



Polski Koncern Naftowy ORLEN
Spółka Akcyjna

**REPORT
OF THE SUPERVISORY BOARD OF PKN ORLEN SA
FOR 2008**

WARSAW, APRIL 2009

I. COMPOSITION OF THE SUPERVISORY BOARD

As of 1 January 2008, the composition of the Supervisory Board (SB) of PKN ORLEN SA was the following:

Małgorzata Ślepowrońska	Chairman of the Supervisory Board
Raimondo Eggink	Deputy Chairman of the Supervisory Board
Krzysztof Rajczewski	Secretary of the Supervisory Board
Robert Czapla	Member of the Supervisory Board
Marek Drac-Tatoń	Member of the Supervisory Board
Zbigniew Macioszek	Member of the Supervisory Board
Agata Mikołajczyk	Member of the Supervisory Board
Janusz Zieliński	Member of the Supervisory Board

On 7 February 2008, the Extraordinary General Meeting of Shareholders of PKN ORLEN SA recalled from the positions on the Company's Supervisory Board the Chairman of the SB, Mrs. Małgorzata Ślepowrońska and the following members of the SB: Mr. Krzysztof Rajczewski, Mr. Robert Czapla, Mr. Marek Drac-Tatoń, Mr. Zbigniew Macioszek and Mrs. Agata Mikołajczyk.

On the same day, the Extraordinary General Meeting of Shareholders of PKN ORLEN SA appointed MR. Maciej Mataczyński to the position of the Chairman of the Supervisory Board.

The following persons were also appointed to the positions on the Supervisory Board: Mr. Marek Karabula, Mr. Grzegorz Borowiec, Mr. Ryszard Stefański, Mr. Krzysztof Kołach and Mr. Piotr Wielowieyski. Mr. Krzysztof Kołach and Mr. Piotr Wielowieyski were appointed to the positions of independent members on the Supervisory Board of PKN ORLEN SA. The following members maintained their positions on the Supervisory Board: Mr. Raimondo Eggink and Prof. Dr Hab. Eng. Janusz Zieliński appointed by the Minister of Treasury on behalf of the shareholder, State Treasury, on 6 July 2007.

During the meeting held on 15 February 2008, the Supervisory Board appointed Mr. Marek Karabula to the position of the Deputy Chairman of the Supervisory Board and Mr. Ryszard Stefański to the position of the Secretary of the Supervisory Board.

On 6 June 2008, the Ordinary General Meeting of Shareholders of PKN ORLEN SA appointed Mr. Grzegorz Michniewicz to the position of the member of the Supervisory Board.

On 13 June 2008, the Extraordinary General Meeting of Shareholders of PKN ORLEN SA recalled from their positions on the Supervisory Board Mr. Raimondo Eggink and Mr. Ryszard Stefański. Simultaneously, Mrs. Angelina Sarota and Mr. Jarosław Rocławski were appointed to the positions on the Supervisory Board.

During the meeting held on 13 June 2008, the Supervisory Board appointed Mrs. Angelina Sarota to the position of the Secretary of the Supervisory Board.

As of 31 December 2008, the composition of the Supervisory Board of PKN ORLEN SA was the following:

Maciej Mataczyński	Chairman of the Supervisory Board
Marek Karabuła	Deputy Chairman of the Supervisory Board
Angelina Sarota	Secretary of the Supervisory Board
Grzegorz Borowiec	Member of the Supervisory Board
Krzysztof Kołach	Member of the Supervisory Board
Grzegorz Michniewicz	Member of the Supervisory Board
Jarosław Roślowski	Member of the Supervisory Board
Piotr Wielowieyski	Member of the Supervisory Board
Janusz Zieliński	Member of the Supervisory Board

II. ACTIVITIES OF THE SUPERVISORY BOARD

In 2008, the Supervisory Board held 15 reported meetings (reports from No. 95/08 to No. 109/08) and adopted 163 resolutions (from No. 874/08 to No. 1035/08).

The supervisory and controlling activities of the Supervisory Board in 2008 related to, among many others, the following issues:

1. Changing the composition of the Management Board:

On 28 February 2008, the Supervisory Board suspended the President of the Management Board from the performance of his duties as the President of the Management Board and the Management Board Member. On the same day, the Supervisory Board decided that the Vice President of the Management Board would assume the competences of the President of the Management Board for the period of his suspension.

