



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

**PKN ORLEN report regarding the application of
corporate governance rules in 2007**

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1. Indication of the corporate governance rules which were not applied by PKN ORLEN in 2007

In 2007 PKN ORLEN applied all the rules presented in the set of Best Practice in Public Companies 2005 except from one rule, no 20, which says that at least half of the Supervisory Board Members should be characterized as “independent” members. Implementation of this rule by PKN ORLEN, which was suggested in 2005 during the Ordinary General Meeting of PKN ORLEN, was not accepted by Company’s Shareholders.

However, during 11 months of the year 2007 (until 30 November 2007, i.e. the date of resignation Mr. Jerzy Woznicki from the Supervisory Board), PKN ORLEN has applied the best practices rule, which is obligatory in the current amended set of best practice, and which relates to the number of independent Members of the Supervisory Board, i.e. two of the PKN ORLEN Supervisory Board Members complied with the independent criteria defined in PKN ORLEN’s Articles of Association.

2. Description of the PKN ORLEN General Meeting of Shareholders' mode of action and its major responsibilities as well as the description of shareholder rights and way of their realisation

The mode of action for PKN ORLEN's General Meeting and its major competencies are regulated by PKN ORLEN Articles of Association and the Constitution of the General Meeting of Shareholders of PKN ORLEN. The above mentioned documents are available on PKN ORLEN's website (www.orlen.pl) in the "corporate governance" section.

Convening and recalling of PKN ORLEN's General Meeting of Shareholders

A General Meeting of Shareholders is convened by the Management Board in the situations specified in the Company's Articles of Association or Code of Commercial Companies. An ordinary General Meeting of Shareholders should be held within six months from the end of every financial year for the Company.

An extraordinary General Meeting of Shareholders is convened by the Management Board on their own initiative, on the motion of the Supervisory Board or on the motion of a shareholder or shareholders representing not less than one tenth of the Company's initial capital, within 14 (fourteen) days from placing such motion.

The motion demanding the convening of the General Meeting should include specific issues for the agenda. The motion does not need any justification.

A General Meeting of Shareholders is convened by an announcement in the official newspaper of the Republic of Poland "Monitor Sądowy i Gospodarczy" at least three weeks before the date of the Meeting. Moreover the Company, in accordance with the law relating to public companies' disclosure obligations, releases for public information the relevant regulatory announcement regarding the convention of the General Meeting of Shareholders – at least 22 days prior to the General Meeting of Shareholders, but not later than on the day of transferring the release to the "Monitor Sądowy i Gospodarczy".

The Supervisory Board can convene an extraordinary General Meeting of Shareholders any time by placing a motion to do so and the Management Board fails to convene a meeting within the prescribed time.

Apart from the requirements of the law saying that the publication of the drafts of resolutions should take place at least 8 days prior to the General Meeting, PKN ORLEN - aiming to enable its Shareholders to read and judge the resolutions - is releasing the draft resolutions at least 22 days before the General Meeting of Shareholders.

The set of information materials, which are presented to Shareholders at the General Meeting, especially including draft resolutions to be passed by the General Meeting, as well as other essential information materials together with the rationale and opinion of the Supervisory Board, PKN ORLEN makes available at least one week prior to the General Meeting of Shareholders (copies of the Management Board Report on

Operations and financial statements together with the copy of the Supervisory Board report and the opinion of the expert auditor, which the Company makes available at least 15 days prior to the General Meeting of Shareholders) at PKN ORLEN's headquarters in Plock and in its Warsaw office. The information materials are also available on PKN ORLEN's website: www.orklen.pl).

A General Meeting of Shareholders is held at the Company's registered office or can be held in Warsaw.

For Shareholders who are not able to attend the General Meeting in person, the Company organises an Internet web cast which is simultaneously translated into English.

In the past, the Company offered to its Shareholders the option to vote at the General Meeting via the Internet. Due to the lack of interest in this service, Company decided to temporarily withdraw this voting method.

A General Meeting whose agenda includes certain issues at the request of authorised entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a General Meeting may be cancelled if its holding is hindered or is obviously groundless. The meeting is called off and the date of the General Meeting is changed in the same manner as it has been convened, ensuring as few negative consequences for the Company and its shareholders as possible. The cancellation and change in the date of the General Meeting can be made no later than three weeks prior to the original date of the Meeting.

