

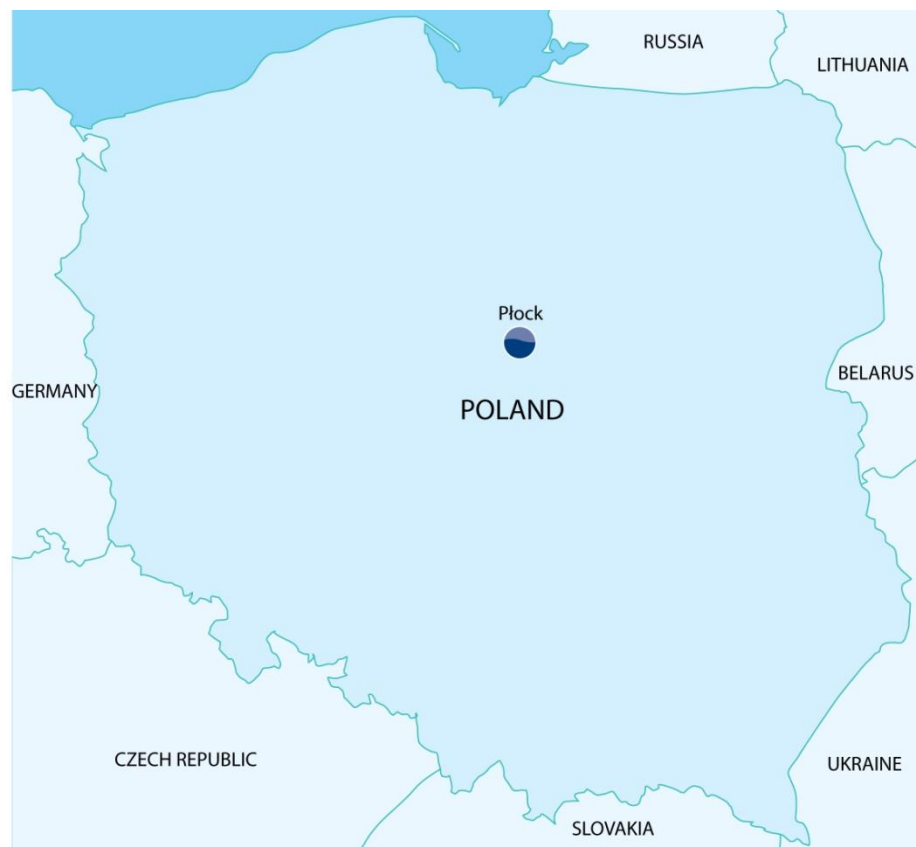
The PERN „Przyjaźń” Group – presentation



The PERN „Przyjaźń” Group („PERN Group”) is one of the strategic companies owned by Polish State Treasury, operating in the area of crude oil and fuel logistics. The headquarter of PERN „Przyjaźń” S.A. (parent company) is located in Płock.

Basic data about PERN Group

Industry:	Crude Oil & Fuels
Shareholders:	PERN „Przyjaźń” S.A. (parent company): 100% state-owned company
Employment:	2 500 people employed in PERN Group as a whole (including PERN „Przyjaźń” S.A. 860)
Revenue*:	2010: USD 357 million (including PERN „Przyjaźń” S.A. USD 216 million)
Asssts in total*:	2010: USD 1 121 million (including PERN „Przyjaźń” S.A. USD 910 million)
Internet website:	http://www.pern.com.pl
Group structure:	9 companies in total, including 3 operating in core business, 6 operating in non-core business (supporting and other activities)



* 1 USD = 3 PLN, consolidated data

The PERN Group constitutes an important component of the Polish and European crude oil and fuel logistics' security. **The PERN Group** has at its disposal the largest network of inland tank farms of crude oil.

