POLSKI KONCERN NAFTOWY ORLEN S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 AND 3 MONTH PERIODS
ENDED 30 JUNE 2002 AND 30 JUNE 2001
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
TOGETHER WITH AUDITORS' REVIEW REPORT

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED BALANCE SHEETS
as of 30 June 2002 and 31 December 2001

	Note	30 June 2002 (unaudited)	31 December 2001
		(in PLN million)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,145	9,321
(Negative goodwill)	6	(250)	(264)
Intangible assets	7	103	108
Available for sale investments	8	578	584
Investments accounted for on an equity basis	9	187	186
Deferred tax assets	24	30	15
Other non-current assets		15	1
Total non-current assets		**9,808**	**9,951**
Current assets			
Inventories	10	2,429	2,199
Trade and other receivables	11	2,109	1,951
Short-term investments	12	29	11
Deferred costs	13	126	68
Cash and cash equivalents	14	217	203
Total current assets		**4,910**	**4,432**
Total assets		**14,718**	**14,383**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	20		
Common stock		525	525
Capital reserve		1,174	1,174
Revaluation reserve		859	859
Retained earnings		5,531	5,400
Total shareholders' equity		**8,089**	**7,958**
Minority interests	15	**408**	**395**
Non-current liabilities			
Interest bearing borrowings	16	1,285	1,261
Provisions and accruals	17	565	601
Deferred tax liabilities	24	359	365
Total non-current liabilities		**2,209**	**2,227**
Current liabilities			
Trade and other payables and accrued expenses	18	2,668	2,291
Interest bearing borrowings	16	1,333	1,502
Deferred income	19	11	10
Total current liabilities		**4,012**	**3,803**
Total liabilities and shareholders' equity		**14,718**	**14,383**

The accompanying notes are an integral part of these consolidated financial statements.

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED INCOME STATEMENTS
for the 6 and 3 month periods ended 30 June 2002 and 30 June 2001

	Note	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
		(PLN million)			
Revenue		**7,434**	**3,932**	**8,143**	**4,289**
Cost of sales	22	(5,822)	(3,084)	(6,685)	(3,348)
Gross profit		**1,612**	**848**	**1,458**	**941**
Distribution costs	22	(783)	(407)	(722)	(397)
Administrative expenses	22	(426)	(225)	(407)	(242)
Other operating income/(expenses), net	22	(18)	(10)	48	9
Profit from operations		**385**	**206**	**377**	**311**
Financial income	23	66	48	187	72
Financial expenses	23	(175)	(82)	(215)	(81)
Income from associated companies accounted for under the equity method		4	2	11	-
Profit before income tax and minority interests		**280**	**174**	**360**	**302**
Income tax	24	(86)	(58)	(101)	(90)
Minority interests		(13)	(1)	(14)	(12)
Net profit for the period		**181**	**115**	**245**	**200**
Basic and diluted earnings per share for the period (in zloty per share)		**0.43**	**0.27**	**0.58**	**0.48**

The accompanying notes are an integral part of these consolidated financial statements.

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED CASH FLOW STATEMENTS
for the 6 month periods ended 30 June 2002 and 30 June 2001

	For 6 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)
	(PLN million)	
Cash flows from operating activities		
Net profit for the period	181	245
Adjustments for:		
Minority interests	13	14
Net income from investments accounted for under the equity method	(4)	(11)
Depreciation and amortisation	550	515
Interest and dividend charges, net	78	135
Result on investing activities	(14)	(45)
(Increase) /decrease in receivables	(189)	161
(Increase)/ decrease in inventories	(230)	344
Increase in accrued expenses and payables	339	222
Increase / (decrease) in provisions	(2)	34
Other	(25)	(82)
Net cash flows from operating activities	**697**	**1,532**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(418)	(806)
Proceeds from sales of property, plant and equipment	22	6
Proceeds from sales of available for sale investments	11	67
Acquisition of available for sale investments	-	(163)
Acquisition of subsidiary Anwil S.A., net of cash acquired	-	(72)
Acquisition of marketable securities	(104)	(135)
Proceeds from sales of marketable securities	90	115
Dividends and interest received	23	5
Other	(7)	8
Net cash flows used in investing activities	**(383)**	**(975)**
Cash flows from financing activities		
Proceeds from long-term and short-term loans and other borrowings	863	1,257
Repayment of long-term and short-term loans and other borrowings	(1,048)	(1,557)
Interest paid	(110)	(134)
Other	(5)	-
Net cash flows used in financing activities	**(300)**	**(434)**
Net increase in cash and cash equivalents	**14**	**123**
Cash and cash equivalents at beginning of year	**203**	**176**
Cash and cash equivalents at end of period	**217**	**299**

The accompanying notes are an integral part of these consolidated financial statements.

