



Wojciech Jasiński  
President & CEO

*Ladies and Gentlemen, Dear Shareholders,*

2015 was an eventful year in terms of the ORLEN Group's value growth, with an exceptionally strong performance of the Company's stock price, which rose by 39% during the year and peaked at the all-time-high of PLN 85.25 per share.

The record-breaking performance on the stock market was supported by low crude oil prices throughout 2015, which were good news for the European refining sector, driving up refining and petrochemical margins. Given the continuing high output in the Middle East and acquisitions of assets around the world, Russia, the key supplier of crude oil to Europe, decided to take a more flexible approach. High availability and favourable prices of crude led to higher production and opened new supply routes, enhancing the performance of European refineries. Integrated companies, such as PKN ORLEN, which leverage synergies across a number of segments, were best-placed to take advantage of the favourable macroeconomic environment.

Consistent delivery of the action plan outlined in its strategy allowed the ORLEN Group to report record-breaking performance for 2015, including LIFO-based EBITDA (net of non-cash effects of impairment losses on property, plant and equipment) of PLN 8.7bn, up PLN 3.5bn relative to 2014. Stable growth, diversification of revenue sources, and focus on the most promising areas of business made it possible to quickly identify and tap opportunities offered by the favourable macroeconomic climate. The integrated Downstream segment generated LIFO-based EBITDA of PLN 7.8bn, while the Retail segment once again reported record-high LIFO-based EBITDA of PLN 1.5bn. Despite the persistently low prices of crude oil, also the Upstream segment closed the year with a positive LIFO-based EBITDA of PLN 44m. Throughout 2015, the ORLEN Group spent PLN 4.8bn on CAPEX projects, including PLN 1.6bn on acquisitions of production and refinery assets, while keeping its net debt flat and financial ratios at safe levels.

In the Downstream segment, a number of important CAPEX projects were carried out, notably the acquisition of Česká Rafinérská from ENI of Italy. The acquisition made it possible to revamp the business model, achieve efficiency gains, and take steps to optimise and fully integrate assets across the Unipetrol Group.

PKN ORLEN also announced plans to undertake the largest investment project yet in the Czech chemical segment and build one of Europe's most advanced facilities of this kind – a polyethylene unit at the Litvinov refinery. The decision to green-light the project shows that the Czech Republic is an important market for the ORLEN Group, and that PKN ORLEN will focus not only on the growth of Unipetrol's assets, but of the Czech petrochemical sector in general.

Although our Czech operations were affected by a breakdown of the ethylene unit in Litvinov in August 2015, the Unipetrol Group still reported LIFO-based EBITDA of PLN 1.6bn.

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**Polski Koncern Naftowy ORLEN Spółka Akcyjna**

a Polish company, with its registered office at Chemików 7, 09-411 Płock, 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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In Poland, work was continued on a metathesis unit project, which will help increase the Płock plant's annual output of propylene to 550,000 tonnes, strengthening PKN ORLEN's competitive position. At Płock, 2015 saw completion of our flagship Flue Gas Desulfurisation Unit, designed in keeping with the best global flue gas treatment technologies. The new unit will minimise harmful emissions, greatly improving the quality of air. Completion of this project is one of the milestones of the long-term programme implemented to meet the stringent environmental protection standards in effect as of January 1st 2016.

2015 also saw continued work to construct new generation capacities, with first electricity from the new 463 MWe CCGT unit at Włocławek fed into the national grid in January. The commercial launch of the unit is scheduled for mid-2016. Construction of a new CCGT unit with a capacity of nearly 600 MWe is also in progress at Płock, with the planned completion date at the end of 2017.

In the Retail segment, Benzina, the Czech Republic's leading fuel retailer, was merged with Unipetrol RPA – a leading Czech producer of refinery and petrochemical products. In order to further enhance the retail asset base on the Czech market, 68 service stations were acquired from OMV in 2015. Transaction was approved by the Czech anti-trust authority. In Germany, an agreement was signed with Germania Petrol to acquire 13 SUN service stations located in Berlin. In Poland, the main focus was on optimising the functionality and standards of the existing retail network, and on launching and optimising non-fuel products and services, including Stop Cafe and Stop Cafe Bistro food service outlets. As at the end of 2015, there were 1,404 such locations across the country.