As the term of the Company's Management Board terminated in 2008, in April and May 2008 the Supervisory Board held the election of the President of the Management Board and PKN ORLEN SA Management Board Members for a new three-year term commencing upon the Ordinary General Meeting of Shareholders, during which the Company's financial statements for 2007 were approved.

During the meeting held on 29 April 2008, the Supervisory Board resolved the election and relevantly awarded the position of the President of the Company's Management Board for a new term.

On 15 May 2008, the Supervisory Board appointed, at the written request of the Minister of Treasury, the Vice-President of the Management Board responsible for the area of Crude Oil Production and Trade and the area of Administration and Capital Group, to his position on the Company's Management Board.

During the meeting held on 28 and 29 May 2008, the Supervisory Board resolved the election and accordingly allocated the positions of members on the Company's Management Board for a new term.

In relation to the resignation from performing his duties submitted by the Company's President of the Management Board, during the meeting held on 18 September 2008 the Supervisory Board appointed the Vice President of the Management Board responsible for the area of Crude

Oil Production and Trade and the area of Administration and Capital Group to the position of the President of the Management Board for a joint three-year term of the Management Board ending on the day following the Ordinary General Meeting of Shareholders that is to approve the Company's financial statements for 2010.

On the same day, the Supervisory Board appointed the Management Board Member to the position of Vice President of the Management Board for a joint three-year term of the Management Board ending on the day following the Ordinary General Meeting of Shareholders, which is to approve the Company's financial statements for 2010.

2. Representing the Company in agreements with members of the Management Board, including also in respect of the conditions for employing members of the Management Board:

The Supervisory Board approved the managerial contracts with the President of the Management Board, the Vice President of the Management Board and the Management Board Members. It also approved the Target Sheets for the Company's Management Board for 2008, constituting annexes to the agreements, and determined the Joint Target for 2008.

3. Providing an opinion on the financial statements with regard to their compliance with books and documents and also the factual state, and an opinion on the report of the Management Board and its motions regarding the allocation of profit or loss coverage and submitting the annual report on results of such opinions in writing to the General Meeting of Shareholders:

- The Supervisory Board provided its opinion on the report of the PKN ORLEN SA Management Board on the Company's activities and its financial statements for the financial year 2007;
- The Supervisory Board provided its opinion on the motion of the Company's Management Board regarding the allocation of the profit for the financial year 2007;
- The Supervisory Board provided its positive opinion on the report of the Management Board on the PKN ORLEN Capital Group's activities for the financial year 2007 and on the PKN ORLEN Capital Group's consolidated financial statements.

4. Providing opinions on any matters submitted by the Management Board for the examination of the Company's Ordinary and Extraordinary General Meetings of the Shareholders:

- The Supervisory Board provided its positive opinion on the agenda and the drafts of the resolutions of the Ordinary General Meeting of Shareholders of PKN ORLEN SA to be held on 6 June 2008;
- The Supervisory Board provided its positive opinion on acknowledging the fulfilment of duties by the Management Board Members in 2007;
- The Supervisory Board provided a positive opinion on the agenda and the drafts of the resolutions of the Extraordinary General Meeting of Shareholders of PKN ORLEN SA to be held on 13 June 2008;

5. Granting consents to the Management Board members to hold positions on supervisory or management bodies of other entities and to receive emoluments in consideration thereof:

The Supervisory Board granted consents to the President of the Management Board, Vice-President of the Management Board and Management Board Members to hold positions in

supervisory bodies of companies in PKN ORLEN SA Capital Group without receiving emoluments in consideration thereof.

6. Granting a consent to the implementation of an investment undertaking and the incurrence of any liabilities resulting therefrom, if any expenses or encumbrances are incurred in relation to such an undertaking that exceed an equivalent of one half of the share capital of the Company;

By way of adopting appropriate resolutions, the Supervisory Board granted its consent to the incurrence of financial liabilities.

7. Approving the Company's development strategies and long-term financial plans:

The Supervisory Board approved the "PKN ORLEN SA Development Strategy and Medium-Term Plan for 2009-2013".

8. Providing opinions on annual financial plans:

The Supervisory Board provided a positive opinion on the Financial Plan for 2008.

9. Granting, at the request of the Management Board, consents to the disposal of real estate, perpetual usufruct or share in real estate, whose net book value does not exceed one twentieth of the share capital and to the acquisition of real estate, perpetual usufruct or share in real estate, whose value according to the net acquisition price exceeds one fortieth of the share capital:

In 2008, the Supervisory Board adopted twenty three resolutions in the aforementioned respect.