PERN's Group activities

Core*

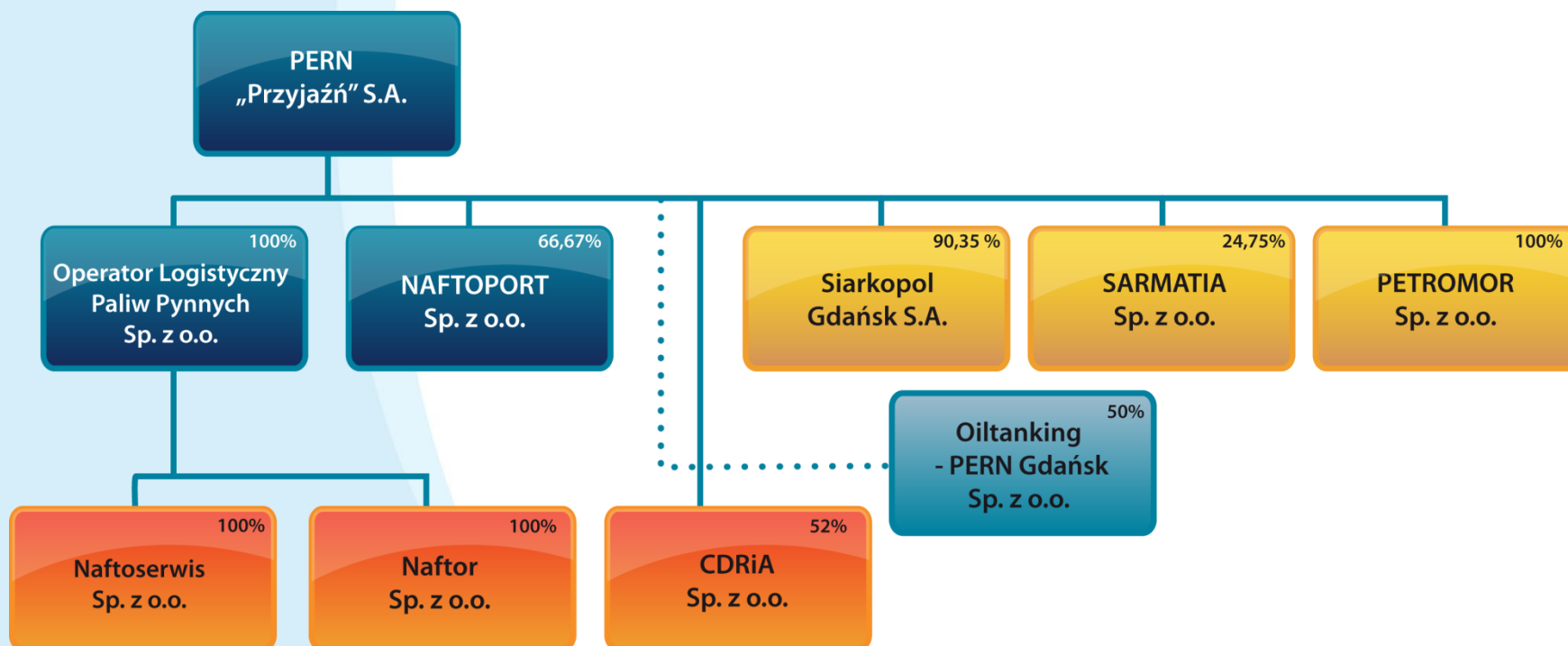
- Crude oil and fuel pipelines management
- Crude oil and fuel transportation
- Offering storage capacities
- Reloading for maritime transport

Supporting


- Telecommunication
- Pipelines maintenance
- Security services

*More precisely described on next slides

The **PERN Group** is comprised of 9 separate companies, out of which the core activities of the Group are performed by the following entities: **PERN „Przyjaźń” S.A.**, **OLPP Sp. z o.o.** and **NAFTOPORT Sp. z o.o.**



