

Letter from the President of the Management Board of PKN ORLEN S.A.

Dear Sir,

Last year marked many important events for PKN ORLEN and the Polish economy. PKN ORLEN successfully finished 2006, generating a high net profit and significantly expanding its asset portfolio. Our corporation has finalized the acquisition of the Lithuanian-based Mažeikiu Nafta refinery – the largest investment in our company's history and an unprecedented foreign acquisition by a Polish company.

Based on an assessment of our standing, the competitive position in Europe and the industry's economic forecasts, we modified our strategy in early 2006. We increased our 2009 financial targets, presented both the concept and the objectives of our upstream operations and introduced a new dividend policy. Focusing on home markets, the Company pursued a consistent value increasing strategy by implementing pro-efficiency measures and actively seeking investment opportunities on new markets.

In terms of the financial results, 2006 was a highly satisfactory but, at the same time, quite a difficult year due to the deteriorating macroeconomic conditions in the oil industry. With proper operating measures and a strong effort on the part of our employees, PKN ORLEN generated very good results. PKN ORLEN's sales revenue amounted to PLN 33,501m which represented a 47% increase compared with 2005. Our net profit was PLN 2,200m and EBITDA of PLN 2,903m.

PKN ORLEN's crude processing utilization in 2006 was 100.8%, achieving 13.6 m tons per year. Fuel wholesale volumes grew 3.4% compared with 2005, while petrochemical sales increased 50.5%. With increased demand and the implementation of the dual-brand strategy (BLISKA and ORLEN), retail fuel sales in our chain amounted to 3,036m liters, constituting a 15% improvement to last year's results.

We were also successful in the first year of our operating cost reduction and investment program OPTIMA. Due to significant improvements in efficiency, PKN ORLEN saved PLN 299m.

In recognition of our 2006 achievements, PKN ORLEN once again took first place in the prestigious "Giants of Central and Eastern Europe" ranking by Puls Biznesu. We not only won in the general classification, but we also came first in the "Companies in Poland" category. This year's award acknowledged our consolidation efforts in the CEE fuel industry, and, in particular, our acquisition of the majority stake in Lithuanian-based Mažeikiu Nafta.

Our business successes were not the only reason which made last year exceptional .. Our corporate culture-building efforts resulted in the adoption of the "PKN ORLEN Code of Ethics" and continued in 2006 with the elections of the PKN ORLEN Ethics Ombudsman, conducted among PKN ORLEN employees.

The Company is also a keen participant in the life of the local community of Płock. We are involved in a variety of local projects and continue in our responsibility towards our immediate surroundings. PKN ORLEN supports the development of the Płock Industry and Technology Park, a joint project between the Company and the Płock city authorities. PKN ORLEN's Dar Serca foundation actively supports those in need, including children from foster homes, talented youths as well accident victims, the sick and those suffering from mental and physical disability.

PKN ORLEN is also a valued sponsor of culture. Last year we focused our sponsoring activities on projects associated with the works of Frederic Chopin. This included the developing the talents of Rafał Blechacz who was last year's International Frederick Chopin Piano Competition winner and PKN ORLEN scholarship holder. PKN ORLEN also supported projects popularizing culture and the arts, including cooperating with the National Museum in Warsaw. These activities are a good example of combining business with ethical and social goals.

I would like to conclude by thanking all our employees without who our company would not have succeeded. I thank you all for your involvement and perseverance in maintaining PKN ORLEN's position as current industry leader in Central and Eastern Europe. This is predominantly your achievement and a justified source of pride. I would also like to thank the members of the Management and Supervisory Boards for their efforts, confidence and constructive dialogue that have enabled us to successfully implement the corporate strategy. I extend my thanks to all our customers and business partners, whose trust we greatly value. I hope that all our mutual cooperation will continue to bring good results for the Company, increasing its value for the benefit of all our stakeholders.

Piotr Kownacki
President of the Management Board
CEO
PKN ORLEN