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

Dear Sirs, Dear Shareholders,

We are pleased to present the annual consolidated financial report summing up PKN ORLEN Capital Group's operations in 2007.

Last year brought enormous challenges for the Corporation, both due to shifting macroeconomic conditions in the oil industry and in connection with a number of investments and modernisations in our production facilities.

In 2007, ORLEN Group's financial results came under serious pressure from the Polish zloty's appreciation against the U.S. dollar and the euro, the diminishing URAL/Brent differential, as well as one-off events including planned refurbishments and downtime in the Production Facilities in Płock, Mazeikiu Group and UNIPETROL Group. Against this backdrop, ORLEN Group's EBITDA in 2007 was PLN 5035m, i.e. 7.5% more than in the preceding year. Despite one-off reductions of PLN 908m, this result indicates ongoing improvements in operating efficiencies, growing sales and consistent implementation of our corporate strategy.

Last year, processing volumes in ORLEN Group's seven refineries exceeded 23m tonnes and were significantly higher than in 2006. The lion's share of the processed volume – over 13.6m tonnes - was generated by the Płock production facility. Additionally, our 2007 figures include Mazeikiu Refinery's processing volume of 5.1m tonnes of crude. In 2007, Unipetrol Group processed 4.1m tonnes of crude. In 2007, production capacities in Płock, the Czech Republic and Lithuania were utilized at, respectively, 98.9%, 75.3% and 50.1%.

In 2007, fuel production volumes (petrol, diesel, aviation fuel and light heating oil) in ORLEN Group's refineries exceeded 15.1m tonnes, with petrol and diesel output growing, respectively, 1.5% and 0.5%. At the same time, we reduced JET A-1 and light heating oil outputs.

ORLEN Group's refining segment's 2007 operating profit (EBIT) grew 2.0% compared to 2006. Thanks to efficiency improvements and savings, the petrochemical segment's result was PLN 226.2m better than the year before. The chemical segment reported an EBIT increase of 9.7%, up to PLN 245.6m.

In 2007, wholesale fuel volumes grew 41% compared to 2006, primarily reflecting the consolidation of the Mazeikiu Group. We also reported a 10% increase in retail sales, mainly due to the efficient modernisation of our forecourt chain and significantly improved sales efficiencies.

In 2007, the PKN ORLEN Board focused primarily on improving operating efficiencies within the ORLEN Group and on investments in core operations. We designed a comprehensive Value Building Program for Mažeikiu Nafta which, with investments valued at $1.6bn, will enable us to significantly improve the operations and reinforce the position of our Lithuanian assets by 2012. Last year we faced the key challenge of quickly restoring Mazeikiu refinery's processing capacities, lost in the fire in 2006. In record-breaking time we rebuilt the processing capacity and conducted the largest refurbishment project in the history of the Lithuanian refinery. We also initiated processes to strengthen AB Mazeikiu Nafta's logistics infrastructure by starting a dialogue with the Lithuanian Government regarding the building of a product pipeline to a Baltic port.

In 2007 we initiated the construction of paraxylene (PX) and terephthalic acid (PTA) installations. This is currently our largest project in terms of expenditure, which will enable us to extend the value chain in the petrochemical segment and increase the utilization of our Płock production facility's processing capacities. Demand for terephthalic acid has been rising consistently for a number of years. According to forecasts, supply is not keeping up with growing demand, allowing us to expect attractive returns on this investment.

In November 2007, 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. In 2007 we also completed all preparations and design works to launch the construction of 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 began works to increase efficiencies throughout the ORLEN Group. Our Margin Optimisation Programme based on the supply chain management concept will enable us to take advantage of the synergies between our seven refineries, further improve processing level and production structure management, semi-finished product exchange and optimise allocation on sales markets. In consequence, the programme will yield operating efficiency improvements and asset integration within the ORLEN Group.

In November 2007, we launched our first filling station in Lithuania under the ORLEN Lietuva brand, replacing the former brand Ventus. This is the first step in the expansion of our retail network in Lithuania and Latvia, which assumes the launch of approximately 230 stations under the ORLEN Lietuva and ORLEN Latvija brands by 2012 and winning a 20% share in the consolidated Lithuanian-Latvian market.