Furthermore, in the course of its actions the Supervisory Board of PKN ORLEN SA:

- Provided its consent to the exercise by PKN ORLEN SA of the voting right on the General Meetings of Shareholders of AB Mazeikiu Nafta, Unipetrol, ORLEN Deutschland AG;
- Provided its consent to the provision by PKN ORLEN SA, as a third party in exchange for Operator Logistyczny Paliw Płynnych Sp. z o.o., of general excise tax security for movement of products subject to excise tax harmonised through the use of the procedure for suspension of collecting the tax excise.
- Provided its consent to the granting by the Company of sureties or guarantees for the liabilities of ORLEN Deutschland AG.

The activities of the Supervisory Board were documented by the adopted resolutions and reports from the meetings of the Supervisory Board in 2008.

III. COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board was supported in its activities by the Committees acting as collective advisory and consultancy bodies consisting of individual members of the Supervisory Board. In 2008, the following permanent Committees operated within the Supervisory Board:

- Audit Committee
- Development & Strategy Committee
- Corporate Governance Committee
- Appointment & Remuneration Committee

The detailed area of the activities of the Committees in 2008 was documented in the reports from the meetings of individual Committees.

Audit Committee of the Supervisory Board of PKN ORLEN SA

As of 1 January 2008, the members of the Audit Committee of the Supervisory Board of PKN ORLEN SA included:

Raimondo Eggink	President of the Committee
Krzysztof Rajczewski	Member of the Committee
Zbigniew Macioszek	Member of the Committee
Marek Drac-Tatoń	Member of the Committee

In connection with the changes to the composition of the Supervisory Board made by the Extraordinary General Meeting of Shareholders of PKN ORLEN SA on 7 February 2008, the Supervisory Board appointed the following members of the Audit Committee by Resolution No. 880/08 dated 15 February 2008: Mr. Raimondo Eggink, Mr. Marek Karabula, Mr. Ryszard Stefański, Mr. Piotr Wielowieyski, Mr. Janusz Zieliński.

As Mr. Raimondo Eggink and Mr. Ryszard Stefański were recalled from their positions on the Supervisory Board by the Extraordinary General Meeting of Shareholders held on 13 June 2008, the number of members of the Audit Committee decreased. Mr. Piotr Wielowieyski was appointed to the position of the new President of the Audit Committee.

As of 31 December 2008 the composition of the Audit Committee was the following:

Piotr Wielowieyski	President of the Committee
Marek Karabula	Member of the Committee
Janusz Zieliński	Member of the Committee

In 2008, the Audit Committee held 14 reported meetings, including two joint meetings held with the Strategy & Development Committee.

Pursuant to § 13 item 5 of the Regulations of the Supervisory Board, the Audit Committee passed decisions by way of resolutions (7 resolutions).

Apart from its members, the meetings of the Audit Committee were attended by other members of the Supervisory Board. Furthermore, the meetings were open to the Management Board Members, with the exception of personnel matters. The Management Board was usually represented by its member competent for the issue discussed by the Committee. The Audit Committee and its respective members also met directly with the employees of the Company, the certified auditor and external advisers.

Area of the Audit Committee's activities

Pursuant to § 15 of the Regulations of the Supervisory Board, the duty of the Audit Committee is to advise the Supervisory Board on appropriate implementation of the principles of budget and financial reporting, and the principles of internal control in the Company and the PKN ORLEN Capital Group (according to the Polish Accounting Act), and to cooperate with the Company's certified auditors.

The measures applied by the Audit Committee included:

a) Monitoring the works of the Company's certified auditors and making recommendations to the Supervisory Board concerning the selection and remuneration of the Company's certified auditors

The Audit Committee monitored the works of the certified auditor on an ongoing basis and provided its positive opinion on the audits carried out by the certified auditor and on its flexibility and availability to PKN ORLEN.

In 2008, the Audit Committee examined motions submitted by the Management Board concerning the consent to granting the certified auditor with additional orders.

b) Prior to auditing annual financial statements by the Company's certified auditors, discussing with them the nature and scope of the audit, and monitoring the coordination of works between the Company's certified auditors

Within its competences, the Audit Committee discussed the results of the audit of the stand-alone and consolidated financial statements of PKN ORLEN SA for 2007 with the Company's certified auditor. Meanwhile, the Committee also proposed certain changes to be implemented to the financial statements, in order to make them more accurate and clear to their readers.

c) Revising periodic and annual (stand-alone and consolidated) financial statements of the Company

