

Ladies and Gentlemen, Dear Shareholders,

The success of the ORLEN Group and other fuel and energy companies is largely determined by their ability to respond to economic and market shifts, not only in order to maximise profits but also to strengthen their competitive position. Looking back at 2019, I can proudly say we managed to attain these goals. We maintain our commitment to taking business decisions that will fully leverage the ORLEN Group's potential in the coming years while ensuring strong growth and strengthening of its competitive edge. The efforts implemented on the basis of these decisions will benefit our shareholders, customers, and Poland's economy.

The ORLEN Group delivered solid financial performance in 2019 despite a marked deterioration in the macroeconomic environment. Regulatory changes, global economic trends and the situation in global trade made our business environment increasingly competitive. The significant contribution of power generation to the Group's earnings demonstrates that our choice of a path towards building a strong multi-energy group is fully justified.

We processed almost 33.9m tonnes of crude oil and reported record-high sales volumes of 43.3m tonnes last year. We consistently exploited our refining potential across the ORLEN Group. Imports from Lithuania's Mažeikiai refinery were stepped up to satisfy demand in Poland. This helped improve the refinery's performance and bolstered our earnings.

The Group's 2019 LIFO-based EBITDA (LIFO-based earnings before depreciation and amortisation) before impairment of non-current assets stood at PLN 9.2bn, an increase of more than PLN 0.8bn year on year. This excellent result was largely attributable to the solid performance reported by our retail business, which delivered over PLN 3bn in EBITDA, the best result in the Group's history.

2019 saw a cut in Russian oil supplies delivered over the Druzhba Pipeline that lasted 46 days and was the longest such interruption to date. The Group was well prepared for that development having consistently implemented its strategy of diversifying crude supply sources. We had built and strengthened our relationships with new and existing partners, including in Africa, the US and the Persian Gulf.

Capital projects are a key driver of the Group's growth, with PLN 5.5bn allocated to such investments last year. We successfully completed the construction of a PPF splitter unit in Lithuania's Mažeikiai and a metathesis unit in Płock. As part of our efforts to convert ORLEN Południe into a modern biorefinery, we launched construction of a plant for making bio propylene glycol in our Trzebinia-based plant. We also purchased a licence and front-end engineering design to build a next generation bioethanol unit in Jedlicze. In ANWIL we launched projects that will help increase the subsidiary's fertiliser production capacity by half. In 2020, we commenced construction of a visbreaking unit in Płock with a view to maximising crude conversion. We made progress in implementing our strategic Petrochemicals Development Programme, with plans to establish a Research and Development Centre by the end of this year.

High performance in the power generation segment was a major contributor to the Group's LIFO-based EBITDA. Therefore, we resolved to step up our activities in this area, which will further enhance energy security of the ORLEN Group, Poland and the entire CEE region. Our key priority was to commence the acquisition process of the ENERGA Group, which we did by announcing a tender offer for 100% of its shares. We also continued our efforts to finalise the merger with LOTOS Group. A due diligence review of the company commenced in April 2018 and ended late last year. We expect the European Commission's decision on the mergers with LOTOS and ENERGA by the end of June 2020.

The two transactions as well as the proposed offshore project in the Baltic Sea fit into PKN ORLEN's long-term strategy to build a multi-energy company with an established international position. As a strong single entity, we will be able to better compete in global markets and strengthen our financial stability.

The proposed offshore project may be response to global trends in development of renewable energy and a major contribution to Poland's transition to a low-carbon economy. Another such contribution is a project to build a hydrogen purification unit in our plant in Trzebinia. Last year we signed a letter of intent with PESA Bydgoszcz on the development of hydrogen-powered rail transport. We expand our hydrogen capabilities – we own hydrogen refuelling infrastructure in Germany and we are set to deploy hydrogen fuel stations in the Czech Republic this year. In Poland, we mainly focus on collaborative partnerships contributing to the advancement of hydrogen-powered city transport. We have already signed cooperation agreements with the Upper Silesian Metropolitan Area and the City of Płock, with further locations to follow soon.

We continued to leverage the potential of our retail business, which again reported a record-high operating profit, driven by a 4% growth in sales volumes, higher market shares in Poland, Germany and the Czech Republic, and a mid-teen rise in non-fuel margins. We proceeded with a rapid rollout of the food and store format across the markets, including Poland, where 164 new O!SHOP brand convenience stores opened, and Germany, where the number of star Connect locations more than doubled. PKN ORLEN's retail network expanded into Slovakia: at the end of 2019, ten service stations operated in that market. The co-branding process began in the second half of the year, with almost all service stations already bearing the ORLEN brand. Our partnership with Robert Kubica and our presence in Formula 1, the world's highest class of auto racing with a global audience of almost two billion people, greatly contributed to building the awareness of our brand. The global exposure equivalent for the ORLEN brand exceeded the PLN 170m mark last year.

In the upstream segment, we consistently pursued our strategy of focusing on the most promising assets. As at the end of 2019, PKN ORLEN's total 2P oil and gas reserves were 197.3 mboe.



Daniel Obajtek
President & CEO

I would like to thank all ORLEN Group employees for their engagement and great work, and the Supervisory Board for their support and valuable guidance. Our ambitious business goals and continuous growth could not have been achieved without you. I would also like to thank our Shareholders for the trust they place in us when making investment decisions. We have begun a new busy year together, which will see continuation of many landmark projects. I am confident the ORLEN Group will again deliver the goals that it has set itself.

Daniel Obajtek

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