The competences of the PKN ORLEN General Meeting of Shareholders

The competence of the General Meeting of Shareholders is in particular the following:

- consideration and approval of the Company's financial statements, annual report on the Company's performance, consolidated financial statements of the Company's capital group and the financial statements of the capital group for the previous financial year,
- acknowledging the fulfilment of duties of the Supervisory Board and Management Board members,
- deciding on the allocation of profit and the covering of losses as well as on the use of funds created from profit, with restrictions on special regulations designating a different way for their use,
- appointing the Supervisory Board members and establishing principles for their remuneration,
- increasing and decreasing the initial capital unless otherwise stated in the Code of Commercial Companies and the Company's Articles of Association,
- passing resolutions on any decisions relating to claims for the rectification of damages caused during the establishment of the Company or during its supervision or management,
- approving the sale and lease of the Company's enterprise or its self-operating part and establishing a limited property right on such enterprise or its self-operating part,

- granting consent for the sale of a real estate, perpetual usufruct or share in the real estate, whose net book value exceeds one twentieth of the Company's initial capital,
- proposing changes to the Company's Articles of Association,
- creating and liquidating supplementary capitals and other capitals and Company's funds,
- passing resolutions on the redemption of shares and buying shares in order to redeem as well as establishing the principles of their redemption,
- issuing convertible bonds or bonds with pre-emptive rights,
- passing resolutions on winding-up the Company, its liquidation, restructuring and merger with another company.

Purchase of a real estate, perpetual usufruct or a share in a real estate, regardless of its value, as well as disposal of a real estate, perpetual usufruct or a share in a real estate, which net book value does not exceed one twentieth of the Company's initial capital, does not require a resolution of the General Meeting of Shareholders.

Voting at the PKN ORLEN General Meeting of Shareholders

Subject to different provisions stated in the Code of Commercial Companies and the Articles of Association, resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes cast, while votes cast mean votes "for", "against" and "abstain."

Resolutions of the General Meeting of Shareholders regarding premium shares and concerning merger of companies when all the Company's assets are transferred to another company, winding-up of the Company (including winding up due to relocation of the Company's registered office abroad), liquidation of the Company, its restructuring and decrease of the initial capital by cancellation of part of the shares without simultaneous increase of the capital are passed with a majority of 90 % of votes cast.

Resolutions regarding the removal of an item from the agenda or a decision not to consider an issue placed on the agenda on the motion of shareholders require a majority of 75 % of votes cast, with the reservation that the shareholders present at the General Meeting who had placed the motion to include such an issue on the agenda, gave approval for its removal or decided not to consider that issue.

One share gives the right to one vote at the General Meeting of Shareholders. The voting rights of the Company's shareholders is restricted in such a way that on the General Meeting of Shareholders none of them (aside from the exceptions indicated in the PKN ORLEN Articles of Association) can exercise more than 10 % of the total votes existing in the Company as of the day when the General Meeting of Shareholders takes place. At present PKN ORLEN is working to adjust the rules regarding the way of voting at the General Meeting of Shareholders to the commonly binding regulations and to propose once again to Shareholders introducing relevant changes to the PKN ORLEN Articles of Association.

The shareholders participate and exercise their voting rights in person or through a duly authorised representatives.

Participation in the General Meeting of Shareholders of PKN ORLEN

Participation in the General Meeting of Shareholders is permitted on condition of submitting a certificate at the latest one week prior to the Meeting, at the Company's headquarters in Plock, Poland. The certificates should state the number of shares owned, the number of votes and confirm that the shares will have been deposited in the account by the end of the General Meeting.

No invitation is required for members of the Management and Supervisory Board (also non-shareholding members) to participate and take the floor at the General Meeting of Shareholders. Those members of the Management Board and the Supervisory Board, whose mandates expired before the date of the General Meeting of Shareholders and who were in office in a year for which the financial report and the Management Board's performance report to be subjected to approval by this ordinary General Meeting of Shareholders, can participate in this ordinary General Meeting of Shareholders.

Other persons can participate in the General Meeting of Shareholders on condition that they are invited by the body calling for the General Meeting of Shareholders or allowed in by the Chairman. Such persons can, in particular, be auditors, legal and financial advisors or employees of the Company. PKN ORLEN, in accordance to the law regulations and the Company's interest, enables the participation of media representatives on the General Meetings.

For every General Meeting of Shareholders the Management Board is obliged to assure an independent expert in the commercial code.

Members of the Management Board and the Supervisory Board and the expert auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the General Meeting, provide the participants of the meeting with explanations and information concerning the company. Giving the answers to the General Meeting's attendees' questions is made with the consideration of the fact that PKN ORLEN, as a public company, executes its information disclosure obligations in line with the capital market regulations, and the amount of information given to shareholders cannot be made in another manner than that set out in the regulations.

