

**POLSKI KONCERN NAFTOWY ORLEN
SPOLKA AKCYJNA**

**CONDENSED FINANCIAL STATEMENT
FOR 6 MONTHS ENDED 30 JUNE 2002**

PLOCK, SEPTEMBER 2002

I. Introduction to the condensed financial statements

1.1. Format and basis of preparation of the condensed financial statements

Format, basis and scope of preparation of the condensed financial statements were defined in § 58.3 of the Decree of the Council of Ministers of 16 October 2001 on current and periodic information published by issuers of securities ("Decree on current and periodic information published by issuers of securities").

According to the above quoted decree, the issuer, who is a parent company is not obliged to prepare a separate half year report, providing that the condensed financial statements are included in the consolidated half year report, together with a auditor's review report concerning the condensed financial statements, comprising: balance sheet statement, profit and loss account, statements of changes in shareholders equity, cash flow statement and condensed description notes, covering information and data which are material to properly assess the financial position and financial result of the issuer, and were not included in the consolidated financial statements.

The amended Accounting Act is in force from 1 January 2002. In order to provide comparability of data presented in the condensed financial statements, previously published financial data for six months ended 30 June 2001 and year 2001 was restated.

The financial data was restated by application of rules that include regulations concerning presentation of financial statements, of the amended Accounting Act with the retrospective effect from 1 January 2001. Changes of the accounting policies introduced by the amendment of the Accounting Act were presented as adjustments of specific captions of the condensed financial statements for six months ended 30 June 2001 and year 2001 in amount corresponding to the proper period. The effect of changes of accounting policies concerning year 2000 and earlier periods was presented as an adjustment to "retained earnings". Material impact of changes in accounting policies resulting from application of the amended Accounting Act, on net profit and the equity of PKN ORLEN S.A. ("the Company") is presented in note 2.18.

1.2. Accounting policies

As applicable for standalone financial statements, the accounting policies are convergent with policies described in the consolidated financial statements of the Capital Group, in which the Company is the parent entity („the Capital Group”).

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2. Condensed description notes

2.1 Tangible fixed assets

As at the balance sheet date the Company used land under perpetual leasehold worth 392,557 PLN thousand.

Under lease, tenancy or other agreements, including operating lease the Company used tangible fixed assets worth 5.338 PLN thousand.

Any budget liabilities resulting from possession of ownership right to buildings have not occurred as at balances sheet date.

2.2 Provisions

a. Provision for deferred tax

	Provision for deferred tax
Opening balance - 1 January 2001	171,793
Increases	86,765
Decreases	(60,955)
Closing balance – 30 June 2001	197,603

	Provision for deferred tax
Opening balance - 1 January 2001	171,793
Increases	167,896
Decreases	(147,605)
Closing balance – 31 December 2001	192,084

	Provision for deferred tax
Opening balance - 1 January 2002	192,084
Increases	69,377
Decreases	(76,444)
Closing balance – 30 June 2002	185,017

b. Provision for retirement bonuses and other

	Provision retirement bonuses and other
Opening balance - 1 January 2001	68,200
Increases	-
Decreases	-
Closing balance – 30 June 2001	68,200

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	Provision for retirement bonuses and other
Opening balance - 1 January 2001	68,200
Increases	6,066
Decreases	-
Closing balance – 31 December 2001	74,266

	Provision for retirement bonuses and other
Opening balance - 1 January 2002	74,266
Increases	-
Decreases	-
Closing balance – 30 June 2002	74,266

c. Other provisions presented as liabilities

	Other provisions presented as liabilities
Opening balance - 1 January 2001	560,318
Increases	109
Utilisation	-
Release	(29,863)
Closing balance – 30 June 2001	530,564

	Other provisions presented as liabilities
Opening balance - 1 January 2001	560,318
Increases	14,844
Utilisation	(288)
Release	(149,978)
Closing balance – 31 December 2001	424,896

	Other provisions presented as liabilities
Opening balance - 1 January 2002	424,896
Increases	21,316
Utilisation	(7,962)
Release	(26,482)
Closing balance – 30 June 2002	411,768

2.3 Impairment of receivables

	Impairment of long term receivables	Impairment of short term receivables
Opening balance - 1 January 2001	-	95,928
Increases		64,723
Utilisation	-	(260)
Release	-	(20,286)
Closing balance – 30 June 2001	-	140,105

	Impairment of long term receivables	Impairment of short term receivables
Opening balance - 1 January 2001	-	95,928
Increases	-	111,933
Utilisation	-	(329)
Release		(50,238)
	-	
Closing balance – 31 December 2001	-	157,294

	Impairment of long term receivables	Impairment of short term receivables
Opening balance - 1 January 2002	-	157,294
Increases	-	62,348
Utilisation	-	-
Release	-	(31,489)
Closing balance – 30 June 2002	-	188,153

2.4 Long term liabilities

Ageing of long term liabilities:

	1 - 3 years	3 - 5 years	longer than 5 years	Total
Long term liabilities from subordinated companies	230,299	-	-	230,299
Long term liabilities from other companies, including:	832,536	-	-	832,536
a) loans and credits	824,520	-	-	824,520
b) resulting from issuance of commercial papers	-	-	-	-
c) other financial liabilities	8,016	-	-	8,016
d) other	-	-	-	-
Total long term liabilities	1,062,835	-	-	1,062,835

2.5 Prepayments and deferred costs, accruals and deferred income

Prepayments and deferred costs:

	30 June 2002	31 December 2001	30 June 2001
1. Costs of catalysts	77,698	86,824	122,079
2. Excise duty	370,599	343,851	378,888
3. cost of acquisition of customers (patronage stations)	94,733	100,736	107,748
4. Insurance	47,218	8,643	31,487
5. Years of service payments	7,461	17,065	27,343
6. Other	59,896	49,273	45,339
Total prepayments and deferred costs	657,605	606,392	712,884

Accruals:

	30 June 2002	31 December 2001	30 June 2001
1. Holiday pay accrual	11,423	11,423	10,669
2. Environment pollution charges	2,993	5,379	3,774
3. Cost of awards in VITAY loyalty program	31,848	17,489	5,646
4. Other	322	232	294
Total accruals and deferred income	46,586	34,523	20,383

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Deferred income:

	30 June 2002	31 December 2001	30 June 2001
Deferred income	33	1,794	2,047
Total deferred income	33	1,794	2,047

2.6 Liabilities secured on assets of the Company

At the balance sheet date the Company had following kinds of liabilities secured on its assets:

Kinds of securities as at 30 June 2002	Amount of liability secured	Securing amount
1. Mortgage	30,000	91,019
2. Assignment of receivables	105,315	17,188
3. Other	75,000	*
	210,315	108,207

* as at the balance sheet date the securing amount accounted for 0.2 thousand PLN

2.7 Sales of finished products, goods and materials by type

Sales by type in the period covered by the condensed financial statements:

Type of sales	6 months ended 30 June 2002	6 months ended 30 June 2001
1. Sales of refinery products	9,293,525	9,349,962
2. Sales of chemical products	839,129	1,091,501
3. Sales of services	70,027	71,867
4. Sales of products - other	30,489	29,056
5. Sales of goods	254,362	210,062
6. Sales of materials	237,630	405,057
7. Other sales	252,999	155,179
Total net sales	10,978,161	11,312,684

Sales by territory in the period covered by the condensed financial statements:

Sales by territory	6 months ended 30 June 2002	6 months ended 30 June 2001
1. domestic sales	10,470,210	10,806,536
2. export sales	507,951	506,148
Total net sales	10,978,161	11,312,684

2.8 Impairment of inventories

The Company did not make any impairment write-offs of inventories adjusting their net book value to net realisable value (market value) as defined in art. 28 p. 7 of the Accounting Act.

2.9 Information on income, cost and results of operation discontinued in the reporting period or intended to be discontinued in the next year

In the period covered by the condensed financial statements the Company did not discontinue any activities and no plans exist to discontinue any significant activity in the next year.

2.10 Corporate income tax

The reconciliation of the accounting gross profit to taxable income is as follows:

	6 months ended 30 June 2002	6 months ended 30 June 2001
1. Gross profit	222,028	240,829
1. Permanent differences	37,062	270
- dividends	(13,227)	(12,354)
- provision for disputable receivables	28,062	19,637
- contribution of technical infrastructure	4,298	1,109
- other permanent differences	17,929	(8,122)
2. Temporary differences	13,789	(107,745)
- investment allowance	(12,874)	(51,291)
- investment bonus	(31,848)	(20,516)
- unrealised currency differences	14,700	(25,940)
- inventories valuation	(3,197)	(16,333)
- costs of awards in VITAY program	14,359	5,646
- environmental provision	(11,555)	(5,134)
- depreciation and amortisation difference due to different tax and accounting amortisation and depreciation rates	21,967	7,973
- other temporary differences	22,237	(2,150)
3. Other differences between gross profit and taxable income, including:	-	(208)
- previous years adjustment	-	(208)
4. Taxable income	272,879	133,146
5. Tax rate	28%	28%
6. Income tax (current liability)	76,406	37,281

Provision for deferred tax amounts to 185,017 PLN thousand and influenced financial result in the amount of 185,896 thousand PLN, and equity in the amount of (879) PLN thousand.

2.11 Costs by type

	6 months ended 30 June 2002	6 months ended 30 June 2001
Depreciation and amortization	402,569	387,230
Usage of materials and energy	4,142,632	4,556,938
External services	719,035	645,843
Taxes and charges	4,688,175	4,378,008
Salaries and wages	221,007	237,788
Social security insurance and other charges	53,626	55,256
Other costs by kind	111,221	100,007
- Selling expenses	(5,237,374)	(4,832,588)
- General and administrative expenses	(274,406)	(274,585)
- Change in value of work in progress and finished goods	(288,291)	(49,342)
- Internal costs capitalized	(7,406)	17,372
Cost of goods sold	4,530,788	5,221,997

2.12 Cost of construction in progress, fixed assets for own needs

	6 months ended 30 June 2002	6 months ended 30 June 2001
Cost of construction in progress	6,185	1,113
Cost of construction of fixed assets for own needs	-	-
Total	6,185	1,113

2.13 Expenditures for other non-financial fixed assets

	6 months ended 30 June 2002
Expenditures for other non-financial fixed assets:	286,735
- including those for environmental protection	58,757
Particularly for:	-
- intangible fixed assets	6,726
- tangible fixed assets	277,143
- other	2,866
	286,735

Planned expenditures in following years amounts to 6,287,171 PLN thousand, including those for environmental protection accounting for 954,500 PLN thousand.