POLSKI KONCERN NAFTOWY ORLEN S.A.
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
for the 6 month periods ended 30 June 2002 and 30 June 2001
(in PLN million)

	Common stock	Capital reserve	Revaluation reserve	Retained earnings	Total shareholders' equity
1 January 2001	**525**	**1,174**	**859**	**5,038**	**7,596**
IAS 39 adoption	-	-	-	7	7
Cash dividends (PLN 0.05 per share)	-	-	-	(21)	(21)
Net profit for the first half of 2001	-	-	-	245	245
30 June 2001 (unaudited)	**525**	**1,174**	**859**	**5,269**	**7,827**
1 January 2002	**525**	**1,174**	**859**	**5,400**	**7,958**
Cash dividends (PLN 0.12 per share)	-	-	-	(50)	(50)
Net profit for the first half of 2002	-	-	-	181	181
30 June 2002 (unaudited)	**525**	**1,174**	**859**	**5,531**	**8,089**

The accompanying notes are an integral part of these consolidated financial statements.

1. Principal activities

The principal company of the capital group of Polski Koncern Naftowy ORLEN (further referred to as "the Group") is Polski Koncern Naftowy ORLEN S.A. (further referred to as "the Company", "PKN ORLEN") located in Plock, Poland on Chemikow 7.

The Company was established by the Notary Deed of 29 June 1993 as Mazowieckie Zaklady Rafineryjne i Petrochemiczne "Petrochemia Plock" S.A. as a State Treasury owned Joint Stock Company, and registered in the Companies Register in Plock on 1 July 1993. In accordance with the resolution of the General Meeting of Shareholders held on 19 May 1999, which became effective on registration in the District Court of Plock on 20 May 1999, the Company changed its name to Polski Koncern Naftowy S.A. Further, following the General Meeting of Shareholders resolution dated 3 April 2000, registered in the Plock District Court on 12 April 2000 the Company changed its name to Polski Koncern Naftowy ORLEN S.A.

The Company is engaged in the processing of crude oil into a broad range of petroleum products and petrochemicals and in the transportation and wholesale and retail distribution of such products. The other companies in the Group operate primarily in related downstream activities including further production and distribution as well as in production of chemicals.

Until the second public offering completed in July 2000, the Company was primarily owned, directly and indirectly, by the Polish State Treasury. The employees and others had a minority shareholding. The State Treasury supervised the Company through its control of the Company's majority shareholder, and ultimate parent company Nafta Polska S.A. As at 30 June 2002 the Polish State Treasury owned directly and indirectly 28% of the Company shares, Bank of New York (depositary) - 18% shares and other shareholders owned 54% of the Company shares. On 20 June 2002 the Company informed that Warsaw-based Kulczyk Holding S.A. and its subsidiaries are in possession of 23,911,206 bearer shares of PKN ORLEN, the amount that accounts for 5.69% of the votes at the general meeting of shareholders of PKN ORLEN.

2. Basis of presentation

a. Accounting standards

The Group applied for these financial statements International Financial Reporting Standards that were operative as of 30 June 2002, except in respect of accounting for hyperinflation referred to in Note 3.
The Group entities maintain their books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish Accounting Standards ("PAS") as defined by the amended Accounting Act ("Amended Accounting Act"). These financial statements include certain adjustments not reflected in the Company's or other Group entities books to present these statements in accordance with standards and interpretations issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC", formerly Standing Interpretations Committee ("SIC"), except with respect to accounting for hyperinflation referred to in Note 3. The adjustments to the Company's books and their effect on net profit and net assets resulting from adopting International Financial Reporting Standards are presented in Note 33.