The Observer appointed by the Ministry of the State Treasury is allowed to take part in the General Meeting of Shareholders. Till the moment of publication of this report the Ministry of the State Treasury has not appointed Observer in PKN ORLEN.

PKN ORLEN pays particular attention to actions that improve Company's communication with the external environment. For Shareholders who are not able to attend the General Meeting of Shareholders in person, the Company organises an Internet web cast which is simultaneously translated into English.

On PKN ORLEN's website there is a special section for the disclosure of information regarding the General Meeting of Shareholders, in which is set out information relating to the forthcoming General Meetings of Shareholders as well as archive

materials from the previous Meetings including passed resolutions and audio-video recording files concerning the General Meetings' Internet transmissions.

3. Personal composition and rules of performance of PKN ORLEN's Management Board and Supervisory Board and Committees

Personal composition of the PKN ORLEN Management Board in 2007

The following persons have held positions of Members of the Management Board of PKN ORLEN:

Name	Function in the PKN ORLEN Management Board
Piotr Kownacki	Vice-President of the Management Board, Audit and Regulations Office until 18 January 2007 President of the Management Board, Chief Executive Officer from 18 January 2007
Cezary Filipowicz	Vice-President of the Management Board, Upstream and Crude Trading
Wojciech Heydel	Vice-President of the Management Board, Chief Sales Officer
Waldemar Maj	Vice-President of the Management Board from 3 September 2007 Vice-President of the Management Board, Chief Financial Officer from 4 September 2007
Krzysztof Szwedowski	Member of the Management Board, Organisation and Capital Group, until 30 January 2007 Member of the Management Board, Organisation, from 30 January 2007 Member of the Management Board, Organisation and Support Functions from 20 March 2007 Member of the Management Board, Procurement and IT from 31 July 2007.
Krystian Pater	Member of the Management Board from 15 March 2007 Head of Production from 20 March.2007
Dariusz Formela	Member of the Management Board from 30 July 2007 Member of the Management Board, Organisation and Capital Group, from 31 July 2007
Paweł Szymański	Member of the Management Board, Chief Financial Officer until 19 April 2007 Vice-President of the Management Board, Chief Financial Officer from 19 April 2007 until 30 July 2007
Igor Chalupiec	President of the Management Board, Chief Executive Officer until 18 January 2007
Cezary Smorszczewski	Vice-President of the Management Board, Capital Investments, until 15 March 2007
Jan Maciejewicz	Vice-President of the Management Board, Cost Optimisation, until 15 March 2007

Personal composition of the PKN ORLEN Supervisory Board in 2007

In 2007, PKN ORLEN was supervised by the Supervisory Board of the following composition:

Name	Function in the PKN ORLEN's Supervisory Board
Małgorzata Ślepowrońska	Chairman of the Supervisory Board from 31 May 2007
Zbigniew Macioszek	Chairman of the Supervisory Board until 31 May 2007 Member of the Supervisory Board from 31 May 2007
Jerzy Woźnicki	Member of the Supervisory Board from 31 May 2007 until 30 November 2007 Deputy Chairman of the Supervisory Board from 25 June 2007 until 30 November 2007
Krzysztof Rajczewski	Member of the Supervisory Board Secretary of the Supervisory Board from 25 June 2007
Robert Czapla	Member of the Supervisory Board
Marek Drac-Tatoń	Member of the Supervisory Board
Raimondo Eggink	Member of the Supervisory Board Deputy Chairman of the Supervisory Board from 20 December 2007
Agata Mikołajczyk	Member of the Supervisory Board from 31 May 2007
Janusz Zieliński	Member of the Supervisory Board from 6 July 2007
Wojciech Pawlak	Deputy Chairman of the Supervisory Board until 31 May 2007
Ryszard Sowiński	Secretary of the Supervisory Board until 31 May 2007
Konstanty Brochwicz-Donimirski	Member of the Supervisory Board until 31 May 2007
Wiesław Rozłucki	Member of the Supervisory Board until 31 May 2007

