PKN ORLEN Strategy 2014-2017
Regulatory announcement no 233/2014 dated 23 July 2014

Polski Koncern Naftowy ORLEN Spolka Akcyjna ("PKN ORLEN", "Company") hereby announces that on 22 July 2014 the Supervisory Board of PKN ORLEN approved the document "PKN ORLEN Strategy 2014-2017" ("Strategy").

Approved Strategy is taking into account current macroeconomic situation, whereas its pillars remain unchanged. The Company will be focused on building of strong position on large and growth markets, intense orientation on client, operational excellence, strengthening of integrated value chain and sustainable development of crude oil and gas production. Realization of development projects in the most profitable areas will be possible through Company's financial strength and modern culture of management.

The Strategy assumes achieving the following financial and operating targets for ORLEN Capital Group in 2014-2017[1] in comparison to the levels achieved in 2013:

Table 1. Financial targets for ORLEN Capital Group

Financial target	**Strategy 2014-2017**	**Realization 2013**
EBITDA acc. to LIFO[2] annual average (PLN bn)	5,1	3,1
CAPEX annual average (PLN bn), including:	4,1	3,0
for development	2,7	1,6
Net financial gearing [3]	below 30%	16,9%
Rating	at the investment level	at the investment level
Net debt/EBITDA acc. to LIFO	below 2	1,51

Table 2. Financial targets for ORLEN Capital Group – breakdown by operating segments

Segment	**EBITDA acc. to LIFO (annual average) PLN bn in years**		**CAPEX (annual average) PLN bn in years**	
	2014-2017	**2013**	**2014-2017**	**2013**
Downstream	3,9	2,4	2,7	1,6
Retail	1,5	1,3	0,4	0,5
Upstream	0,4	0,0	0,8 [4]	0,8 [5]

Table 3. Operating targets for ORLEN Capital Group

Operating target	**2017**	**2013**	**Change 2017 in comparison to 2013**
Share in wholesale fuels market in Poland	66%	60%	6 pp
Refining utilisation [6]	86%	90%	-4 pp
Olefins utilization	86%	79%	7 pp
Share in home retail markets [7]	17%	14,1%	2,9 pp
Sales per fuel station (m liters)	3,8	3,4	0,4 m liters
Non-fuel margin 2013=100, index	129	100	29
Hydrocarbons production (m boe/year)	6,0	0,1	5,9
Hydrocarbons reserves 2P [8] m boe	54	22	32
Number of wells, cumulatively, at the end of the period	147	14	133

Strategic target of the Company is a systematic increase of DPS ratio (dividend per share). The Company's dividend policy has not been changed and as up until now it assumes the dividend payments at the level of up to 5% of the annual average market capitalization of the Company for the previous year, taking into account the achievement of strategic targets of safe financial standing of ORLEN Capital Group (financial gearing, net debt/EBITDA acc. to LIFO ratio and rating) and forecasts regarding macro environment.

[1] Targets are presented with the assumption of the following macroeconomic factors in years 2014 – 2017 (annual average):

- Model Downstream margin USD / bbl: 11,0
- Brent/Ural differential USD / bbl: 1,0
- Model Refining margin and differential USD / bbl: 4,4
- Model Petrochemical margin EUR / t: 767
- Brent crude oil price USD / bbl: 104
- Edmonton crude oil price CAD/ bbl: 90,2
- Natural gas price in Poland EUR/MWh: 28,5
- Natural gas price in Henry Hub (USA) USD/MMBtu: 4,5
- CO2 emission allowance price EUR/t: 11,2
- Wholesale electricity price PLN/MWh: 181
- PLN/USD exchange rate: 3,13
- PLN/EUR exchange rate: 4,08

Model Downstream margin = Revenues (90.7% Products = 22.8% Gasoline + 44.2% Diesel + 15.3% HFO + 1.0% SN 150 + 2.9% Ethylene + 2.1% Propylene + 1.2% Benzene + 1.2% PX) – Costs (100% input = 6.5% BRENT crude oil + 91.1% URAL crude oil + 2.4% natural gas)

PKN ORLEN model refining margin = Revenues (93.5% Products = 36% Gasoline + 43% Diesel + 14.5% HHO) - costs (100% input: crude oil and other raw materials).
Total input calculated acc. to Brent Crude quotations. Spot market quotations

PKN ORLEN model petrochemical margin = Revenues (98% Products = 44% HDPE + 7% LDPE + 35% PP Homo + 12% PP Copo) - costs (100% input = 75% Naphtha + 25% LS VGO). Contract market quotations

[2] EBITDA = Earnings Before deducting Interest ,Taxes, Depreciation and Amortization.

[3] Net financial gearing = net debt / equity calculated as at the end of the period.

[4] Acquisition of an upstream company Birchill in 2014, for PLN 0.7 bn, development of exploration projects in Poland, exploration and production projects in Canada. The amount does not include additional pool for work intensification in Poland or diversification of portfolio in Poland and abroad, depending on the free cash flow (FCF)

[5] Acquisition of an upstream company TriOil in 2013, for PLN 0.5 bn

[6] Lower utilisation ratio due to lower ORLEN Lietuva refinery capacity utilisation.

[7] Poland, the Czech Republic, Lithuania, Germany.

[8] 2P – Proven & Probable resources.

Details of the Strategy will be presented to capital markets representatives at the press conference and teleconference on 23 July 2014.

Moreover, we inform that due to standard procedures in accordance with IAS 36 (Impairment of Assets) the accepted Strategy will be the base to conduct future tests for impairment of assets, what can impact future results, starting from 2q2014.

All information published in this report is an estimate and may differ from values which will be published in PKN ORLEN financial statements.