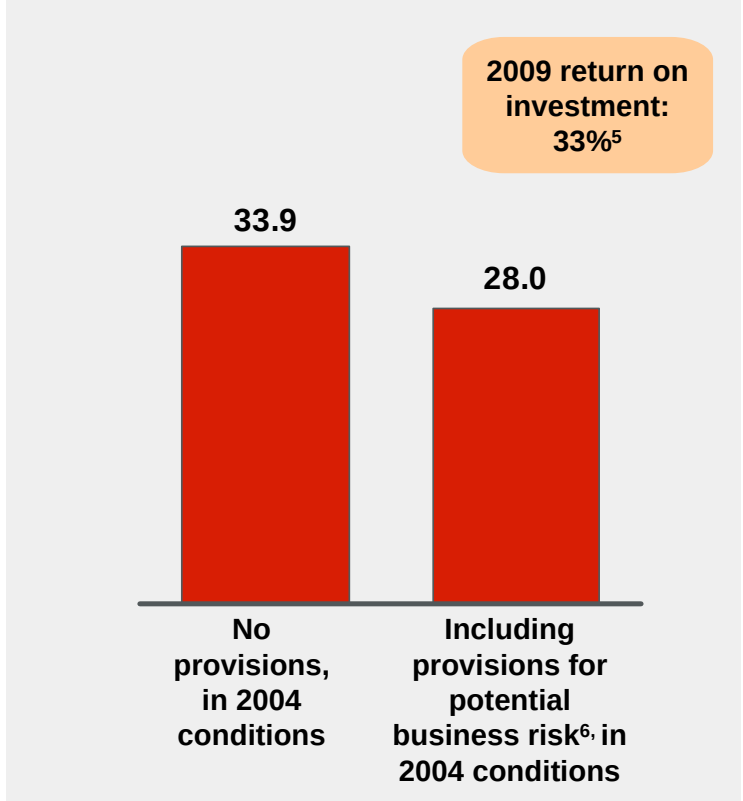
PKN ORLEN perspective on Unipetrol

The Partnership Program will enable PKN ORLEN to realize significant return on investment from Unipetrol acquisition, considerably higher than internal benchmark

Unipetrol EBITDA[1] (in comparable 2004 market conditions)
EUR mil



IRR of PKN ORLEN investment in Unipetrol[4]
%



1 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 include revenues form potential divestments

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

3 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

4 Price paid by PKN ORLEN to Czech Property Fund for Unipetrol equity CZK 11,303 mil + 14.55% price adjustment = EUR 428 mil, price agreed for debt (CZK 1,745 mil = EUR 58 mil) less repayments of EUR 15 mil, project costs of EUR 12 mil. Total expected MTO cost EUR 3.1 mil included. Total investment EUR 486 mil (assuming 30.35 CZK/EUR as of 24.5.2005)

5 Return on investment calculated using outlays as defined for IRR calculation, adjusted for PKN ORLEN share of net profit in 2009 including the impact of initiatives and calculated under average 2004 macroeconomic conditions

6 PKN ORLEN has created provisions for business risk which includes provisions to cover possible negative financial effects associated to agreements concerning sale of some Unipetrol assets

Source: PKN ORLEN, Unipetrol

Initial expected integration synergies on PKN ORLEN side already exceed EUR 24 mil