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2.14 Extraordinary gains and losses

Extraordinary gains	6 months ended 30 June 2002	6 months ended 30 June 2001
Accidental	17	3,189
Other	-	41
Total extraordinary gains	17	3,230

Extraordinary losses	6 months ended 30 June 2002	6 months ended 30 June 2001
Accidental	133	52
Other	-	1,492
Total extraordinary losses	133	1,544

2.15 Additional cash flow information

	30 June 2002	31 December 2001	30 June 2001
Cash at bank	32,452	43,889	48,562
- current accounts	17,905	43,149	45,625
- deposits up to 1 year	14,547	740	2,937
- deposits over 1 year	-	-	-
Cash on hand	10,059	7,721	9,095
Other cash	63,871	29,677	70,914
Other cash equivalents	330	485	39
	106,712	81,772	128,610

2.16 Reasons for differences between balance sheet movements of certain captions and changes presented in cash flow statement

Receivables:	six months ended 30 June 2002
Balance sheet change in net long- and short-term receivables	(66,406)
Movement in investment receivables	(9,728)
Other	3,303
Change in receivables in cash flow statement	(72,831)

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Liabilities:	six months ended 30 June 2002
Balance sheet change in long- and short-term liabilities	235,996
Change in short-term loans and credits	177,308
Dividend liabilities	(50,421)
Change in investment liabilities	(5,423)
Other	3,101
Change in liabilities in cash flow statement	360,561

Prepayments, deferred costs, accruals, deferred income:	six months ended 30 June 2002
Balance sheet change in prepayments, deferred costs, accruals, deferred income	(40,911)
Change in interest resulting from issued securities	(2,814)
Cash flow statement change in prepayments, deferred costs, accruals, deferred income	(43,725)

Provisions:	six months ended 30 June 2002
Balance sheet change in provisions	(20,195)
Adjustment of deferred tax influencing equity	146
Change in value of work in progress and finished goods in cash flow	(20,049)

Other captions in cash flow statement

In cash flow statement for six months ended 30 June 2002:

- in position B.I 4 in investment activity the amount 5,831 thousand PLN is constituted by following items:

Change in prepayments for financial fixed assets	4,417
Other	1,414

	5,831
	=====

- in position B.II 4 in investment activity the amount (97,158) thousand PLN is constituted by following items:

Change in prepayments for intangible assets and tangible fixed assets	(94,202)
Other	(2,956)

	(97,158)
	=====

2.17 Information on average employment by category

Category	6 months ended 30 June 2002	6 months ended 30 June 2001
White collar employees	4,028	4,139
Blue collar employees	3,218	3,395
Total employment	7,246	7,534

2.18 Changes in accounting principles

In 2002 the Company introduced changes in the in applied accounting policy in comparison to policy according to which the financial statements for previous periods were prepared, resulting from introducing the amended Accounting Act on 1 January 2002, which was mentioned in introduction to these condensed financial statements.

A reconciliation of equity of the Company presented in the yearly report for 2001 and consolidated report for six months ended 30 June 2001 and net profit of the Company presented in the consolidated report for six months ended 30 June 2001 to the comparable data presented in these condensed financial statements, is presented below.

	30 June 2001	31 June 2001
Shareholders equity – (previously published data)	6,778,145	6,859,092
Unrealised foreign exchange gains	104,755	105,117
Changes resulting from assets and liabilities valuation	(10,960)	(15,100)
Embedded derivatives valuation	19,217	23,558
Costs of the Motivation Program	(21,147)	(18,865)
Other adjustments	2,160	2,792
Deferred tax on adjustments	(23,324)	(24,209)
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Shareholders equity – comparable data	6,848,846	6,932,385
	=====	=====
		six months ended 30 June 2001
Net profit – (previously published data)		167,079
Foreign exchange gains		27,151
Changes resulting from assets and liabilities valuation		(2,320)
Embedded derivatives valuation		11,358
Costs of the Motivation Program		(21,147)
Other adjustments		(211)
Deferred tax on adjustments		(3,965)

Net profit - comparable data		177,945
		=====

Description of changes in accounting policies resulting from application of the amended Accounting Act is presented in consolidated financial statements of the Capital Group for six months ended 30 June 2002.

2.19 Information not presented in these condensed financial statements

Other significant information not presented in these condensed financial statements is presented in the consolidated financial statements of the Capital Group for the six months ended 30 June 2002.