 Core business of PERN Group

 Supplementary activity of PERN Group

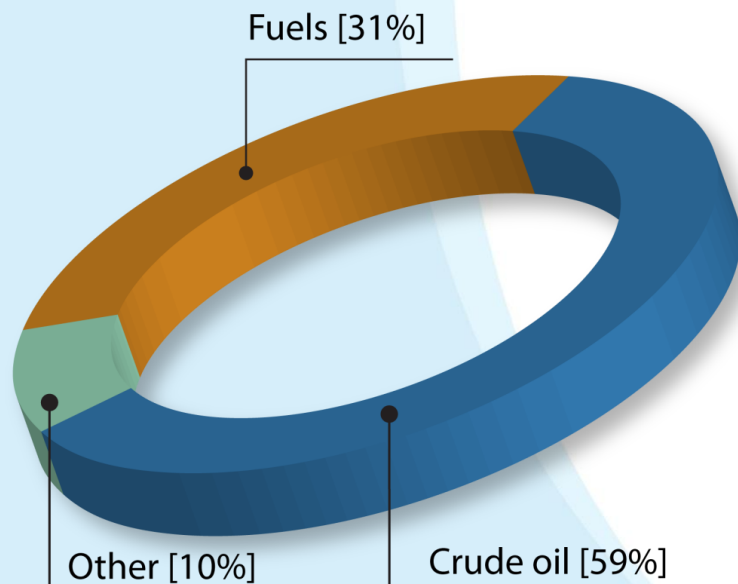
 Other activities of PERN Group

 Company being formed

Overview of **PERN's** Group core activities

The core activities of the **PERN Group** can be divided into crude oil area and fuel area. The main services offered by the **PERN's Group** entities comprise transport as well as storage and maritime reloading. In 2010 **PERN Group** transferred 453.3 million barrels (72.1 million m³) of crude oil and 54.6 million barrels (8.7 million m³) of fuels.

Basic breakdown of revenues of the PERN Group (2010)



100% = 357 mn USD

Basic information on the volume of services offered by PERN Group (2010)

	Crude oil	% share	Fuels	% share
Transport	453.3 million barrels (72.1 million m ³)	79%	54.6 million barrels (8.7 million m ³)	33%
Storage	120 .0 million barrels (19.1 million m ³)	21%	113.3 million barrels (18.0 million m ³)	67%
In total	573.3 million barrels (91.2 million m ³)	100%	167.9 million barrels (26.7 million m ³)	100%

The portfolio of **PERN's Group** clients is comprised of both major Polish oil groups as well as well-known international oil groups and trading companies. PERN „Przyjaźń” S.A. transports crude oil for entities such as Total, BP, Shell, Eni and Mercuria.

Polish entities



PKN Orlen



LOTOS Group

Foreign entities



Total



BP



Shell



Eni



Mercuria

National revenue = 69% of total
PERN's Group revenue

- Crude oil shipment
 - Fuel shipment
- Strategic reserves storage
- Fuel pipelines management

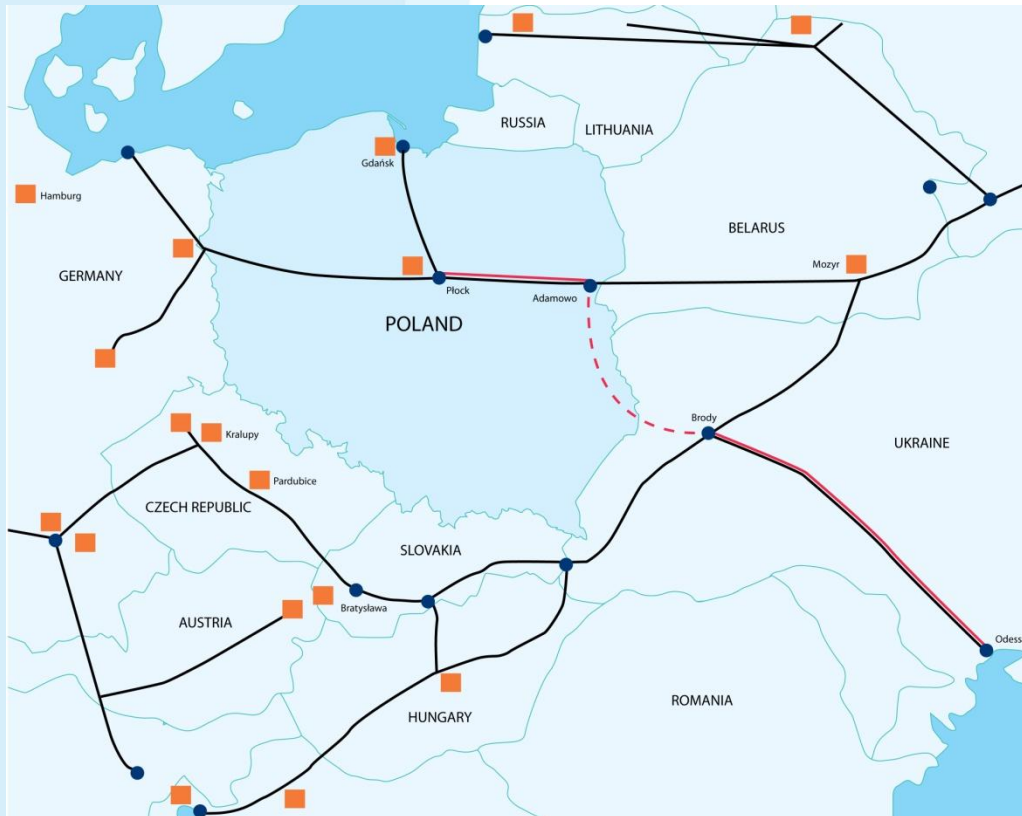
Foreign revenue = 31% of total
PERN's Group revenue