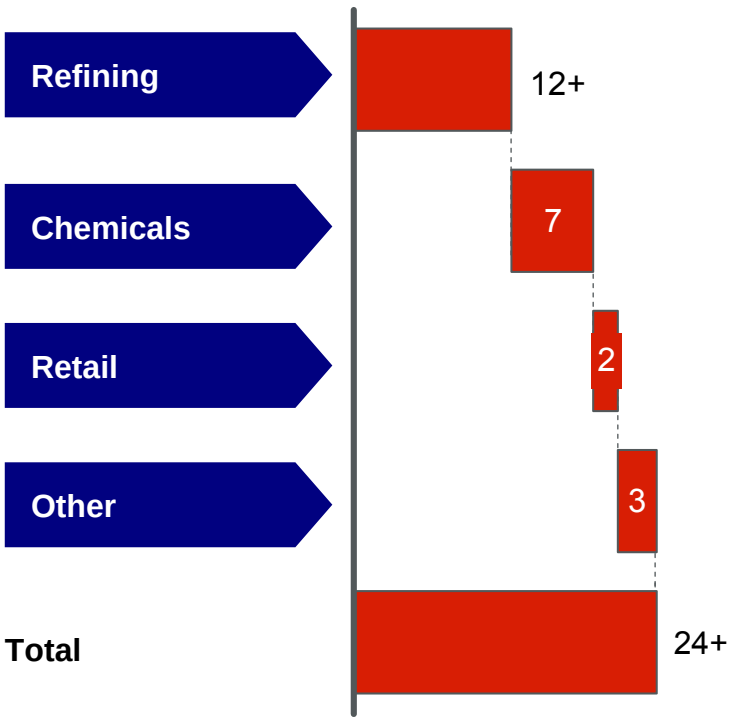
EUR mil

First, main synergies have been identified in the area of refining and chemicals…

… resulting mainly from sales coordination and production planning initiatives

Final synergy figures will be established by the end of 2005 and will be included in the strategy update

Potential*



Examples of initiatives

- Synergies in process technology (intermediate streams exchange)
- Coordination of S-PVC sales and pricing policy
- Fleet cards coordination
- Joint transportation fleet management

Additional synergy areas

- Production planning coordination
- Integrated wholesale
- Integrated olefin production
- Cooperation in polyolefins
- Cooperation between Spolana and Anwil
- Joint non-fuel purchasing in retail
- Joint retail network development expenditure

* Budget effect calculated under fixed 2004 macroeconomic conditions.
Source: PKN ORLEN

A comprehensive talent management program has been initiated within the Partnership Program

Talent exchange opportunities

- Assessment of over 150 managers carried out by reputable human resources advisors used to identify top talent in Unipetrol and PKN ORLEN
  - More than 15 Polish managers transferred to Unipetrol companies
  - Three Czech managers already transferred to PKN Group for broadening assignments, out of ten planned by end of 2006

Performance measurement and motivation system

- Enhanced MBO system with objectives linked to Partnership Program goals both for Czech and Polish managers
- Regular monitoring and measurement of realization of Partnership Program goals
- Clear financial incentives linked to realization of Partnership Program goals

Source: PKN ORLEN

PKN ORLEN and Unipetrol have the following priorities going forward

Value	**Initiating cooperation**	**Restructuring and capturing value**	**Exploring new growth**
Time	Until end of 2005	2006-2007	2008-2009

Actions	• Introducing new corporate governance model
	• Definition of asset portfolio reorganization strategy
	• Definition of standalone operational improvements within the Partnership Program
	• Capturing 'quick wins'
	• Development of 2005-2009 mid-term plan aligned with PKN ORLEN assumptions
		• Continued implementation of the Partnership Program
		• Group restructuring
		  ➢ Divestment of non-core assets
		  ➢ Optimizing Unipetrol legal and corporate governance structure
		  ➢ Introducing of segment-based management
		• Further integration and harmonization between PKN ORLEN and Unipetrol
		  ➢ Harmonization of organizational structure and HR policy
		  ➢ Further alignment of processes (budgeting, financial reporting, production planning, etc.)
			• Potential acquisition of logistics assets in the Czech market
			• Supporting further expansion especially in the petrochemical area
			• Exploring possibilities of integrating ZAK* and ZAT* (after their successful privatization) with Czech chemical assets
			• Introducing a 'two brands' strategy in retail

* ZAK – Zakłady Azotowe Kędzierzyn (Kędzierzyn Nitric Plant), ZAT – Zakłady Azotowe Tarnów (Tarnów Nitric Plant)

Source: Unipetrol; PKN ORLEN

Contact

For more information please contact

Investor Relations Office

tel.: + 48 24 365 33 90

fax: + 48 24 365 56 88
e-mail: ir@orlen.pl

www.orlen.pl

Press Office

tel.: + 48 24 365 41 50
+ 48 22 695 34 57
fax: + 48 22 695 35 27
e-mail: media@orlen.pl

APPENDIX

The acquisition of a majority stake in Unipetrol is a milestone in the execution of PKN ORLEN strategy

From the mission of PKN ORLEN:

"Aiming to become the regional leader we ensure long-term value creation for our shareholders by offering our customers products and services of the highest quality."