Personal composition of the PKN ORLEN Supervisory Board Committees in 2007

Name	Function in the Committee of PKN ORLEN's Supervisory Board
Audit Committee	
<i>- from 1 January 2007 until 31 May 2007</i>	
Raimondo Eggink	Chairman, Independent Member of the Supervisory Board
Marek Drac – Tatoń	Member
Krzysztof Rajczewski	Member
Wiesław Rozłucki	Member, Independent Member of the Supervisory Board
Ryszard Sowiński	Member
<i>- from 25 June 2007 until 31 December 2007</i>	
Raimondo Eggink	Chairman, Independent Member of the Supervisory Board
Marek Drac – Tatoń	Member
Krzysztof Rajczewski	Member
Jerzy Woźnicki	Member, Independent Member of the Supervisory Board until 30 November 2007
Zbigniew Macioszek	Member
Corporate Governance Committee	
<i>- from 1 January 2007 until 31 May 2007</i>	
Wiesław Rozłucki	Chairman, Independent Member of the Supervisory Board
Wojciech Pawlak	Member
Krzysztof Rajczewski	Member
<i>- from 25 June 2007 until 31 December 2007</i>	
Jerzy Woźnicki	Chairman, Independent Member of the Supervisory Board until 30 November 2007
Małgorzata Ślepowrońska	Member
Agata Mikołajczyk	Member
Janusz Zieliński	Member from 30 July 2007
Krzysztof Rajczewski	Member from 20 December 2007

Strategy and Development Committee	
<i>- from 1 January 2007 until 31 May 2007</i>	
Wojciech Pawlak	Chairman
Robert Czapla	Member
Konstanty Brochwicz-Donimirski	Member
Raimondo Eggink	Member, Independent Member of the Supervisory Board
Zbigniew Macioszek	Member
<i>- from 25 June 2007 until 31 December 2007</i>	
Robert Czapla	Chairman
Raimondo Eggink	Member, Independent Member of the Supervisory Board
Krzysztof Rajczewski	Member
Janusz Zieliński	Member from 30 July 2007
Nomination and Remuneration Committee	
<i>- from 1 January 2007 until 31 May 2007</i>	
Zbigniew Macioszek	Chairman
Robert Czapla	Member
Wojciech Pawlak	Member
<i>- from 25 June 2007 until 31 December 2007</i>	
Małgorzata Ślepowrońska	Chairman
Agata Mikołajczyk	Member
Zbigniew Macioszek	Member
Robert Czapla	Member

Performance rules of of PKN ORLEN's Management Board and Supervisory Board and its Committees.

The performance rules of the Supervisory Board and Management Board are, besides the law, regulated by PKN ORLEN's Articles of Association, as well as respectively by the Constitution of the Supervisory Board and the Constitution of the Management Board. The performance of the above mentioned corporate bodies are

also influenced by corporate governance rules implemented by the Warsaw Stock Exchange.

The performance rules of PKN ORLEN Supervisory Board

Appointment and dismissal of PKN ORLEN Supervisory Board Members

Members of the Supervisory Board are appointed for a common three-year term of office. Individual members of the Supervisory Board, and the whole Supervisory Board, can be recalled any time prior to the end of the term of office. The Chairman of the Supervisory Board is appointed by the General Meeting of Shareholders. The Vice-Chairman and the Secretary are elected by the Supervisory Board from amongst themselves.

The Company's Supervisory Board consists of six to nine members. The State Treasury is entitled to appoint and recall one member of the Supervisory Board, the rest of the members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders.

In accordance with the PKN ORLEN Articles of Association, at least two members of the Supervisory Board have to comply with the following provisions (so-called independent members of the Supervisory Board):

- he/she is not an employee of the Company or an Affiliated Entity,
- he/she is not a member of supervisory or management authorities of an Affiliated Entity,
- he/she is not a shareholder having 5 % or more votes on the Company's General Meeting of Shareholders or an Affiliated Entity's General Meeting,
- he/she is not a member of supervisory or management authorities or an employee of the entity having 5 % or more votes on the Company's General Meeting of Shareholders or an Affiliated Entity's General Meeting,
- he/she is not an antecedent, descendant, spouse, sibling, spouse's parent or any other person remaining in an adoptive relationship with any of the persons mentioned above.

Independent members of the Supervisory Board, before being appointed to the composition of the Supervisory Board, shall submit to the Company a written statement confirming that they comply with the above-mentioned provisions. In the case when the above-mentioned provisions are not met, a member of the Supervisory Board is obliged to immediately inform the Company about this fact, and the Company shall inform the Shareholders about the current number of independent members of the Supervisory Board.

In the case when the number of independent members of the Supervisory Board will amount to less than two, the Company's Management Board is obliged to immediately convene a General Meeting of Shareholders and place an issue concerning the changes in the composition of the Supervisory Board in the agenda of the General Meeting. The Supervisory Board shall act in its current composition until the changes in the composition of the Supervisory Board are made.