Prior to publication of each periodic report, the Audit Committee held meetings attended by the Member/Vice-President of the Management Board for Finances, the Executive Director for Planning & Reporting, the Executive Director for Business Controlling, the Corporate Accountancy Office Director (Chief Accountant) and the Company's certified auditors, during which each report given was revised in detail. During the meetings, the Audit Committee paid particular attention to the reliability and transparency of periodical reports, and in particular, to the results estimated by the Management Board.

d) Discussing any problems or reservations arising from the audit of financial statements

The Audit Committee regularly investigated any problems reported by the Company's certified auditor, and expressed its opinions and recommendations to the Management Board of PKN ORLEN SA.

e) Analysing letters to the Management Board by the Company's certified auditor, with view to verifying the independence and objectivity of his examination, and the Management Board's replies.

The Audit Committee analysed the replies of the Management Board to the auditor's recommendations presented in the "Letter to the PKN ORLEN Management Board".

f) Providing opinions on annual and long-term financial plans

The Audit Committee analysed the implementation of the financial plan for 2007 in actual circumstances. Furthermore, it recommended providing a positive opinion on the Financial Plan for 2008 to the Supervisory Board.

g) Providing opinions on dividend policy, profit allocation and issuance of securities

The Audit Committee provided a positive opinion on the motion of the Management Board submitted to the Supervisory Board regarding the allocation of the profit for the financial year 2007.

h) Revising the management accounting

- The Audit Committee analysed the quarterly management reports concerning respective segments of the Group activity.
- The Audit Committee performed quantitative and qualitative analysis of the level of obligatory stocks with regard to the Act of 16 February 2007 on the stocks of crude oil, oil products and petroleum gas and on procedures in the case of national fuel security hazard and disruptions on the crude oil market, addressing its opinions and recommendations to the Management Board.
- The Audit Committee quantified MBO's 2008 quantitative objectives for the PKN ORLEN SA Management Board Members, and later recommended the same to the Supervisory Board. The Audit Committee became familiar with the proposal of MBO's 2009 quantitative objectives for the PKN ORLEN SA Management Board.
- The Audit Committee became familiar with and accepted the information about the restructuring of accounting functions in PKN ORLEN SA and its Capital Group.

i) Revising the internal control system in the PKN ORLEN Capital Group (including mechanisms of financial and operational control, control of compliance with regulations, risk and management assessment control) and annual report

The Audit Committee familiarised itself with the information about the implementation of the risk management system in the Company.

j) Analysing reports of the Company's internal auditors and key observations of other internal analysts, and replies of the Management Board to such observations, together with testing the level of independence of internal auditors

The Audit Committee revised the report on the implementation of the annual audit plan for 2008 and analysed in detail selected projects implemented on the basis of the new methodology of the Audit Office implemented in 2007.

k) Revising the internal audit programme on an annual basis, coordinating the works of internal and external auditors and examining the conditions of the operations of the internal auditors

The Audit Committee provided its positive opinion on the Audit Plan for 2008 and recommended its adoption to the Supervisory Board. In addition, the Committee analysed the issues related to the budget and employment in the Audit Office in 2008.

The Audit Committee provided its positive opinion on the Audit Plan for 2009 and recommended its adoption to the Supervisory Board.

l) Cooperating with the Company's internal units responsible for audit and control and providing an opinion on their works on a periodical basis

The Audit Committee evaluated the activities of the Audit Office. In addition, it became familiar with the information about the inspections carried out by the Control & Security Office.

m) Analysing any other issues related to the Company's audit raised by the Audit Committee or the Supervisory Board

The Audit Committee analysed the requirements regarding the annual scope of the external audit.

The Audit Committee examined a number of issues concerning the Capital Group's companies, in particular, including:

- Analysis of the investment projects implemented by the PKN ORLEN Capital Group in the context of the planned disposal of the shares in Anwil and the planned public offer.
- Issues related to the Ethylbenzene project;
- Revision of the economic standing of the companies within the PKN ORLEN Capital Group;
- Analysis (on a semi-annual basis) of reports on major court, administrative and arbitration proceedings in cases, whose value exceeds PLN 1m;
- Revision of large contracts concluded by PKN ORLEN SA and the companies within the PKN ORLEN Capital Group;
- Analysis of the report on audit of applied principles of Corporate Governance and procedures of shareholder supervision over the companies within the Capital Group;
- Analysis of new sources of financing PKN ORLEN SA, based on the budget for 2008;
- Revision of transactions with related entities other than subsidiaries in 2007;
- Revision of consulting, marketing and sponsoring expenses in 2007;
- Revision of the activities of the Investor Relations Office and requirements regarding the content of the annual report;
- Analysis and recommendation to the Supervisory Board of conclusions regarding the incurrence by PKN ORLEN of financial liabilities;
- Recommendation to the Supervisory Board of the motions submitted by the Management Board regarding the sale of properties.

n) Informing the Supervisory Board about any essential issues concerning the Audit Committee's activities

The Audit Committee expressed its recommendations to the PKN ORLEN Supervisory Board

concerning the issues falling within the scope of the Committee's activities and discussed during the Supervisory Board's meetings.

