



**Jacek Krawiec**

Prezes Zarządu, Generalny Dyrektor

*Ladies and Gentlemen, Dear Shareholders,*

The year behind us was in many respects a watershed period for PKN ORLEN. First of all, we finished work on the new strategy for 2013-2017, which – growing from the solid foundations laid in recent years – sets development directions and outlines ambitious investment plans for the whole ORLEN Group.

A sizeable portion of our total growth-oriented capex budget will be used to invest in our new hydrocarbon production and power generation business segments, and to increase the production capacities and sales potential of our assets. The newly adopted strategy follows a path toward the multi-utility business model, consistently building the Company's value while maintaining financial security and the ability to pay dividend to Shareholders. The path we have chosen will not only drive up earnings, but will enable us to operate safely amid the persistent volatility of the global economy. In view of the rapidly changing economic conditions, we decided that a sound financial position must be a priority for the years to come. The key advantage of the new strategy lies in its flexibility. In the capex budget, an amount has been set apart as an additional pool, to be used depending on the achievement of key investment plans and the prevailing macroeconomic conditions. As we have learned in recent years, the ability to adjust capex to changing market conditions is a prerequisite for a company to maintain its balance and financial security.

Last year, we achieved our target, set several years earlier, of reducing the Company's debt to PLN 7.3bn and maintaining net financial leverage and ratios subject to covenants under credit facility agreements at safe levels, while also generating stable operating cash flows. Seeking to diversify sources of financing, we also raised additional funds with the successful issue of 7-year corporate bonds for PLN 1bn, floating them on the Catalyst market. These efforts were viewed favourably by Moody's, as well as Fitch, who upgraded our long-term rating outlook from stable to positive.

With the successful delivery of strategic and operational objectives, we were able – despite the consistently volatile market environment – to post PLN 1.9bn in operating profit before the effect of inventory valuation (LIFO-based EBIT), one of the highest results on record.

Thanks to the favourable macroeconomic landscape including the effect of average refining margins and currency exchange rates, offset by weakening demand for fuels, the refining segment's operating profit before the effect of inventory valuation (LIFO-based EBIT) amounted to PLN 1.2bn.

The gradual recovery of retail margins and a good reception for our pricing strategy by the market, geared to stimulate demand for fuels, helped rapidly expand our non-fuel offering allowed to gain very good result in retail segment. Thanks to a consistently pursued policy on the service stations network, in 2012 we maintained our lead on the Polish market in terms of network size, while also investing in valuable and prestigious Motorway Service Areas. We also felt the benefits of extended work on diversifying the range of additional services offered by the ORLEN and Bliska stations, and development of the Stop Cafe and Stop Cafe Bistro catering outlets.



As a result, despite a marked decline in fuel consumption on the Polish market, we maintained stable sales volumes, with this segment recording operating profit of PLN 0.5bn.

We also defended our strong position in the petrochemical segment, despite production downsizing with the scheduled regular maintenance shutdown of the petrochemical facilities. Higher PTA sales following a full year of operation of the PX/PTA complex, delivered operating performance of PLN 0.9bn.

Last year also saw the intensification of efforts to construct power generation assets. Having completed all analyses, we selected a subcontractor for the 463 MWe CCGT unit in Włocławek. At the beginning of March 2013, we handed over the project site for the plant to the contractor, General Electric International Inc. The facility is scheduled to come on stream at the end of 2015.

At the same time, we continued work on construction of a CCGT unit in Płock. An analysis of concept scenarios has already been completed and a feasibility study prepared for the project, which will have a capacity of 450-600 MWe. The required environmental decisions for the project have been secured, and our next step will be to prepare an in-depth analysis of the economic viability of the project.

2012 saw heated debate over the future of shale gas. I am glad to report that the results of exploration in areas covered by PKN ORLEN licences are in line with our expectations, and give good grounds for continued effort. In steady pursuit of our development objectives in this area, we completed acquisition of Exxon Mobil's licence at the beginning of 2013.

We have repeatedly stressed the importance of secure crude supplies. In this context, the fact that we have successfully agreed the terms of business and executed a three-year extension annex to our contract with Mercuria Energy Trading for supply of crude oil to the Płock refinery, via the Druzhba Pipeline, must be viewed as another crucial event. The PLN 26bn contract provides for annual supplies of 3.6m tonnes of REBCO crude. Also worthy of mention is a contract with Russia's largest crude oil producer, the Rosneft Oil Company, which was finalised in early January 2013. Interestingly, this is the first crude sales contract signed by Rosneft directly with a European refiner. Worth PLN 46bn, the contract sees the ORLEN Group supplied with ca. 6m tonnes of crude annually over the next three years.

Last year, PKN ORLEN activities won the recognition of various Polish and international experts. In the prestigious Platts 250 Global Energy Companies ranking, we were the winner in the EMEA Refining & Marketing category and took 83rd place among the world's largest energy companies. This was also the third year in succession that our stock has been included in the RESPECT Index, compiled to acknowledge the WSE-listed companies that meet the most exacting standards of corporate social responsibility. We also won the 'Best Annual Report 2011' award in the enterprise category, and in recognition of the excellent working conditions and career development opportunities offered to our employees, we received a TOP Employers Polska certificate from the CRF Institute.

As in previous years, we were actively engaged in dialogue concerning the most important economic and social issues. Our voice was heard in debates – PKN ORLEN representatives spoke at the Economic Forum in Krynica, the European Forum for New Ideas, the European Financial Congress, and the St. Petersburg International Economic Forum, to name just a few.

One accomplishment particularly worth noting in this past year was the redefinition of our corporate values to ensure they will meet the challenges that lie ahead. These values – Responsibility, Growth, People, Energy and Reliability – are embedded at all levels of our organisation, from corporate governance to the everyday decisions made by our employees.

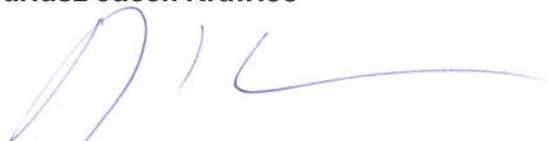
They embody our long-standing belief that all our activities should be underpinned by both a commitment to building value for Shareholders and a commitment to acting responsibly towards our external environment.

In summary, it gives me great pleasure to say that 2012 was a very successful year for PKN ORLEN. The growth strategy adopted for the coming years, stable liquidity position, strong financial performance and investments made in key areas, all provide excellent groundwork for building corporate value in the long term.

Obviously, even the most solid foundation is not in itself a guarantee of success – a lot of hard work will need to be done too. Yet, I trust that the consistent implementation of our strategy will help us deliver robust financial performance and that PKN ORLEN will steadily solidify its position among the global fuel and energy companies.

I would like to offer my sincere thanks to the Supervisory Board members, Management Board members and all the employees of PKN ORLEN for their contribution to building the Company's value in 2012. I believe that the coming year, despite the many serious challenges ahead, will be a source of satisfaction for everyone, on a par with the accomplishments of the past twelve months.

**Dariusz Jacek Krawiec**



**CEO , President of the Management Board  
PKN ORLEN S.A.**