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

Dear Sir,

2006 was a very busy year for PKN ORLEN which ended in an important acquisition. The Group successfully acquired the Lithuanian refinery Mažeikiu Nafta, completing not only the largest investment in the history of the Group but also the largest ever foreign acquisition by a Polish Company.

This complex operation required careful coordination between the governments of Poland and Lithuania. This involved maintaining the support of the highest state authorities, including the President and the Prime Minister of Poland. By Working together we managed to conclude the long negotiations, and sign the contract to acquire the Lithuanian refinery.

Based on the results of our investments, acquisitions and financial plans, as well as the changes in the macroeconomic environment, we modified our strategy in early 2006. We increased our 2009 financial targets, presented the concept and objectives of our upstream operations and introduced a new dividend policy. Focusing on home markets, the Group pursued a consistent value increasing strategy by implementing pro-efficiency measures and actively seeking investment opportunities in new markets.

Throughout last year the entire Group successfully implemented the segment-based management system, designed to integrate the Group's assets and individual segments. That is why immediately following the acquisition of Mažeikiu Nafta, we began work to incorporate the new company into the PKN ORLEN structures by implementing the Value Creation Program.

On the Czech market we continued efforts to optimize the operations of the Unipetrol holding through the Partnership Program. As part of the restructuring of our Czech-based assets, we commenced divestment of Kaucuk, an important supplier of petrochemical products and the Czech Republic's only synthetic rubber producer, to Dwory Oświęcim. We also sold Spolana, a PVC producer to Anwil, a Polish PVC producer and subsidiary of the PKN ORLEN Capital Group.

In 2006 our German company ORLEN Deutschland was pursuing a new development strategy. By 2009 ORLEN Deutschland plans to acquire approximately 250 fuel stations in northern Germany, achieving a 10% market share in that region. The station chain restructuring and expansion scenario may allow for profitable divestment of assets in the future should an attractive offer presents itself.

Last year, the Group achieved very good financial results. Excluding the one-off negative goodwill associated with the acquisition of Unipetrol, all assessments of our results indicated that last year the Group generated PLN 52,867m in sales revenue, which represents a 28.4% increase compared with 2005. Our EBITDA was PLN 4685m which is a result similar to 2005.

All PKN ORLEN installations (excluding the Mazeikiu refinery) operated at full capacity to accommodate the sharp increase in demand in 2006. The refinery's annual processing volume in Płock in 2006 grew 8% compared to the previous year, and 3% in our Czech-based facilities.

In 2006 the ORLEN Group consistently enforced cost discipline measures, improved operating results, expanded our retail chain and maintained cost discipline throughout the Group. The cost reduction program OPTIMA saved PLN 299m, which exceeded the target by 20%.

In 2006 the retail segment generated PLN 563m which represented a sevenfold increase compared to 2005. This result was achieved, among other factors, by increasing sales volume and further improving cost effectiveness which generated savings of over PLN 80m. Last year ORLEN Deutschland achieved positive financial results for the first time since 2003.

The refining segment generated the highest result in 2006 – PLN 1490m. Nevertheless, this represented a 49% drop compared with 2005, caused by falling refining margins, a reduction in the Ural-Brent differential and the strengthening of the Polish zloty to the American dollar.

The petrochemical segment generated 18.7% more in operating profit compared with 2005. This was achieved with high sales volumes and the effective consolidation of the Czech-based Unipetrol.

The chemical segment reported growth in excess of 50%. These excellent results were primarily attributable to Anwil's Capital Group operating profit, which generated a positive result of PLN 243m by PLN 86m more compared to 2005.

Changes in PKN ORLEN's corporate culture translated into new a quality of the Company's functioning and increased employee involvement in the Group's value building mission. Individual departments of PKN ORLEN drafted their Good Practices Guidelines to be applied in ongoing work in their relationships with various stakeholder groups. These guidelines are based on key values formulated in the Group's Code of Ethics. This corporate culture change involves all companies within the PKN ORLEN Group in Poland and in other home markets.

However 2006 also brought some unfortunate events that significantly impacted the Group's operations. As a result of the fire in the Lithuanian-based Mazeikiu Nafta, the Group incurred losses due to asset value reduction as well as operating and financial losses. But due to the speedy implementation of crisis procedures and repair plans we have systematically eliminated the effects of this breakdown.

In the same year PKN ORLEN also had to cope with the effects of the Belarusian-Russian crisis, which resulted in the first ever interruption of oil supply via the Przyjaźń pipeline. Due to preventative action and reserve readiness, PKN ORLEN maintained production continuity. The Group's strategy provides for the constant increase of storage capacity which will not only reinforce our processing potential, but also contribute to the state's energy security.

In conclusion, I would like to thank the Group's Supervisory Board for their support, confidence and constructive dialogue. I also extend my thanks to all employees of the PKN ORLEN Capital Group without whose involvement we would not have realized many key elements of our strategy. Their efforts, as well as the work of the Board have built and strengthened our position in this part of the European market. I would also like to thank all our customers and business partners, whose trust we greatly value. I am certain that by upholding our corporate governance, maintaining the transparency of all decisions and listening carefully to the needs of all our stakeholders we will successfully achieve the common goals that make up our Group's vision.

President of the Management Board
CEO
PKN ORLEN

Piotr Kownacki