The Audit Committee maintains a list of open recommendations of the Audit Committee to the Management Board and monitors their implementation.

Development & Strategy Committee

As of 1 January 2008 the composition of the Development & Strategy Committee was the following:

Robert Czapla	President of the Committee
Raimondo Eggink	Member of the Committee
Krzysztof Rajczewski	Member of the Committee
Janusz Zieliński	Member of the Committee

In connection with the changes to the composition of the Supervisory Board made by the Extraordinary General Meeting of Shareholders of PKN ORLEN SA on 7 February 2008, the Supervisory Board appointed the following members of the Strategy & Development Committee by Resolution No. 880/08 dated 15 February 2008: Mr. Marek Karakuła, Mr. Raimondo Eggink, Mr. Krzysztof Kołach, Mr. Piotr Wielowieyski, Mr. Janusz Zieliński.

As the Extraordinary General Meeting of Shareholders recalled Mr. Raimondo Eggink from his position on the Supervisory Board on 13 June 2008, the Supervisory Board by the Resolution No. 946/08 dated 13 June 2008 appointed Mr. Grzegorz Michniewicz to the position of the member of the aforementioned Committee.

As of 31 December 2008 the composition of the Development & Strategy Committee was the following:

Marek Karakuła	President of the Committee
Krzysztof Kołach	Member of the Committee
Grzegorz Michniewicz	Member of the Committee
Piotr Wielowieyski	Member of the Committee
Janusz Zieliński	Member of the Committee

In 2008, the Strategy & Development Committee held 4 reported meetings, including two joint meetings held with the Audit Committee.

The meetings of the Development & Strategy Committee were attended, apart from its members, also by other members of the Supervisory Board, members of the Management Board, executive directors, office directors and representatives of advisory companies.

The area of the Development & Strategy Committee's activities is regulated by § 17 of the Regulations of the Supervisory Board in accordance with which the Committee is responsible for providing opinions and presenting recommendations to the Supervisory Board on issues regarding planned investments and de-investments with a key impact on the Company's assets.

The detailed area of the activities of the Strategy & Development Committee in 2008 was the following:

- Update of the Company's strategy for 2009-2013
 - Crude oil sector characteristics
 - Global and regional macroeconomic environment
 - Current market trends
- PKN ORLEN versus competitors
 - PKN ORLEN analysis by "global oils" and "regional peers"
 - PKN ORLEN versus MOL & OMV
- Strategy by segments for 2008-2013
 - Analysis of individual segments: crude oil trade and upstream (raw materials), refinery plant (refinery production), auxiliary production (energy), logistics, wholesale, retail, oils, petrochemistry, chemistry, corporate centre and biofuels.
- M&A operations and partnerships (Poland, other local markets, strategic partners)

The Strategy & Development Committee recommended approving the "PKN ORLEN SA Development Strategy and Medium-Term Plan for 2009-2013" to the Supervisory Board.

Corporate Governance Committee

As of 1 January 2008 the composition of the Corporate Governance Committee of the Supervisory Board was the following:

Małgorzata Ślepowrońska	Member of the Committee
Agata Mikołajczyk	Member of the Committee
Krzysztof Rajczewski	Member of the Committee
Janusz Zieliński	Member of the Committee

In connection with the changes to the composition of the Supervisory Board made by the Extraordinary General Meeting of Shareholders of PKN ORLEN SA on 7 February 2008, the Supervisory Board appointed the following members of the Corporate Governance Committee by Resolution No. 880/08 dated 15 February 2008: Mr. Grzegorz Borowiec, Mr. Maciej Mataczyński, Mr. Raimondo Eggink.

As the Extraordinary General Meeting of Shareholders recalled Mr. Raimondo Eggink from his position on the Supervisory Board on 13 June 2008, the Supervisory Board by the Resolution No. 946/08 dated 13 June 2008 appointed Mrs. Angelina Sarota and Mr. Grzegorz Michniewicz to the positions of the members of the aforementioned Committee.