- Crude oil transit
- Crude oil storage

PERN's Group infrastructure

- directions of crude oil supply

The main crude oil supply source for Central Europe is the „Druzhba” pipeline, which has been functioning for over 50 years. **The PERN Group** services enable Poland to be independently supplied also via the Baltic Sea.



- The „Druzhba” pipeline constitutes one of the main import routes for Russian and Caspian crude oil to Central European markets.
- The pipelines belonging to PERN Group, apart from the main target to supply the Polish refineries with crude oil, are also designed for transit of crudes to German refineries or for their exports by sea through Gdańsk.
- Simultaneously Gdansk can be used as an supplementary crude oil supply import route for Poland, enabling the **PERN** Group to import crude oil from practically any direction in the world.

PERN's Group infrastructure

- crude oil and fuels pipelines

The **PERN Group** is the sole enterprise in Poland authorized to own, manage and utilize crude oil pipelines in Poland. **PERN Group** also manages the network of petroleum product pipelines (such as gasoline, diesel, heavy heating oil etc.).

Basic overview of PERN's Group pipelines

	Section	Capacity	Lenght
CRUDE OIL	Eastern Section	1 million B/D* (50 MTA)	240 km
	Western Section	0.4 million B/D* (27 MTA)	416 km
	Northern Section (two-way pipeline)	0.54 million B/D* (27 MTA)	234 km
FUELS	Płock - NWW	0.042 million B/D* (2,1 MTA)	123.3 km
	NWW - Rejowiec	0.028 million B/D* (1,4 MTA)	83.8 km
	Płock - Mościska	0.02 million B/D* (1,0 MTA)	108.6 km
	Mościska Emilianów	0.02 million B/D* (1,0 MTA)	39.1 km
	Płock - Koluszki	0.076 million B/D* (3,8 MTA)	108 km
	Koluszki - Boronów	0.02 million B/D* (1,0 MTA)	153.5 km



- The **PERN Group** in 2010 transported nearly 453 million barrels (61 MTA) of crude oil.
- In 2010, using the petroleum products pipelines, **PERN Group** transported nearly 55 million barrels (over 7 MTA) of fuels.

PERN's Group infrastructure

- crude oil and fuel tank farms

Crude oil and fuel tank farms constitute an essential element of **PERN's Group** activities. The total capacity of crude oil tank farms equals almost 19 million barrels (3 million m³), whereas the fuel tank farms' capacity amounts to 11 million barrels (1.8 million m³).



- ☐ Crude oil tanks are used for operational purposes of crude oil flow.
- ☐ In **PERN's Group** petroleum bases operational and strategic crude oil reserves are also stored for Polish refineries.



Potential changes in market environment of **PERN Group**

The analysis of market environment indicates that **PERN Group** can expect further growth of demand for its services.

Main market trends for **PERN's Group**

Suppliers



- Russia attempt to diversify its current crude oil export routes by building a new BPS-2 pipeline that may serve as an alternative to the „Druzhba” network.
- **PERN's Group** clients expect to have an option of two independent supply routes (1) via „Druzhba”, (2) via the Baltic Sea.

