

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

***Dear Sirs, Dear Shareholders,***

Presenting the annual financial report of the PKN ORLEN for 2007 I would like to emphasise that the results achieved by our Company were to a large extent determined by macroeconomic conditions and one-off events. Under pressure from the Polish zloty's appreciation against the U.S. dollar and the euro, the diminishing URAL/Brent differential and planned events including refurbishments at the Płock production facility, as well as unplanned one-off events, PKN ORLEN generated PLN 42.7bn in revenue which represents a 27.5% increase over 2006 figures, and EBIDTA of PLN 3.0bn, representing an increase of 3.1% over last year's result.

Last year the Płock-based refinery processed over 13.6m tonnes of crude oil, utilizing 98.9% of its capacity. In response to market expectations, diesel output grew 14.3% while petrol production fell 4.1%. Ekoterm light diesel and aviation fuel output was down 30.4% and 11.7%, respectively.

With regard to the growing demand for petrochemicals, ethylene and propylene production was 624 000 tonnes and 409 000 tonnes respectively. This represents an increase of 5.2% and 1.5% over 2006.

In 2007 our wholesale fuel sales (diesel, petrol, aviation fuel and light diesel) grew 6%, with retail sales (diesel, petrol, LPG) up 9.9%. Our Polish chain of branded stations grew with 36 new locations and 139 forecourts modernised. The franchise section of our network grew with 54 premium ORLEN stations and 41 "economy" stations under the BLISKA brand. At the same time, we strengthened the image of our Verva premium fuels, increasing their sales volume in Poland by over 41%.

In line with requirements, we prepared our corporation to implement the National Indicative Target in biofuels. We conducted pilot programmes in sales and operations, carried out the necessary investments at depots and filling stations, and

conducted bids to secure the required biocomponent volumes. With these preparations complete, we launched the wholesale and retail sale of biofuels as of the beginning of this year, complying with the requirements that apply to all participants of the Polish fuel market.

In 2007 we initiated or continued projects to ensure the further growth of PKN ORLEN's production assets. In November, the Płock facility began the construction of the Hydrogen II plant to secure the current and future needs of our hydrogen-utilising processes. We expect to launch the plant in mid 2009. We also completed all preparations and design works to launch the construction of a Diesel Hydrodesulphurisation Plant VII. This investment will enable our diesel products to meet the EU sulphur content requirement of less than 10 ppm, which is expected to come into force in 2009.

We also kicked off our largest current investment - the construction of paraxylene (PX) and terephthalic acid (PTA) installations. These new installations will be the only facility of its type in Poland and one of largest in Europe, enabling us to extend the value chain in the petrochemical segment and increase the utilization of our Płock production facility's processing capacities. Constantly rising demand for PTA allows us to expect attractive returns on this investment.

Consistently building its expertise in production, the Company decided to begin operations on Polish deposits. In response to our applications for licenses to explore and produce crude oil and natural gas in the Lubelski region, the Ministry of the Natural Environment issued a positive evaluation of PKN ORLEN's planned operations. In May 2007, the Board of PKN ORLEN approved the exploration works schedule and the project's budget. Our activities in this area will provide experience and enable us to establish an expert team of geologists and drilling engineers.

At the end of 2007 we verified our long-term goals. The foundation of our strategic plan is a match between shareholder and potential investor expectations, and the needs and capacities of PKN ORLEN. The new 2007-2012 strategy of the PKN ORLEN Capital Group focuses on organic growth and provides for ongoing cost

optimisation efforts as well as efficient supply chain management. We are changing our internal management structure to meet market challenges and the dynamic expansion of our scope of operations. We are also planning to continue asset restructuring, and as a technological leader we will keep responding to the European market's increasing expectations with regard to quality and environmental awareness.

Last year our activities were recognized by the juries of many contests and rankings. PKN ORLEN won, among others, the "Giants of Central Europe" ranking organized by the Puls Biznesu daily, ahead of competitors such as Skoda Auto AS or MOL MAGYAR OLAJ ES GAZIPARI RT. We received this award for our consolidation of the Central European fuel sector. In the Roland Berger Strategy Consultants contest organized in eight EU countries, PKN ORLEN was awarded the „Best of European Business" title in the Mergers and Acquisitions category. ORLEN was also named Poland's most valuable brand in the MARQA 2007 ranking organized by the Rzeczpospolita daily and, for the sixth time, won the Trusted Brand title in a prestigious consumer study conducted by Reader's Digest.

In conclusion, I wish to thank all our employees, without whom our organization's success would not have been possible. Thank you for your involvement and consistent efforts in building PKN ORLEN S.A.'s value. Thanks to you, today we are the largest Polish corporation and a leader in Central and Eastern Europe. I also wish to thank the Members of the Board, including President Piotr Kownacki, who presided over the Board in 2007, and the Supervisory Board, for their diligent work and confidence. I extend my thanks to PKN ORLEN S.A.'s business partners, whose cooperation we value greatly. I hope it will continue to yield the good results and further value growth, which is so important from our shareholders' point of view.

***Wojciech Heydel***

***Vice President***

***acting as President of the Board***