As of 31 December 2008 the composition of the Corporate Governance Committee was the following:

Grzegorz Borowiec	President of the Committee
Maciej Mataczyński	Member of the Committee
Angelina Sarota	Member of the Committee
Grzegorz Michniewicz	Member of the Committee

In 2008, the Corporate Governance Committee held 3 reported meetings.

The meetings of the Corporate Governance Committee were attended, apart from its members, also by other members of the Supervisory Board, members of the Management Board, executive directors and office directors.

The area of the Corporate Governance Committee's activities is regulated by § 16 of the Regulations of the Supervisory Board in accordance with which the Committee is responsible for presenting recommendations on the implementation of the principles of corporate governance, providing opinions on the implementation of the principles of corporate governance, providing opinions on the standard-setting documents and proposals of changes in the corporate documents of the Company, and also preparing such changes for the Supervisory Board's own documents, monitoring the management of the Company in terms of its compliance with legal and regulatory requirements, including compliance with the Code of Ethics and principles of corporate governance, and also providing opinions on reports on the observance of the principles of corporate governance prepared for the Warsaw Stock Exchange.

Within the area of its activities in 2008, the Corporate Governance Committee:

- Recommended to the Supervisory Board the motion regarding changes to the corporate governance in AB Mazeikiu Nafta and Unipetrol a.s.;
- Provided its positive opinion on the manner of modification of the PKN ORLEN Statutes in the area related to the limits separately for transactions regarding properties and transactions regarding raw materials;
- Accepted the comparison of the principles of Good Practices of Companies Listed on the Warsaw Stock Exchange from 2005 and 2008;
- Became familiar with the report on compliance with the principles of corporate governance in PKN ORLEN SA in 2007;
- Recommended that the GDR programme be continued;
- Recommended to the Supervisory Board the granting of its consent to changes to the AB Mazeikiu Nafta, and also sustained its positive recommendation concerning changes to the Statutes of Unipetrol a.s.;
- Recommended to the Supervisory Board the motion regarding the granting the consent to the exercise by the Company of the voting right at the general meetings of ORLEN Deutschland AG in the area regarding the transformation of the joint stock company of ORLEN Deutschland AG into the limited liability company of ORLEN Deutschland GmbH and the changes to the Statutes of ORLEN Deutschland AG;
- Accepted the information about any pending court and arbitration cases of key importance with the participation of PKN ORLEN SA.

Appointment & Remuneration Committee

As of 1 January 2008, the composition of the Appointment & Remuneration Committee of the Supervisory Board of PKN ORLEN SA was the following:

Małgorzata Ślepowońska	President of the Committee
Robert Czaplą	Member of the Committee
Zbigniew Macioszek	Member of the Committee
Agata Mikołajczyk	Member of the Committee

In connection with the changes to the composition of the Supervisory Board made by the Extraordinary General Meeting of Shareholders of PKN ORLEN SA on 7 February 2008, the Supervisory Board appointed the following members of the Appointment & Remuneration Committee by Resolution No. 880/08 dated 15 February 2008: Mr. Maciej Mataczyński, Mr. Grzegorz Borowiec, Mr. Krzysztof Kołach, Mr. Piotr Wielowieyski.

As the Extraordinary General Meeting of Shareholders recalled two members of the Supervisory Board from their positions on the Supervisory Board on 13 June 2008, the Supervisory Board by the Resolution No. 946/08 dated 13 June 2008 appointed Mr. Jarosław Rocławski to the position of the member of the aforementioned Committee.

As of 31 December 2008 the composition of the Appointment & Remuneration Committee was the following:

Maciej Mataczyński	President of the Committee
Grzegorz Borowiec	Member of the Committee
Krzysztof Kołach	Member of the Committee
Jarosław Rocławski	Member of the Committee
Piotr Wielowieyski	Member of the Committee

In 2008, the Appointment & Remuneration Committee held 9 reported meetings.

The meeting of the Appointment & Remuneration Committee was attended, apart from its members, also by other members of the Supervisory Board and members of the Management Board.