Clients



- Two main Polish clients of the **PERN Group** – PKN Orlen and LOTOS, have substantially invested in new refineries' processing capacities.
- Increased capacities of refineries will allow the **PERN Group** to increase the total volume of transported crude oil and fuels.

Macroeconomy



- Taking into account the distance between Polish and Western European economies, the continuing trend of the growth in both GDP consumer wealth is expected, contributing to higher fuel consumption.
- According to the POPIHN forecasts, the fuel consumption in Poland by 2020 will rise to the level of about 190 million barrels (30 million m³), from the current level of 167 million barrels (26.6 million m³), a total increase of 13% in the 2011-2020 period.



1

**Building of the
Storage and Reload Terminal**

**MIDTERM
PERSPECTIVE**

2

**Expansion of the
existing infrastructure**

**MIDTERM
PERSPECTIVE**

3

**Completion of the
salt caverns project**

**LONGTERM
PERSPECTIVE**

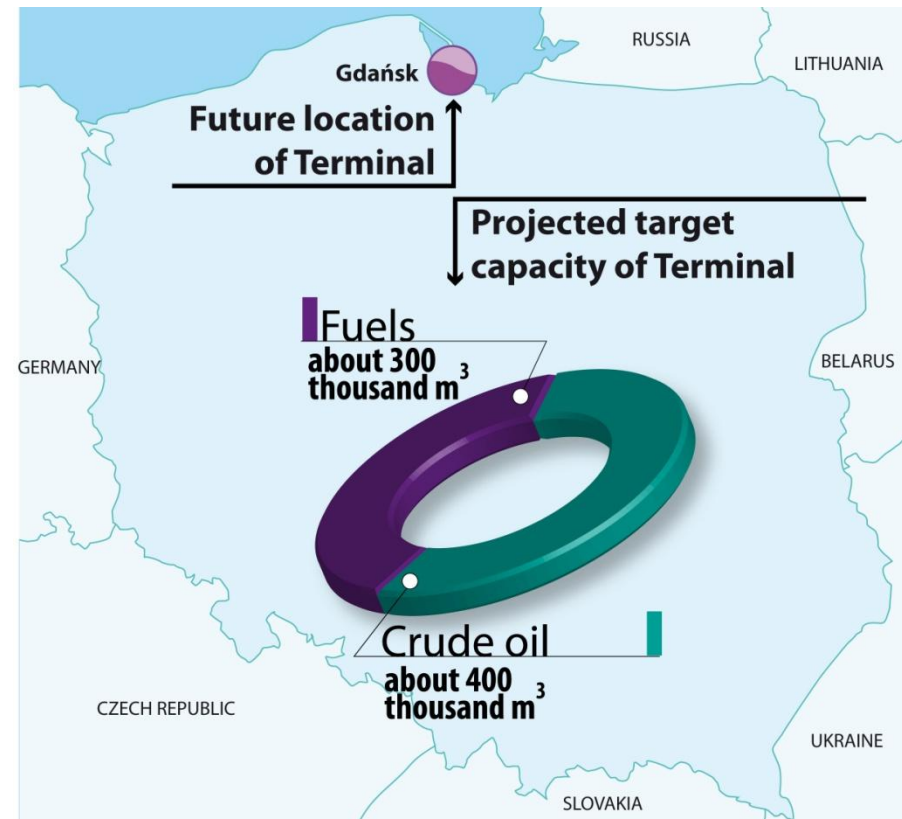
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**Completion of the
EAOTC Project**

**LONGTERM
PERSPECTIVE**

The marine Storage and Reload Terminal („SRT”) for crude oil and fuels, located in Gdańsk, will focus on handling incoming crude oil and fuel tankers as well as performing transshipment services of all liquid fuels.

- ❑ The completion of SRT will ensure the development of the additional range of logistics services and the creation of another business segment within **PERN Group**.
- ❑ The project is expected to be completed in cooperation with international operator of similar terminals – Oiltanking – as part of a joint venture agreement.
- ❑ The completion of SRT project is also expected to optimize and develop maritime reloading assets of the **PERN Group**.
- ❑ The estimated capacity of the SRT is expected to amount 4.4 million barrels (700 thousand m³), the major part of which will be designed for crude oil.