Strategic goals until 2009

Organic

Implement efficiency improvement and investments

Non-organic

Strengthening existing core business in home markets

Monitor expansion opportunities in new areas and markets

Key benefits from the Unipetrol acquisition

1. Unipetrol developed a clear strategy for its assets, focusing on the refining, petrochemicals and retail segments
2. A value creation program initiated by Unipetrol in June 2005 is expected to deliver incremental EBITDA of at least EUR 138* mil in 2008 vs. 2004 base. For PKN ORLEN, this will result in an internal rate of return of 33.9% on the investment in Unipetrol. Unipetrol's earnings will amount to approx. 25% of PKN ORLEN Group consolidated EBITDA in 2008**.
3. Initial synergies on PKN ORLEN side already exceed EUR 24 mil
4. Cooperation with Unipetrol has accelerated internal development at PKN ORLEN

* Under fixed 2004 macroeconomic conditions

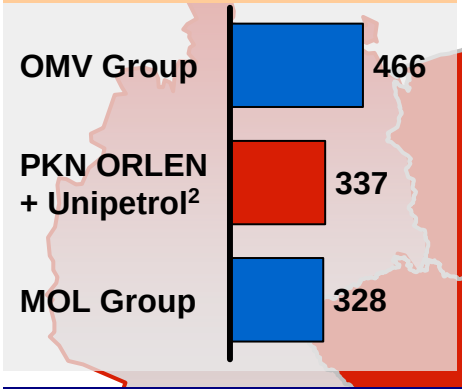
** Under fixed 2004 macroeconomic conditions, 100% of Unipetrol earnings consolidated on EBITDA level

Source: PKN ORLEN, Unipetrol

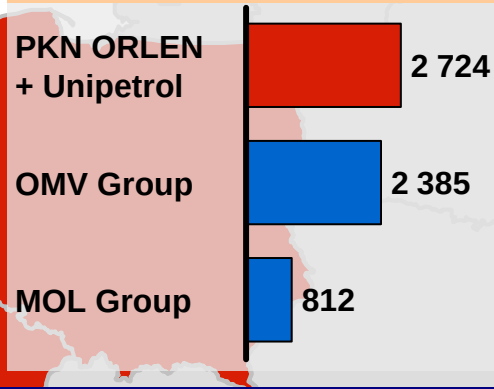
The consolidation of Unipetrol into PKN ORLEN results created a regional player on par with OMV and MOL