Within the area of its activities in 2008, the Appointment & Remuneration Committee:

- Provided its opinion on the implementation of individual bonus qualitative tasks by the Management Board Members in 2007;
- Familiarised itself with written replies of HR advisers to the requests for information addressed to them by the PKN ORLEN SA Supervisory Board and regarding advisory services in respect of the procedure for the election of the Company's President of the Management Board and the Management Board members;
- Discussed detailed terms of the procedure for the election of the PKN ORLEN SA President of the Management Board and the Management Board members with the selected HR advisor;
- Determined and recommended to the Supervisory Board individual bonus qualitative tasks for 2008 for the Company's Management Board Members;
- Familiarised itself with the applications of candidates to the position of the President of the Management Board and Management Board Members of PKN ORLEN SA for the new term;
- Preliminarily examined the offers sent by legal advisers and related to the analysis of the provisions of the sample agreement with the Management Board members and the participation in negotiations with the Management Board members regarding managerial contracts;
- Familiarised itself with the HR adviser's report on the candidates for the position of President of the Management Board;
- Recommended to the Supervisory Board the so-called short list of candidates to the position of the President of the Management Board;

- Familiarised itself with the list of candidates, who applied for individual positions of the Company's Management Board members;
- Familiarised itself with the information of the HR adviser regarding the procedure for election and his/her recommendation regarding the shortlists for individual positions of the Management Board members;
- Recommended to the Supervisory Board the presentation of the shortlist of candidates for the positions of the Company's Management Board members;
- Recommended to the Supervisory Board the assessment of the implementation of the Individual Bonus Qualitative Tasks in the period from 1 January 2008 to 6 June 2008 by the Management Board Members in relation to the expiry of their term and non-appointment to the Management Board for the new term;
- Recommended to the Supervisory Board the approval of individual bonus qualitative tasks for 2008 for individual Management Board Members upon the changes resulting from personnel changes to the composition of the Management Board, related to the expiry of the term of the Management Board and appointment for the new term;
- Recommended to the Supervisory Board the assessment of the implementation of the Individual Bonus Qualitative Tasks in the period from 1 January 2008 to 18 September 2008 by the President of the Management Board in relation to his resignation;
- Reviewed any changes to the personnel employed in positions of the N-1 level;
- Discussed the prolongation of contracts with key managers in the Company;
- Familiarised itself with the proposal of MBO's 2009 quantitative objectives for the PKN ORLEN SA Management Board.

IV. OPINION ON THE FINANCIAL STATEMENTS AND THE REPORT OF THE MANAGEMENT BOARD

The Supervisory Board acting pursuant to Article 382 § 3 of the Commercial Companies Code provided its opinion on the reports and statements referred to in Article 395 § 2 pt. 1, i.e.:

1. Report of the Management Board on Company's activities in the financial year 2008 and the Company's financial statements for the period from 1 January 2008 to 31 December 2008, including the following items audited by a certified auditor:
 - Balance sheet as of 31 December 2008 presenting the amount of PLN 31,999,604,344.86 both on the side of the total assets and the total equity & liabilities (in words: thirty one billion nine hundred ninety nine million six hundred and four thousand three hundred and forty four Polish zlotys, 86/100);
 - Income statement for the period from 1 January 2008 to 31 December 2008 presenting the net loss in the amount of PLN 1,570,947,088.55 (in words: one billion five hundred seventy million nine hundred forty seven thousand and eighty eight Polish zlotys, 55/100);
 - Additional information including the introduction to the financial statements and additional notes and explanations;

- Statement of changes in equity, presenting a decrease in the equity as of 31 December 2008 of PLN 2,451,706,006.62 (in words: two billion four hundred fifty one million seven hundred six thousand and six Polish zlotys, 62/100);
- Cash flow statement presenting an increase in the net cash of PLN 274,814,033.23 (in words: two hundred seventy four million eight hundred fourteen thousand and thirty three Polish zlotys, 23/100).

Having considered the opinion and the report of the certified auditor and also having thoroughly examined the aforementioned documents, in the opinion of the Supervisory Board, the financial statements for 2008 and the report of the Management Board on the Company's activities are compliant with books and documents and also the factual state.

2. Report of the Management Board on PKN ORLEN Capital Group's activities in the financial year 2008 and the consolidated financial statements of the PKN ORLEN Capital Group for the period from 1 January 2008 to 31 December 2008, including the following items audited by a certified auditor:
 - Consolidated balance sheet as of 31 December 2008 presenting the amount of PLN 46,975,750,074.24 (in words: forty six billion nine hundred seventy five million seven hundred fifty thousand and seventy four Polish zlotys, 24/100) both on the side of the total assets and the total equity & liabilities;
 - Consolidated income statement for the period from 1 January 2008 to 31 December 2008 presenting the net loss in the amount of PLN 2,526,625,763.70 (in words: two billion five hundred twenty six million six hundred twenty five thousand seven hundred and sixty three Polish zlotys, 70/100);
 - Additional information including the introduction to the consolidated financial statements and additional notes and explanations;
 - Statement of changes in equity, presenting a decrease in the equity as of 31 December 2008 of PLN 2,041,111,626.73 (in words: two billion forty one million one hundred eleven thousand six hundred and twenty six Polish zlotys, 73/100);
 - Consolidated cash flow statement presenting a decrease in the net cash of PLN 155,624,258.28 (in words: one hundred fifty five million six hundred twenty four thousand two hundred and fifty eight Polish zlotys, 28/100).