In the Upstream segment, in keeping with the strategy of the segment's sustainable growth, acquisitions of two companies were closed at the end of 2015: Kicking Horse Energy Inc. of Canada and FX Energy of the USA, the latter holding production assets primarily in Poland. At year-end, the ORLEN Group's 2P oil and gas reserves were approximately 97m boe. In 2015, PKN ORLEN also entered into a joint operations agreement with PGNiG SA, covering exploration, appraisal, and production of oil and gas in the very promising region of the Carpathian Mountains. ORLEN also acquired 100% interests in two licence areas located in the provinces of Kraków and Rzeszów from DEA Deutsche Erdoel AG.

In addition to development and integration of its business segments, in 2015 the Company continued to optimise its organisational structure to be able to respond even more flexibly to market challenges. The merger of ORLEN PetroTank with ORLEN Paliwa, and later with ORLEN GAZ, has resulted in one of the largest sales organisations in Poland capable of delivering a comprehensive multi-fuel offering to wholesale buyers. Divestment of non-core logistics assets also started in 2015. ORLEN Transport was sold in February 2016, while the agreement to sell ORLEN KolTrans is still awaiting clearance from the President of the Competition and Consumer Protection Office (UOKiK). The closing of both transactions will release capital engaged in the non-core companies and allow the ORLEN Group to focus on its core business, with a resulting improvement in efficiency and creation of further value for Shareholders.

Given the need to secure continuous feedstock supplies to support the uninterrupted operation of its production units, the ORLEN Group decided to step up its diversification efforts. Saudi Arabian vessels have recently delivered crude oil on a regular basis to Płock, and the first delivery of Iraqi crude was bought for Mažeikiai. The diversification work will continue in 2016, with the Company looking to open up new directions of supply.

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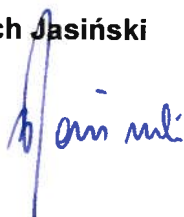
As regards the sourcing of URAL crude, the primary feedstock in crude processing, at the end of 2015 two new contracts for deliveries of the crude to Płock were signed with Rosneft and Tatneft. Under the new agreement with Rosneft, ORLEN has secured better pricing terms and more flexibility in terms of deliveries, which is of great importance for the refinery.

Aware of the challenges lying ahead of the ORLEN Group in the coming years, it has numerous investment and R&D projects in the pipeline. A pilot project testing the potential for long-term storage of gasolines in salt caverns is now under way, with the aim of enhancing the energy security through storage of large fuel volumes in the most economically viable and environmentally neutral conditions. The Company has also launched a research project at Płock into the production of next-generation biocomponents from algae, using CO<sub>2</sub> and process wastewater discharged from the refinery. Furthermore, the Company has organised an international crowdsourcing project to find an innovative technology concept for efficient recovery and utilisation of low-temperature heat from distillation columns. Interestingly, it is the first-ever global crowdsourcing competition organised in Poland on such a large scale.

In 2015, the Company also extended its market reach. For example, the ORLEN Group's comprehensive offering was introduced to the Ukrainian market, through its representative office. Since 2015, PKN ORLEN has a new representative office also in Brussels, whose role is to voice and advocate the Company's position with regard to EU legislative projects which have a direct bearing on energy market players.

The solid 2015 performance across the ORLEN Group would not have been possible without the work and involvement of thousands of our Employees, who, through their actions and decisions taken on a daily basis, contribute to the Group's success. I wish to thank our Employees for their dedication, our Shareholders for the trust they have placed in us, and the Supervisory Board Members for their unwavering support, which allows the Company to consistently pursue its long-term strategy.

**Wojciech Jasiński**



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

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