



Jacek Krawiec
President & CEO

Ladies and Gentlemen, Dear Shareholders,

Volatile macroeconomic environment remains the most serious challenge for businesses. Companies prioritise sustainable development and financial stability over the long term, which holds true for PKN ORLEN as well. Therefore, when we announced the growth strategy for 2014–2017 last year, we decided to flexibly harmonise our investments with the Company's standing, and have since adjusted the plans to the changing market environment and trends. By putting more weight on developing operations in the Downstream, Upstream and Retail segments, we diversify our activities and revenue sources, and mitigate the risks inherent in the instability of the environment in which the Company operates. Thanks to our consistent and carefully considered implementation of the strategic initiatives, and through swift and appropriate response to changes, all supported by our modern management culture and openness to innovation, we are able to be optimistic about the future and operate efficiently irrespective of the volatility

As we pursued the Company's strategy in the Downstream segment, we consistently focused on further improving operational excellence by continuing our numerous efforts to optimise production processes. Central to the strengthening of the Company's position are industrial co-generation projects – the CCGT unit in Włocławek, which is scheduled to come on stream in late 2015, and a similar facility currently under construction in Płock. Equally, we are working to improve the competitive position of our petrochemical business. We have launched the investment of a Metathesis unit, which will afford PKN ORLEN a stronger foothold in this promising market.

We are regularly analysing all opportunities and risks that global politics create in the Downstream segment. The Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union, which is currently being negotiated, may radically transform Poland's chemical industry. We are keeping a close eye on efforts geared towards creating a European energy union, whose final shape – expected to be a compromise between energy security, promoting emission free technologies and bolstering competitiveness – will be one of the decisive factors in defining the European economy in the coming years.

The Retail segment, which once again delivered excellent operating and financial results, was a key driver of PKN ORLEN's value growth in 2014. In response to the needs of our customers, who increasingly come to appreciate the wide array of services we offer at our service stations, we continued to strengthen PKN ORLEN's position on the retail market based on three groups of development initiatives: upgrading the service station network, focusing on customer needs, and building a strong brand. In the Retail segment, expansion of our non-fuel services – whose share in the segment's revenue has been consistently rising for many years, and whose significance is underlined by the growing popularity of the Stop Cafe and Stop Cafe Bistro brands – remains a particularly important growth area.



Last year, we also rebranded some of our Bliska service stations to ORLEN, thus expanding our offering. We carried out pilot programmes which saw us open a number of convenience shops at service stations and launch e-commerce services under the 'Station with a Parcel' project.

As a result, despite the challenges, PKN ORLEN's LIFO-based EBITA in 2014 increased by over PLN 0.8bn year on year, to PLN 2.9bn.

However, the reported 2014 results were affected by non-cash items, including a PLN (-2.3)bn inventory write-down on the falling crude prices (the LIFO effect), and PLN (-5.0)bn impairment, mainly of PKN ORLEN's equity interest in ORLEN Lietuva, recognised as finance cost. These write-downs were estimated based on cash-flow forecasts presented in the Strategy for 2014-2017 which account for the excessive refining capacities as well as the mounting pressures on margins stemming from the shale revolution in the US and the economic changes in Russia.

The investment projects outlined in the Strategy were pursued according to plan, with debt ratios maintained at safe levels. Last year, we completed our PLN 1bn retail bond issue programme launched in 2013, and successfully placed EUR 500m of eurobonds on the market, thus diversifying our financing sources. In addition to the funds from the banking sector, the proceeds will play a major role in the financing of our investments. Thanks to PKN ORLEN's stable financial situation, we were also able to achieve our strategic objective regarding dividend distribution. 2014 was yet another year in which we paid dividend, this time of PLN 1.44 per share. Our consistency in deleveraging the Company and maintaining financial ratios at moderate levels was noted by Fitch Ratings, which confirmed PKN ORLEN's investment grade rating in 2014.

PKN ORLEN's growth over the last year would not have been possible without the commitment of its employees, who are one of the pillars on PKN ORLEN's strategy. Attention to all stakeholders, particularly our staff, plays an essential part in our business. But our initiatives were not limited to the organisation itself. Using the Future Fuelled by Knowledge platform, we encouraged the public debate on key social and economic issues. We were actively involved in CSR and sponsorship activities, supporting local communities and recognising prominent representatives of science and culture in another edition of the 'Poles with Verve' poll. We are also proud of the success of our two sports projects, ORLEN Warsaw Marathon and VERVA Street Racing, which are instrumental in building the ORLEN brand's value. We intend to become even more involved in sports sponsorship in the coming years through such initiatives as the partnership with the Polish Olympic Committee we have entered into this year.

We were recognised for our business and CSR efforts on a number of occasions. As the only company in the region, PKN ORLEN was again awarded the title of The World's Most Ethical Company by an international panel of experts at the US Ethisphere Institute. In 2014, PKN ORLEN was included in WSE's elite RESPECT Index of socially responsible companies for the eighth time. In recognition for its HR policy, PKN ORLEN was once again awarded the Top Employers Polska title, both for 2014 and 2015. The value of the ORLEN brand continued to grow last year, reaching PLN 4.4bn according to a ranking by the Rzeczpospolita daily.

Polski Koncern Naftowy ORLEN Spółka Akcyjna

a Polish company, with its registered office at Chemików 7, 09-411 Plock, Poland
entered into the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw,
XIV Commercial Division of the National Court Register under the number KRS 28860
NIP: 774-00-01-454, share capital/paid up capital: 534.636.326,25 PLN

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I believe that for PKN ORLEN, a company with excellent financial standing and a well-defined vision for growing its value, the current global changes are an opportunity for dynamic development. We will seize this opportunity.

I wish to thank the Members of the Supervisory Board, the Management Board and all Employees, without whom we would not have been able to deliver such excellent results. I would also like to thank the Shareholders for their unwavering trust and support.

Dariusz Jacek Krawiec

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line that curves upwards at the end.

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

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