Key operational metrics

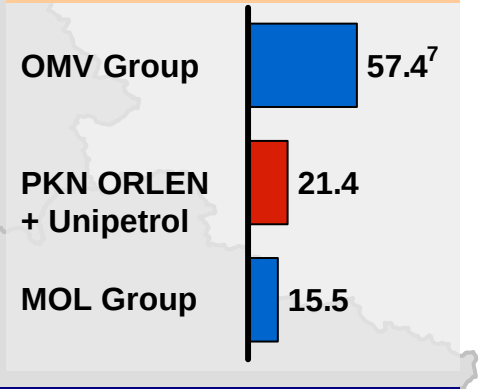
Refining capacity, 2004[1] MBPD



Retail sites, 2004

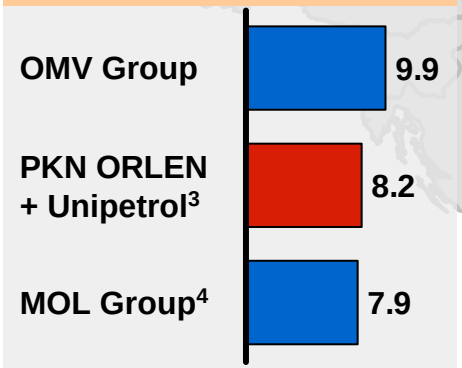


Headcount, 2004 Thousands of employees

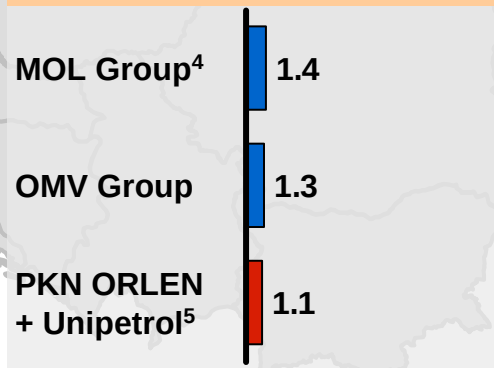


Key financial metrics

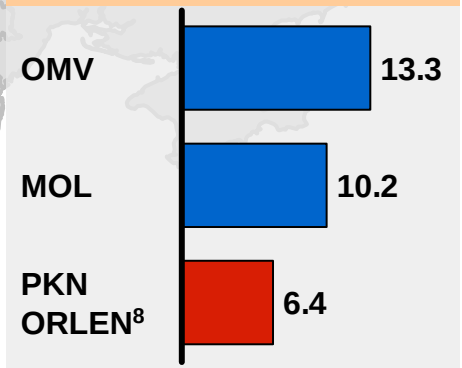
Net revenues, 2004 EUR billion



EBITDA, 2004 EUR billion



Market capitalization[6] EUR billion



1 Atmospheric distillation; processing capacity weighted by subsidiary shares
2 Sum of ~63% Unipetrol (51% Česká Rafinérská; 100% Paramo) and 100% PKN ORLEN capacity: 64 and 274 MBPD, respectively
3 Sum of revenues (~63% Unipetrol + 100% PKN ORLEN); EUR 1 = CZK 31.90; EUR 1 = PLN 4.53 (annual average exchange rate), excluding excise tax.
Source: PKN ORLEN; Unipetrol; Company web sites; BOSSA.PL
4 EUR 1 = HUF 252.08 (annual average exchange rate)
5 EUR 1 = PLN 4.53; EUR 1 = CZK 31.90 (annual average exchange rate); not consolidated, includes ~63% PKN ORLEN share in Unipetrol
6 Based on stock quotes and F/X rates of September 1, 2005. EUR 1 = HUF 243.93, EUR 1 = PLN 3.98
7 Including 51,000 employees at PETROM
8 After closing the Unipetrol transaction and appointing new statutory bodies

Internal rate of return and return on investment calculation methodology overview

Input / variable	Approach	Rationale
Invested capital*	• Price paid for equity and receivables • Price adjustment • Project costs • MTO cost	• Total capital invested should cover all costs related with acquisition
Base EBITDA*	• Consolidated 2004 EBITDA adjusted for one-off and non-operating expenses	• Latest consolidated result • Adjustment reflects operating performance
Cash flow	• Cash flow is calculated based on adjusted EBIT 2004 • Financial costs and tax is deducted • Cash flow is assumed to be equal to net income	• Simplified assumption that CAPEX and depreciation is equal in long run • No change in working capital assumed
IRR calculation**	• Projected impact of initiatives in 2005-2008 on cash flow • Terminal value calculation based on 2008 cash flow • No long term growth assumed	• Impact of the initiatives assumed stable after 2008 • Simplified assumptions were used in calculation
ROI calculation	• Projected net income in 2009 under fixed macroeconomic conditions of 2004 • Impact of Partnership Program and PKN ORLEN synergies included • Investment adjusted for the nominal value of receivables excluding repayments (EUR 104 mil) • PKN ORLEN share equal to 62.99% of the consolidated Unipetrol net profit	• Impact of the initiatives assumed stable after 2008 • Simplified assumptions were used in calculation

