

## Petrochemicals

In 2008, ORLEN Group petrochemical segment consisted of selected units at the Petrochemical Production Plant in Plock and at the following companies: Basell Orlen Polyolefins Sp. z o.o. and Unipetrol RPA. We are the sole manufacturer of olefins, polyolefins and most petrochemicals in Poland and in the Czech Republic. With our high-quality products and efficient distribution network, we are one of the strongest market players in this part of Europe.

### Petrochemicals

The first three quarters of 2008 saw a relatively high and stable demand for petrochemical products and very high price listings of those products on European markets. Over the last three months of 2008, we reported a major downturn in automotive and construction industries, which resulted in a severe breakdown on the domestic market for all kinds of plastic materials. In a very short period of time, petrochemical product quotations showed record price drops - as much as 60%, and limitations in petrochemicals processing (due to reduced loads or temporary shut-down of installations) inevitably affected sales volumes in the 4th quarter, both in terms of volume and value.

In Polish and Czech ORLEN Group plants, we produced nearly 1,005 thousand tonnes of ethylene, which is a 3% drop compared to 2007. Propylene production in the reported period topped 595 thousand tonnes, i.e. approximately 4% less than in the previous year. Limited production of the two main petrochemical products was mainly due to the scheduled standstill of the Olefin Plant II and related units in Plock. Moreover, in late 2008 we reported, both in Poland and in the Czech Republic, evident crisis symptoms, such as a recession on the plastic material market, which for us resulted in underutilisation of production capacities.

### Plastics

ORLEN Group total polyolefin production volume in 2008 was slightly below the 2007 level. In the reported period, polyethylene production in Poland and the Czech Republic remained at 644 thousand tonnes and was approximately 2.4% less than in 2007. Polypropylene production in 2008 represented over 545 thousand tonnes, i.e. approximately 3.7% less than the Group's result in 2007.

### Investments

In 2008, we overhauled petrochemical installations in Plock as scheduled and within budget. The most important project was the continued construction of PX (paraxylene) and PTA (terephthalic acid) units, which started in 2007.

By the end of 2008, the PX contract was executed at 71.6%, of which base, technical, delivery and construction projects progressed to 98.3% of the assumed 99.5%. The unit producing raw material for terephthalic acid production in Plock is expected to be started up in 2010. Expected annual capacity of the unit is 400 thousand tonnes.

At the end of 2008, the PTA basic project progressed to 40.5%, ahead of the contract schedule value of 38.2%. The progress of works represented 10.73% of the scheduled 9%, including 39.3% of the scheduled 23% for the construction sector. The unit, with an annual production capacity of 600 thousand tonnes of acid, is to be started up in 2010 on the premises of ZA ANWIL Włocławek.

As for the Czech plants, we continued increasing the polypropylene unit capacity. We expect that by mid 2009, the unit will have 285 thousand tonnes of annual production capacity. Moreover, we have worked on the benzene extractive distillation unit, which in the first quarter of 2009 is expected to increase its product efficiency by 20% compared to 2008.

### Strategy

The 2009-2013 strategy communicated in November 2008 puts emphasis on the Company's performance in a situation of global crisis. We verified numerous investment plans and focused on improving operating and commercial efficiency, as well as on promoting the most profitable products which offer additional synergy possibilities within the refinery segment, in particular in terms of additional aromatic sources.