Development strategy for **PERN Group**

- infrastructure

In response to the growing demand for logistics services offered by the **PERN Group**, a number of projects aimed at the expansion of existing infrastructure is planned.

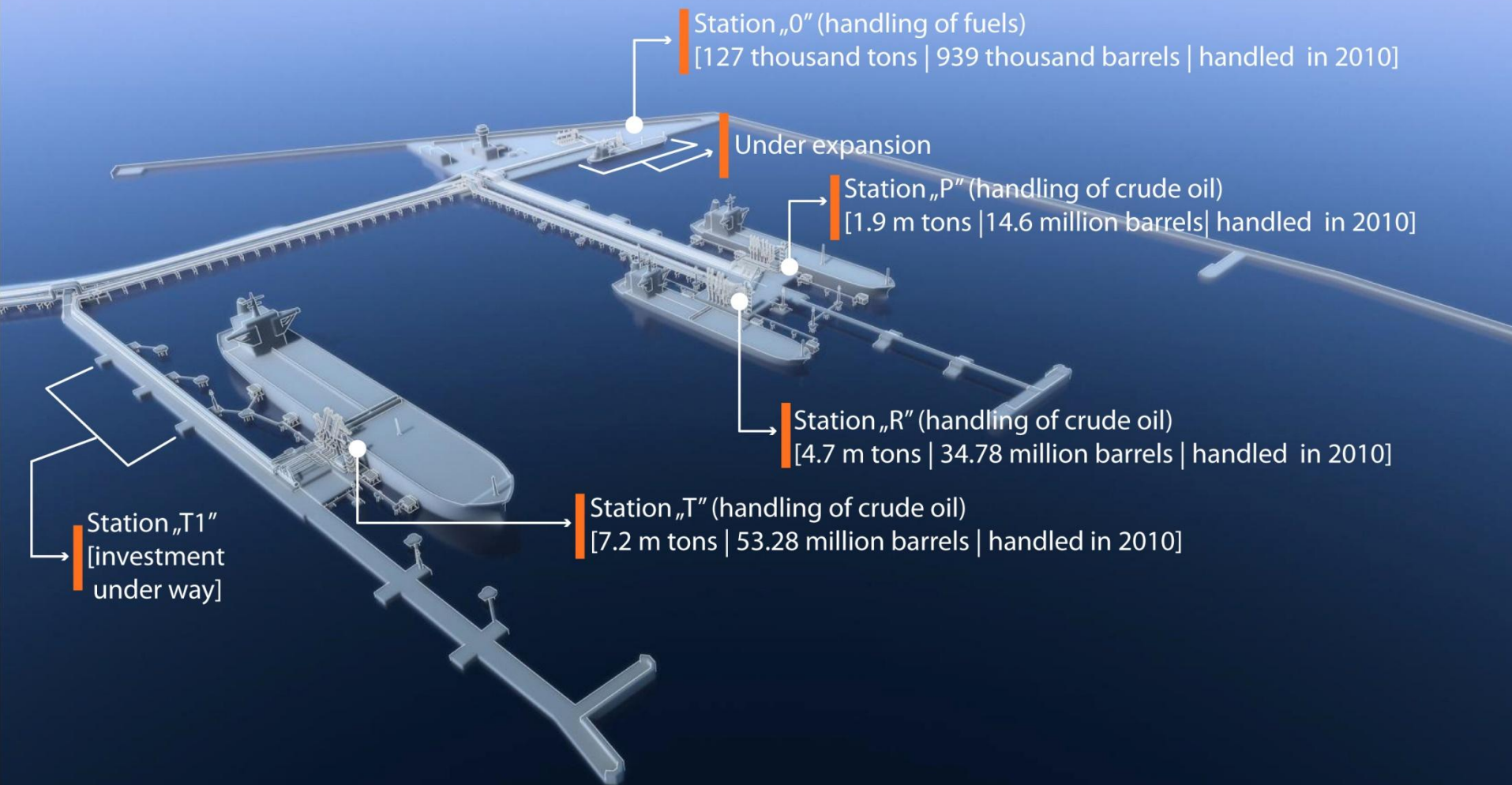
- A. Completing construction of the 3rd line of the Eastern section of the „Druzhba” pipeline (2011 – 2013).
- B. Intensification of the Pomeranian pipeline (2011 – 2012).
- C. New storage capacities in Płock and Gdańsk (2011 – 2013).
- D. New section of the fuel pipeline Boronów – Trzebinia with possible branch to Strzemieszyce.
- E. Reclassification of the existing oil pipeline into a fuel pipeline and the use of the terminal in Emilianów to implement TPA rule in the fuel pipelines network.
- F. Intensification of the use of Naftoport (described on the next slide)