Having considered the opinion and the report of the certified auditor and also having thoroughly examined the aforementioned documents, the Supervisory Board provided its positive opinion on them.

V. OPINION ON THE MOTION OF THE MANAGEMENT BOARD REGARDING THE LOSS COVERAGE

The Supervisory Board of Polski Koncern Naftowy ORLEN Spółka Akcyjna, acting pursuant to Article 382 § 3 of the Commercial Companies Code in conjunction with § 8 item 11 pt. 6 of the Company Statutes and § 2 pt. 1 of the Regulations of the Supervisory Board, provides its positive opinion on the motion of the Company's Management Board regarding the coverage of the loss generated by the Company in 2008, in the following manner:

- The loss for 2008 in the amount of PLN 1,570,947,088.55 (in words: one billion five hundred seventy million nine hundred forty seven thousand and eighty eight Polish zlotys, 55/100) to be covered by the funds from the Company's supplementary capital.

VI. BRIEF ANALYSIS OF THE COMPANY'S CONDITION, INCLUDING THE OPINION ON THE INTERNAL CONTROL SYSTEM AND MANAGEMENT SYSTEM FOR KEY RISKS FOR THE COMPANY

The Company generated negative financial result for 2008. The operating results were good. The Company significantly increased its revenues from sales (with increases in wholesale and retail volume) and EBITDA was positive. The negative financial result was determined, above all, by three factors of a non-cash nature:

- Dynamic decline in prices of crude oil in the second half of 2008, which resulted in essential decrease in the inventory valuation;
- Depreciation of PLN at the end of the year had a significant effect on the negative foreign exchange differences arising from the credit facilities incurred in foreign currencies; and
- Asset impairment test (IAS 36) resulted in the impairment loss decreasing the value of shares in AB Mazeikiu Nafta.

The second half of 2008 left the Company facing challenges it will have to cope with in 2009:

- Need to restrict investment expansion in circumstances of limited possibilities for acquiring external financing;
- Increase in the effectiveness of its core activities in circumstances of a slowdown in economic growth on the markets of the Capital Group;
- De-investments in the area of non-core activities (telecommunications, chemistry).

The aforementioned elements are presented in the "ORLEN Group Strategy for 2009-2013" adopted by the Supervisory Board on 25 November 2008.

The Company is implementing the long-term goal of the increase in the value for the Shareholders by means of the consequent implementation of the segment management and the introduction of new solutions in the area of human resources management. The execution of the new Corporate Collective Labour Agreement (25 November 2008) will enable new solutions to be introduced also into other companies within the ORLEN Group. This will be an important element in promoting integration across the Company as a whole.

The most important challenges taken up by the Company include: marketing new products with high potential for growth such as p-xylene and terephalic acid, active crude oil trading, developing production activities, creating a new energy segment, developing wholesale market on the territories of countries that are neighbours with Poland.

The actions undertaken by the Company's management will enable a solid basis for its further development to be established, and the generation of good financial results in the following years is real, unless the macroeconomic factors deteriorate.

The Supervisory Board familiarised itself with the course of works in the area of the implementation of the corporate risk management system, including the manner of organisational and system management for the risks already identified. The works related to updating the construction of the Company's risk map are carried out on an ongoing basis. The Supervisory Board provides opinions

on annual plans for the activities of the Audit Office of PKN ORLEN SA, and the Audit Committee monitors the work progress, post-audit recommendations and their implementation on a cyclical basis. Within the Company, the Control & Security Office operates, which provides the Audit Committee, on a regular basis, with the reports containing summaries of the carried-out internal controls and post-control observations.

VII. OPINION ON THE SUPERVISORY BOARD'S ACTIONS

In 2008, the average attendance rate of the members of the PKN ORLEN SA Supervisory Board at its meetings was 97%.

Warsaw, April 2009

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Maciej Mataczyński
Chairman of the Supervisory Board
of PKN ORLEN SA