

Ladies and Gentlemen, Dear Shareholders,

macroeconomic volatility is always a huge challenge for any company. The priority is to ensure sustained growth and financial stability in the long term. This is what we strove for last year, successfully responding to global economic trends, regulatory changes and developments in global trade. We continued to diversify our business and revenue sources and to mitigate risks posed by a dynamic business environment. Our well-thought-out business decisions enabled us to implement a number of strategic steps and, most importantly, to deliver solid financial performance in 2019. The Company's LIFO-based EBITDA was higher by about PLN 1bn year on year, and reached close to PLN 6bn. This gives us an optimistic outlook for the future of PKN ORLEN.

Effective legislative changes, the 'Fuel Package' in particular, continued to greatly support PKN ORLEN's operations. In combination with a step-up in inspection activities and constant exchange of information between institutions, they helped to significantly curtail the grey market in fuels in Poland. These efforts had a positive effect on the results of PKN ORLEN and our Group as a whole. Since 2014, we have recorded a 34% growth in sales of middle distillates, including of diesel oil to 20 million tonnes, and a 19% rise in sales of light distillates, including of gasoline to 9 million tonnes, with a concurrent increase in state budget revenues.

We maintain our commitment to strengthening the Company's competitive position and building its competitive advantage. We carried out a series of projects in Downstream last year that will put PKN ORLEN on track to rapid growth in the decades to come and consolidate its position as a leading player in the international refining and energy markets.

We successfully completed the construction of a metathesis unit in Płock, which reinforced our leadership in propylene production. The unit helped to improve product quality and increased our propylene production capacity by 100,000 tonnes, to 550,000 tonnes per year. This year, we commenced construction of a visbreaking unit in our plant in Płock, which will enhance our refining efficiency by increasing yields of high-margin products.

As previously announced, we continued our investments in the petrochemical business to strengthen our position in the European market and to drive stable revenue growth. Our strategic Petrochemicals Development Programme was implemented step by step. As part of the project to extend the olefin complex in Płock, a contract was signed for technical consultancy and project management contractor services. Work on the construction of an aromatic derivatives complex was at an advanced stage at the close of 2019. Early this year, PKN ORLEN signed a licence and front-end engineering design contract for a project to expand its phenol production capacity. The Programme also envisages the establishment of a Research and Development Centre in Płock to support the development and implementation of proprietary technologies, scheduled to be launched by the end of 2020.

We also consistently pursue our objective to build a strong multi-energy group, which includes further dynamic expansion of the power generation segment. To that end, we intensified our efforts last year to acquire Grupa LOTOS, and we announced a tender offer for 100% of shares in the ENERGA Group. A strong single entity would offer opportunities to successfully compete in demanding global markets, improve the energy and fuel security of the national economy and step up expansion projects. We expect the European Commission's decisions on the submitted merger clearance applications this year.

PKN ORLEN is of strategic importance to Poland's energy security, therefore we continued our efforts to diversify our crude oil supply sources last year. In January and March we received oil from Nigeria at Naftoport of Gdańsk, in February and June we imported crude from Angola, and in October our refinery in Płock received deliveries of US crude. Oil was also delivered from Saudi Arabia under a strategic partnership with Saudi Aramco. Some 1.4 million tonnes of crude oil arrives at the Płock refinery every month, with the share of sources other than Russia growing steadily. Owing to our consistent pursuit of the diversification policy, we were well prepared when at the beginning of 2019 Russian oil supplies delivered over the Druzhba Pipeline were cut off for 46 days, the longest such interruption to date.

We fully captured the potential of our retail business, which delivered over PLN 2bn in EBITDA and a 3% increase in total sales volumes. Thirteen new service stations were opened in Poland in 2019, with a fast rollout of our food and store format – 164 convenience stores under the O!SHOP brand were launched last year. Our partnership with Robert Kubica and our presence in Formula 1 supported our retail sales and the process of building a global awareness for our brand. Consistency is vital in business, so we resolved to continue this relationship this year, becoming a co-title sponsor of the Alfa Romeo Racing ORLEN team.

We paid a record dividend of PLN 3.5 per share, or just under PLN 1.5bn in total, last year. We want to continue to pay dividends this year as well, in line with our stated strategic objectives. But the final decision will rest with the Annual General Meeting.

We got involved in collaborative projects with Polish start-ups in 2019 in order to acquire innovative technologies. Thanks to its participation in Pilot Maker Electro ScaleUp, PKN ORLEN commenced tests of a solution designed to optimise the charging of electric vehicles. We joined the Space3ac accelerator programme, as part of which we will pursue innovative solutions in petrochemicals, retail sales support tools, logistics and other areas.

In 2019, PKN ORLEN continued to enjoy the trust and acclaim of many experts, having been again awarded the prestigious titles of The World's Most Ethical Company and Top Employer Poland. We again topped the *Rzeczpospolita* daily's 500 List ranking of the largest Polish companies. We ranked 45th in the S&P Global Platts TOP250 list of the top global energy companies. We moved up 59 places in the Fortune Global 500 list year on year, to position 410.



Daniel Obajtek
President & CEO

I would like to thank the Supervisory and Management Boards and all PKN ORLEN employees for the excellent performance delivered across business segments. I would also like to thank our Shareholders for the unwavering trust and confidence they place in us.

Daniel Obajtek

**President of the Management Board, Chief Executive Officer,
PKN ORLEN S.A.**