Naftoport constitutes a key element of crude oil supplies logistics chain for Polish and German refineries. It guarantees the energy security for Poland and enables full diversification of crude oil supply sources.

- Naftoport performs crude oil and liquid fuel reloading in Port Gdański for the clients of the **PERN Group**
- In total, Naftoport has 4 reloading jetties with a potential of about 250 million barrels (34 million MTA) throughput of crude oil a year, that is planned to be further expanded.
- The intention and the element of **PERN's** Group strategy is the intensification of utilization the reloading capacities of Naftoport.
- In record year 2010 there were 320 ships served, including 80 entities in the size of 100 thousand tones and 3 VLCC tankers.
- Total throughout of crude oil and fuels in 2010 amounted to 104 million barrels (14 MTA).
- Naftoport will comprise a vital logistics facility for the planned SRT project.





Development strategy for **PERN** Group

- salt caverns project

The plan to construct subterranean storage facilities for crude oil and fuel in salt caverns is one of the more ambitious projects in **PERN's** strategy, discussed as part of a long term development plan of the **Company**.

Location of salt caverns as part
of the Baltic Sea Region



Future localization of the salt caverns

- ❑ **The PERN Group** together with Grupa Lotos S.A. are considering the adaptation of underground salt caverns for the purpose of crude oil and fuel storage. The caverns are projected to be approx. 1 000 m deep and have a total capacity of 44 million barrels (7 million m³) in stage I, up to 125 million barrels (20 million m³) in stage II.
- ❑ The total amount of capital expenditure for this project has been estimated at approx. USD 500 million.
- ❑ The strategic location of the investment provides an opportunity to render storage services not only on the domestic market but also in the whole Baltic Sea Region.
- ❑ The salt caverns project has full support of the Polish government. The project is eligible for EU co-financing and is part of Poland's official energy security strategy.

The salt caverns project is a response of the **PERN Group** towards the forecasted growth in demand for storage capabilities.

Rationale for the „greenlighting” of the salt caverns project

(1) Increased demand for strategic reserves

Taking into account the forecasted growth in demand for oil&gas products, as well as the existing obligation of holding strategic oil reserves by the State and private companies, **demand for storage capacities is likely to increase**

(2) Structural changes in organization of strategic reserves

As the State will likely play a more significant role in holding strategic reserves (as role of private entities will decrease), **the salt caverns can become the major destination for government's strategic reserves**

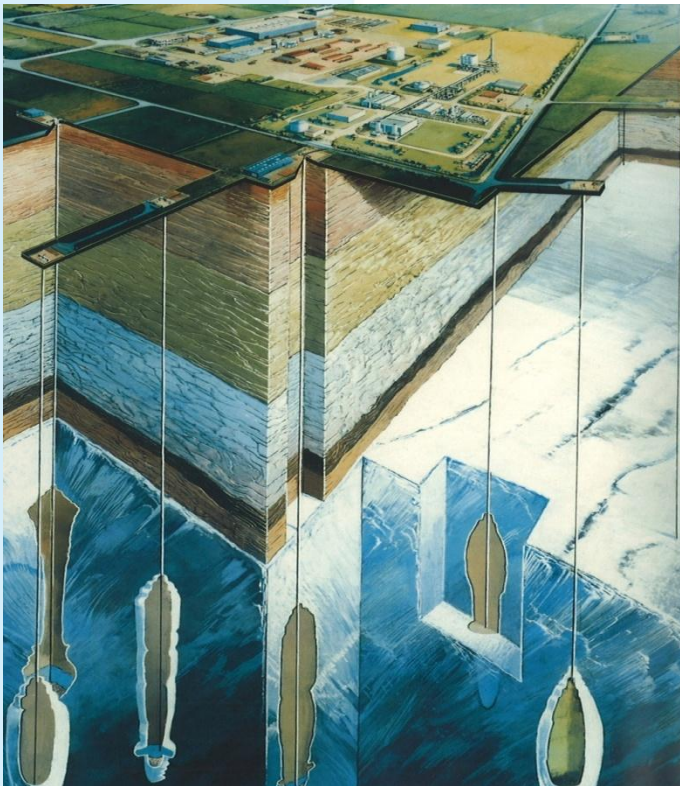
(3) Taking advantage of proposed EU legislation