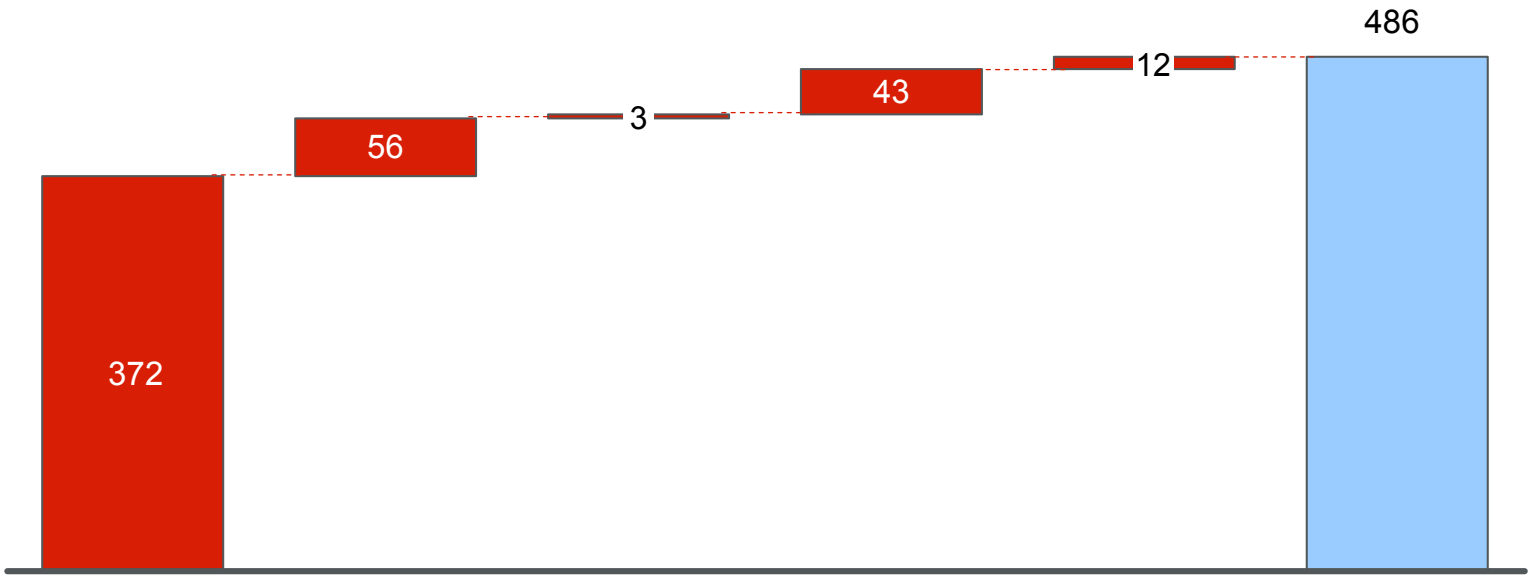
* See details on the following pages

** Internal rate of return is calculated as the discount rate that based on given total investment and future cash flows and terminal value returns zero net present value of the investment project

Source: PKN ORLEN

Total invested capital of EUR 486 mil reflects the price paid for shares, the price adjustment and project costs incurred by PKN ORLEN

Capital invested in Unipetrol
EUR mln



Price paid for shares[1]	Price adjustment[2]	MTO cost[3]	Price paid for receivables[4]	Other associated costs[5]	**Total investment in Unipetrol**

1 Exchange rate as of 24.5.2005 (closing date) 30.35 CZK/EUR
2 Expected exchange rate for 2005 (PKN ORLEN assumption) 29.57 CZK/EUR
3 Provisional result – total volume purchased may decline as a result of faulty applications. Exchange rate as of October 12, 2005: EUR 1 = CZK 29.57
4 Exchange rate as of 24.5.2005 (closing date) 30.35 CZK/EUR. Total price paid for receivables EUR 58 mil, less repayment of approximately 15 mil. Total nominal value of receivables EUR 119 mil
5 For example, advisor and travel cost. 2004 annual average exchange rate: EUR 1 = PLN 4.53

Source: PKN ORLEN

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