Performance of PKN ORLEN's Supervisory Board

Sessions of the Supervisory Board are held when necessary, however, not less frequently than once every two months. Moreover, in accordance to the Articles of Association, a Supervisory Board session should be convened on the written application of a shareholder or shareholders representing at least one tenth of the initial capital, the Management Board or a member of the Supervisory Board. The session should be convened within two weeks from the receipt of such application and should be held not later than within three weeks from the day of the receipt of such application. In the case when a Supervisory Board session is not convened within two weeks from the receipt of the application a petitioner can call the session by himself, within two weeks from the day of receipt of the motion by means of a written notification sent to other members of the Supervisory Board at least seven days before the date of the session with information about the time, venue and proposed agenda of the session.

The Supervisory Board can pass resolutions if at least half of its members participate in the session. Subject to the provisions of the Code of Commercial Companies, a resolution of the Supervisory Board can be passed in writing or with the use of direct means of remote communication. Resolutions of the Supervisory Board are passed with an absolute majority of the votes cast, in the presence of at least half of the members of the Supervisory Board, while the votes cast mean votes "for", "against" and "abstain". The exception from this rule is that in order to recall or suspend individual or all members of the Management Board during their term of office at least two-thirds of all members of the Supervisory Board need to vote "for" the resolution.

Passing resolutions concerning the following matters:

- any contribution to members of the Management Board provided by the Company or any related entities,
- giving permission to sign any significant agreement between the Company or its dependent subsidiaries, with an entity related to the Company, a member of the Supervisory Board, or Management Board, as well as with entities related to them,
- choosing a chartered accountant to audit the financial statements of the Company,

requires the assent of at least half of the independent members of the Supervisory Board.

The responsibilities of PKN ORLEN's Supervisory Board

The Supervisory Board exercises permanent supervision over the Company's activities in all aspects of its business, in particular the Supervisory Board has the responsibilities enumerated in the Polish Code of Commercial Companies and the Company's Articles of Association. The Supervisory Board takes appropriate steps to receive from the Management Board regular and sufficient information on any crucial matters regarding the Company's activities as well as on any risk connected with the conducted activities and the methods of the risk management.

Furthermore, in accordance with the PKN ORLEN Articles of Association the responsibility of the Supervisory Board includes:

- appointing and recalling the President, Vice-Presidents and other members of the Management Board (except from the Member of the Supervisory Board which is appointed by the State Treasury),
- representing the Company in contracts with the Management Board, including their contracts of employment,
- suspending the activities of individual or all members of the Management Board for important reasons, as well as delegating a member or members of the Supervisory Board to temporarily perform the duties of those members of the Management Board who are not able to perform their duties,
- adopting the Regulations for the Management Board,
- selecting a chartered accountant to audit the Company's and its capital group's financial statements in accordance with Law on Accounting,
- financial statement assessment in respect of its accuracy both with books and documents and the actual state; assessment of the Management Board's report, as well as the Management Board' motions on the allocation of profit and coverage of loss, and the submission to the General Meeting of Shareholders an annual written report concerning the results of the above assessments,
- pronouncing opinions on any issues submitted by the Management Board to be presented either to ordinary or extraordinary General Meeting of Shareholders,
- granting consent to the members of the Management Board to take positions in supervisory or management authorities of other entities and to collect remuneration by virtue of such activities,
- granting consent to realise investment projects and incurring liabilities resulting from these investments in case the expenses or charges due to such activity will exceed the equivalent of half of the Company's initial capital,
- setting the scope, accuracy and time for submission by the Management Board their annual and long-term financial plans and plans for the strategic development of the Company,
- approving the Company's development strategy and long term financial plans,
- pronouncing the opinions concerning annual financial plans,
- giving assent, upon the Management Board's proposal, to sell real estate.