New EU regulations shall make it easier to store national strategic reserves in other EU member states. **The salt caverns may (a) prevent the transfer of Polish reserves abroad, (b) attract other countries to hold their national reserves in Poland**

Development of salt caverns by PERN

- advantages of salt caverns

Salt caverns have a number of distinct advantages over the traditional storage technologies (such as tank farms).



Main advantages of salt caverns

- possibility of providing significant storage capabilities using a limited area size
- high durability of the caverns and very long project lifetime
- low level of fire threat and negligible environmental impact
- increased antiterrorist security
- low CAPEX per unit of storage capabilities
- wide potential range of storage products (crudes, diesel, gasoline, LPG etc.)

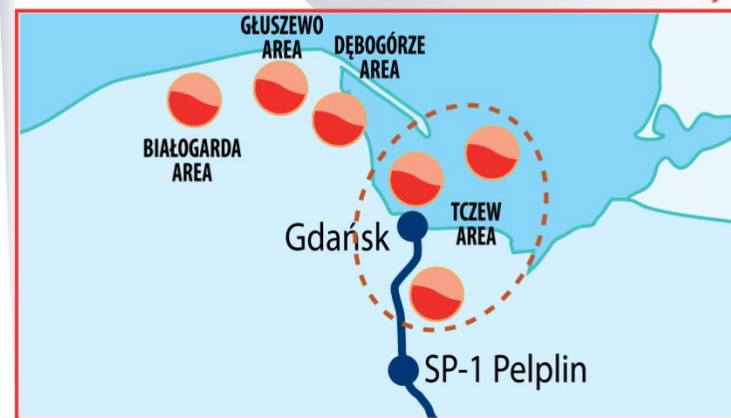
The PERN-Lotos working group is currently evaluating potential locations for the project. For the time being four sites are thoroughly scrutinized.

Current status of the project

- Due to the size of the project, the PERN Group has decided to establish a dedicated SPV for the salt caverns.

- **In addition, on 15th June 2011, a Letter of Intent, regarding cooperation in the development of salt caverns, has been signed between the PERN Group and the Lotos Group.**

- The PERN-Lotos working group has performed a thorough analysis of potential sites for the caverns.
- Ultimately 4 attractive locations, all located in Northern Poland, have been chosen for further, in depth analysis.
- As a further step, all sites require a performance of a detailed geological survey (including drilling) of the characteristics of the underlying salt fields.
- The estimated time for obtaining a drilling licenses and all necessary legal approvals for the survey is between 9 and 12 months.
- Simultaneously due to significant CAPEX requirements of the project, the PERN Group is considering to introduce third-party investors into the project.



The EAOTC system shall enable a fast transfer of Caspian oil to Central Europe.

The Potential EAOTC system route*



- ❑ The execution of the EAOTC project is a long term goal of the **PERN Group**. The commissioning of the project shall however require a very substantial amount of CAPEX. The final amount of CAPEX shall depend on the target throughput of the system. The project is managed by a SPV - Sarmatia.
- ❑ The shareholders of Sarmatia are comprised of oil companies from the following countries: Poland, Ukraine, Azerbaijan, Georgia and Lithuania.
- ❑ The SPV Sarmatia has prepared a feasibility study of the project, however a decision whether to engage and participate in the project requires additional analysis.
- ❑ In particular a confirmation of the willingness of oil refineries to buy Caspian crudes supplied via EAOTC is required.

* EAOTC stands for Euro Asian Oil Transportation Corridor, project enabling the transfer of Caspian Oil to Central and Western Europe countries.

Thank You for Your attention

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