In 2007, we efficiently implemented our retail network restructuring programme in all markets. In Poland, our station chain gained 36 new forecourts, with 139 locations modernised. The franchise section of our chain gained 54 premium ORLEN Stations and 41 ‘economy’ stations under the BLISKA brand.

Our effective efforts to build the image of our premium fuels under the Verva brand also yielded expected results. In Poland, the total sales volume of these fuels grew 41% last year, compared to 2006. The introduction of new products – VervaON, Verva100 and Verva95 – in foreign markets generated sales increases that exceeded our expectations by almost 25% in the Czech Republic and 9% in Lithuania.

Our Czech-based company BENZINA exceeded the launch projections for the new premium brand Benzina Plus. At the end of last year, there were 82 stations operating under the new brand. At the same time, the new network achieved the planned 13% share in the Czech retail market.

Our corporation's German sales network is consistently changing its image, resulting in a second consecutive year of growing operating profit. We continue to work towards increasing our share in the economy segment under the STAR brand which operates successfully in the German market. The "Fit for Growth" restructuring programme launched in 2007 contributed to increasing the number of forecourts from 478 to 530. We assume that over the next three years we will expand our chain by almost 200 locations, allowing us to capture 10% of the regional market by 2012.

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 in 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 in the Polish fuel market.

Last year we continued the restructuring of the ORLEN Group, combining eight transport companies owned by the ORLEN Group into one entity – ORLEN Transport. As part our divestments, UNIPETROL finalized the sale of 100% of the shares in KAUCUK to Dwory Chemicals. We also consolidated our Czech-based companies CHEMOPETROL, UNIPETROL RAFINERIA and UNIEPETROL RPA, establishing one entity. The key advantage of this merger is the simplification of organizational structures, HR and administration, while ensuring fuller control over the entire production and sales chain.

We reached a settlement in the 2-year dispute with DEZA concerning the sale of UNIPETROL's shares in Synthesia and Agroboheme. The price for AGROBOHEME's and Synthesia's shares was determined in a fair market valuation, conducted by a renowned expert. Concurrently with the share sale agreement, UNIPETROL and DEZA signed an agreement settling all disputed issues between the parties.

At the end of 2007 we verified our long-term goals and announced a new Strategy for the ORLEN Group. The foundation of our strategic plan is a match between

shareholder and potential investor expectations, and the needs and capacities of the Corporation. The new 2007-2012 strategy focuses on organic growth supported by potential non-organic projects / investments. Our key financial target is a LIFO-based EBITDA of PLN 11b and return on capital of 14% in 2012.

The updated strategy also provides for ongoing cost optimisation efforts as well as efficient supply chain management and integration of ORLEN Group's operations management. The corporation is changing its internal management structure to meet market challenges and the dynamic expansion of our scope of operations. Our goal is to ensure better communications and clear accountability for results on each management level throughout our international organisation. The corporation is planning to continue restructuring its assets and employment; as a technological leader we will keep responding to increasing expectations with regard to quality and environmental awareness.

Last year the corporation's 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. Our corporation was also recognized by players of the capital market in a ranking by IR Magazine, which singled out PKN ORLEN for Best Investor Relations in 2007 in Poland.

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. Our social involvement in various charity and sponsorship projects was recognized by the Donators' Forum, which placed PKN ORLEN among the Philanthropy Leaders of 2007.

ORLEN Group's successes in 2007 are primarily the achievements of the employees of PKN ORLEN. Without their skills, expertise, personal involvement and commitment to growth, our success would not have been possible. I would like to thank them all for their contribution.

I also wish to thank all Members of the Management and Supervisory Boards for their enormous work towards fulfilling the Company's mission. I thank Chairman of the Board Piotr Kownacki, who presided over the Board last year.

I believe that the continued realization of programmes started in 2007, and our consistency in implementing the updated strategy will enable us to strengthen the position and status of PKN ORLEN in subsequent years, for the benefit of our Shareholders and the economies of the countries in which we operate as a Central European corporation.

Wojciech Heydel

Vice President
acting as President of the Board