The Articles of Association says also that, the Management Board is obliged to obtain the Supervisory Board's consent in order to perform the following activities:

- setting up a branch abroad,
- sale or encumber, on the basis of one or several connected legal activities, fixed assets whose net book value exceeds one twentieth of the assets value according to the latest financial statement approved by the General Meeting of Shareholders,
- sale or encumber, in any possible way, shares or stakes in the following companies: Naftoport Sp. z o.o., Inowrocławskie Kopalnie Soli S.A. and in the company that will be created in order to run the pipeline transport of liquid fuels,
- incurring other liabilities which on the basis of one or several connected legal actions exceeds the equivalent of one fifth of the initial capital, excluding particular cases indicated in the Articles of Association,
- realisation by the Company abroad capital or real investments whose value exceeds one twentieth of the initial capital,

- exercising by the Company its voting right on general meetings and partners meetings of dependent entities and other entities, if the value of the shares or stakes possessed by the Company, set on the basis of the price they had been acquired or taken hold of, amounts to more than one fifth of the Company's initial capital in the following cases of merger with another company and restructuring of the company, sale and lease of the Company's undertaking and establishing the right to use on it, changes to the articles of incorporation or articles of association, winding up of the Company,
- creating commercial law companies and joining existing companies, as well as making contributions to cover shares in companies, and selling shares, if the Company's existing capital engagement in a given company, or engagement which the Company is about to achieve as the result of buying or acquiring of shares, calculated on the basis of the share sale or acquisition price, exceeds one tenth of the initial capital, excluding taking hold of shares as the result of exchange of a claim according to Law on Banks and Enterprises Financial Restructuring dated February 3, 1993 and Law on Public Trading of Securities,
- making an advance payment for the shareholders by virtue of the expected dividend.

In the event that the Supervisory Board does not give assent to perform a certain action, the Management Board may address the General Meeting of Shareholders to pass a resolution that gives assent to perform such action.

Respecting the highest standards of corporate governance and aiming to provide the possibility of reliable evaluation of the Company by Shareholders, PKN ORLEN's Supervisory Board is obliged to present to the General Meeting of Shareholders a short report on the PKN ORLEN's situation. Such report should be made available annually to the General Meeting of Shareholders within a timeframe enabling Shareholders to make a review of the documents.

Committees of the PKN ORLEN Supervisory Board

The Supervisory Board may elect permanent or ad hoc committees which shall act as collective advisory and opinion forming bodies of the Supervisory Board. The following permanent Committees shall operate within the Supervisory Board: Audit Committee, Strategy and Development Committee, Nomination and Remuneration Committee, Corporate Governance Committee. The Supervisory Board committees specified above shall submit to the Supervisory Board annual reports on their activities. These reports shall be made available to the Company's shareholders.

All committees are selected by the Supervisory Board from amongst its members, whereas the committee itself appoints the chairman. A committee shall be composed of 3 to 5 members, with the restriction that the Audit Committee shall be composed of at least two independent members and at least one having qualifications and experience in accountancy and finance.

The meetings of the committee shall be convened by its Chairman and in the case of his long term absence or inability to perform his functions, the meeting is convened by the Chairman of the Supervisory Board or other member of the Supervisory Board appointed by him. The Chairman is also responsible for inviting members of the

committee to the meeting and informing all other Supervisory Board members about the meeting. All members of the Supervisory Board have the right to attend the committee meeting. The Chairman of the committee may invite to a committee meeting Management Board members, the Company's employees and other persons whose participation in the meeting shall be useful in respect of the performance of the committee's tasks.

Resolutions of the committee shall be adopted by a simple majority of votes cast. In the case where an equal number of votes "for" and "against" have been cast the chairman of the committee shall have the casting vote.

The Audit Committee's tasks are advising the Supervisory Board on matters regarding the proper implementation of the principles of budget and financial reporting and the Company's and its Capital Group internal audit as well as cooperation with the Company's authorised auditors. Major Corporate Governance Committee's tasks are assessing the implementation of the corporate governance principles, giving to the Supervisory Board recommendations regarding implementation of the corporate governance principles, and providing opinions on standard documentation regarding the corporate governance principles. The Strategy and Development Committee's tasks are giving opinions and recommendations to the Supervisory Board on matters regarding planned investments and disinvestments having a significant influence on the Company. The Nomination and Remuneration Committee's tasks are to support achieving the Company's strategic goals by giving to the Supervisory Board opinions and conclusions regarding the shape of the management structure, including organisational matters, issues on remuneration policy and selection of personnel matching the qualifications necessary to build the Company's success.

Performance of duties of the PKN ORLEN Management Board

The Management Board's principal objective is to realize the Company's interests, which are understood as building the value of its assets entrusted by its shareholders, with due respect for the rights and interests of parties other than shareholders, who are also engaged in the performance of the Company, especially the Company's creditors and employees.

The Management Board ensures the transparency and efficiency of the Company's management system, and also ensures that the best possible care is taken to conduct the Company's issues in accordance with the binding Laws and good business practice.

Appointing and dismissing of the PKN ORLEN Management Board

The Company's Management Board consists of five to nine members, including the President, Vice-Presidents and other members of the Management Board. Members of the Management Board are appointed and recalled by the Supervisory Board. One member of the Management Board is appointed and recalled by the Supervisory Board on the application of a person authorised by the State Treasury Minister.

The Management Board's term of office lasts three years and it is a common term of

office. The President, Vice-Presidents, and the other members of the Management Board may be recalled any time before their term of office expires by the Supervisory Board, as well as the Supervisory Board may suspend them in their activities for serious reasons.

Organisation of PKN ORLEN Management Board performance

The meetings of the Management Board are convened as necessary, however not less often than once a fortnight.

The meeting of the Management Board is convened by the President, who governs and manages the work of the Management Board, defines the date and venue of the meeting as well as the meeting's agenda. In exceptional circumstances, the meeting can be convened by a person to substitute for the President or by two members of the Management Board. The session can also be held without formal convening when all members of the Supervisory Board are present and grant their consent to hold the session and to put specific issues on the agenda.

Upon permission from the person chairing the Management Board meeting, invited employees of the Company, advisors and other persons can participate in the meeting.

Meetings of the Management Board are usually held at the Company's headquarters in Płock or the Company's office in Warsaw, however the person who convenes the meeting can determine a different venue of the meeting.

The Management Board adopts resolutions at its meetings. It is essential for the validity of the Management Board's resolutions that each member of the Management Board is properly notified of the planned Management Board meeting and at least half of the Board members are present at the meeting. Resolutions of the Management Board are adopted through an ordinary majority of votes (in the event of equal number of votes, the vote of the President of the Management Board shall be decisive) with the restriction that the unanimity of all members of the Management Board is required for issuing the commercial power of attorney. A member of the Management Board who votes against the resolution which has been adopted can register a separate opinion. Placing such an opinion requires a separate justification.

The Management Board adopts resolutions in open (public) voting, while secret voting can be ordered upon a motion of any member of the Management Board. Resolutions are signed by all members of the Management Board present at the Management Board meeting at which the resolutions were adopted. Resolutions are also to be signed by any member of the Management Board who registered a separate opinion with an endorsement "separate opinion" or "votum separatum".

The competences of the PKN ORLEN Management Board

The scope of the Management Board's duties includes conducting all the Company's affairs which are not assigned and attributed by the Code of the Commercial Companies or the Articles of Association to other bodies of the Company. All members of the Management Board are obliged and entitled to conduct the Company's affairs.

All affairs beyond the ordinary management require a resolution of the Management Board, among others, to such matters as are understood to be the:

- adoption and amendment of the Constitution of the Management Board,
- adoption and amendment of the Organizational By-laws of the Company,
- adoption of motions and information to be submitted to the Supervisory Board and / or to the General Meeting of Shareholders, in particular, any motions sent to these bodies for their consent to perform certain actions, form opinions, make an assessment or give an approval, which are required in accordance with the binding Laws and / or the Company's Articles of Association,
- convening the General Meetings of Shareholders and adopting recommended agenda of the General Meetings,
- approval of yearly and long-term financial plans as well as the Company's development strategy,
- giving assent for an investment assignment and corresponding liabilities where the total expenditures and encumbrances exceed ten million zlotys,
- incurring liabilities, managing the property rights and any form of encumbrance on the Company's property (assets) where the total value exceeds twenty million zlotys (excluding particular cases),
- disposal and purchase of property, perpetual lease or a share in a property and setting of a limited property law,
- disposal, purchase and encumbering by the Company of stakes, shares or other participation titles (securities) in other entities, including shares admitted to the public trading of securities,
- issue of securities by the Company,
- approval of the annual report on the Company's performance, Company's yearly, half-yearly and quarterly financial reports, Capital Group's yearly, half-yearly and quarterly financial reports,
- adoption and amendment of the Company's employees' remuneration scheme, as well as decisions regarding introduction of and fundamentals of the incentive schemes,
- entering, amendment and termination of a collective employment agreement in a Company, and other agreements with trade unions,
- establishing the principles of issuing (granting) and revoking the power of attorney,
- formulating the Company's donation policy,
- issuing (granting) of a commercial power of attorney,
- establishing the internal breakdown of responsibilities among the members of the Management Board,
- foundation of businesses / offices abroad,
- other matters which at least one member of the Management Board requests to be adopted in a form of a resolution,
- taking decisions on the making of a prepayment against a future dividend.

The Management Board is obliged to submit to the Supervisory Board, on a regular basis, detailed information on any crucial matters regarding the Company's activities and the risks associated with the performance of these activities as well by way of risk management. Moreover the Management Board is obliged to work out and pass annual and long-term financial plans and plans for the strategic development of the Company in the form, scope and time as determined by the Supervisory Board. The

Management Board is obliged also to prepare and present to Supervisory Board the annual financial statement of the Company and the annual financial statement of the capital group for the previous financial year.

4. Description of the basic features of the internal control and risk management systems used by PKN ORLEN in relation to the process of preparing financial statements

PKN ORLEN's Management Board is responsible for the Company's internal control systems and its efficiency in preparing financial statements and periodic reports which are prepared and released in accordance with the Regulation of the Minister of Finance dated 19 October 2005 on current and periodic information to be published by issuers of securities.

The internal control systems and risk management in the process of preparing financial statements are exercised by:

- defining the division of duties in the financial reporting process,
- defining the scope of disclosure based on the International Accountancy Standards (IAS) and the International Financial Reporting Standards (IFRS),
- elaboration, implementation and supervision over the application of coherent accountancy rules and practices by the PKN ORLEN Capital Group Companies,
- regular reviews, made by the independent auditor, of PKN ORLEN and by PKN ORLEN Capital Group financial statements,
- implementing procedures for authorization of financial statements prior to their publication.

The Director of the Corporate Accountancy Department is responsible for preparing financial statements for the periodical reporting. This task is executed by two teams: one team of unconsolidated accountancy and one team of consolidated accountancy, which are responsible, respectively, for preparing PKN ORLEN and PKN ORLEN Capital Group financial statements. The financial statements are reviewed by the independent auditor.

The scope of data disclosed in the periodic reports comes from the Company's accountancy and additional information delivered by the particular PKN ORLEN departments. In order to prepare the consolidated financial statement, the companies from the PKN ORLEN's Capital Group transfer the required data in the form of the reporting sets. The scope of data disclosed, referring to the Capital Group, is defined and comes from the IAS/IFRS requirements. The changes in IAS/IFRS are continuously monitored in order to define the potential needs of update in the Capital Group reporting.

In order to provide coherency of rules and accountancy practices in the PKN ORLEN Capital Group, the accountancy policy (including valuation of assets, liabilities and non-balance sheet items, book-keeping rules and rules of financial consolidation accountancy), adopted by PKN ORLEN, has been transferred to the PKN ORLEN Capital Group Companies. Supervising the application of coherent accountancy rules and practices in the Capital Group Companies constitutes an element of the PKN ORLEN internal control.

The Company's Management Board applies the rule of reviewing the financial statements that are published by the independent auditor even if the law does not

require such a review. The results of such an auditor's review are presented to the management of the Company. Moreover, the auditors present their recommendations from the performed research to the Management Board. The auditor participates also in the periodical meetings of the Audit Committee of the Supervisory Board, during which auditor presents results of the review/audit of the financial statements.

The Company has its own procedures for the authorization of financial statements . Periodic reports, after the auditor's research is finished, are transferred to the Management Board Members, and afterwards to the Supervisory Board. After the Audit Committee's opinion the financial statements are approved by the Management Board and then submitted to the Investor Relations Department, responsible for transferring the report to the relevant capital market institutions and to the public domain. Until the moment of publication of the financial statement, it is available - in respect to the procedure of 'Company's Secret' - only to the persons engaged in the process of its preparation, checking and approving.

At PKN ORLEN there is an Audit Department, the aim of which is to execute an independent and objective judgment of the Company's risk management, internal control as well as to analyse business processes. The Department executes its tasks on the base of annual audit plans, reviewed by the Supervisory Board Audit Committee and approved by the Supervisory Board. The Audit Department can also perform the casual audits recommended by the Company's Supervisory Board or Management Board.

The Audit Department provides also recommendations to implement solutions and standards, which are aiming to reduce risk of realizing of the Company's targets, improving efficiency of the internal control system and increasing efficiency of the business processes. Moreover the Audit Department monitors the implementation of its own recommendations for the Company as well as the recommendations of the auditor regarding the financial statements.

Twice a year the Audit Department prepares, for the Management Board and for the Audit Committee, a report presenting the summary of conclusions from the executed audit tasks and information regarding the implementation of the indicated recommendations.

This report has been prepared pursuant to §29 point 5 of the Rules of the Warsaw Stock Exchange.