The accompanying consolidated financial statements reflect all adjustments, except for adjustments required by IAS 29, of a recurring nature which are necessary for a fair statement of the Company's consolidated results of operations and cash flow for the interim periods ended on 30 June 2002 and 30 June 2001 and the Company's financial position as of 30 June 2002 and 31 December 2001. The accompanying consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year 2001. The interim financial results are not necessarily indicative of the results of the full year.

b. Reorganisation of the Group

In connection with the Polish Government's restructuring and privatisation program for the Polish oil sector companies, the Polish State Treasury, through its holding in Nafta Polska S.A. reorganised the Polish oil sector in the years 1997 through 1999. The existing Group is a result of this reorganisation of several significant operating companies, which were all under the common control of Nafta Polska S.A. and the Polish State Treasury. In particular, this reorganisation included the following transactions:

- performed by the Company incorporation of Centrala Produktów Naftowych "CPN" S.A.("CPN")– major Polish fuel retailer,
- performed by the Company acquisition of Rafineria Trzebinia S.A. and Rafineria Nafty Jedlicze S.A. – refineries,
- Dyrekcja Eksploatacji Cystern Sp. z o.o. spin off performed by CPN – major Polish rail logistics operator,
- performed by CPN disposition of Naftobazy Sp. z o.o. – major Polish fuel storage farms operator.

(in PLN million)

To the extent of the Polish State Treasury's common control, this reorganisation was accounted for as a transaction under common control using the uniting of interests' method of accounting. These consolidated financial statements for the periods ended 30 June 2002 and 30 June 2001 include the following subsidiaries:

	30 June 2002 (unaudited)	30 June 2001 (unaudited)
PKN ORLEN	100%	100%
ORLEN Petrogaz Plock Sp. z o.o.	100%	100%
ORLEN PetroCentrum Sp. z o.o.	100%	100%
Petrogaz Inowroclaw Sp. z o.o. 1)	100%	100%
ORLEN Medica Sp. z o.o.	100%	100%
ORLEN Budonaft Sp. z o.o.	100%	100%
ORLEN KolTrans Sp. z o.o.	100%	100%
ORLEN Powiernik Sp. z o.o.	100%	100%
ORLEN Transport Szczecin Sp. z o.o.	100%	100%
ORLEN Polimer Sp. z o.o.	100%	100%
ORLEN Transport Plock Sp. z o.o.	98%	98%
ORLEN Transport Krakow Sp. z o.o.	98%	98%
ORLEN Transport Lublin Sp. z o.o.	98%	98%
Zaklad Budowy Aparatury S.A.	97%	97%
ORLEN Transport Nowa Sol Sp. z o.o.	97%	97%
ORLEN Transport Poznan Sp. z o.o.	96%	96%
ORLEN Transport Slupsk Sp. z o.o.	96%	96%
ORLEN Transport Warszawa Sp. z o.o.	94%	94%
ORLEN Transport Olsztyn Sp. z o.o.	92%	92%
Petro – Oil Sp. z o.o. capital group	92%	76%
Petrogaz Lapy Sp. z o.o. 1)	90%	90%
Petrotel Sp. z o.o.	89%	93%
ORLEN Transport Kedzierzyn-Kozle Sp. z o.o.	88%	88%
ORLEN Petroprofit Sp. z o.o. capital group	85%	85%
ORLEN WodKan Sp. z o.o.	82%	82%
Rafineria Trzebinia S.A. capital group	77%	77%
Rafineria Nafty Jedlicze S.A. capital group	75%	75%
Anwil S.A. capital group	75%	75%
Inowroclawskie Kopalnie Soli „Solino" S.A.	71%	71%
ORLEN Mechanika Sp. z o.o.	68%	68%
ORLEN Petro – Tank Sp. z o.o.	60%	60%
ORLEN Automatyka Sp. z o.o.	52%	53%
ORLEN PetroZachod Sp. z o.o.	52%	52%
Petrogaz Wroclaw Sp. z o.o. 1)	52%	52%
Petrolot Sp. z o.o.	51%	51%
Petroprojekt Sp. z o.o.	51%	51%
ORLEN Remont Sp. z o.o.	51%	51%
ORLEN Eltech Sp. z o.o.	51%	51%
ORLEN EnergoRem Sp. z o.o.	51%	51%
ORLEN Wir Sp. z o.o.	51%	51%
Petrogaz Nowa Brzeznica Sp. z o.o. 2)	-	52%

1) entities contributed into Orlen Petrogaz Plock Sp. z o.o.
2) Entity in bankruptcy

3. Measurement and reporting currency

The measurement and the reporting currency of these consolidated financial statements is Polish Zloty ("PLN"). These consolidated financial statements have not been adjusted for the effects of inflation as is required by International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29).

IAS 29 requires companies that report in the currency of a hyperinflationary economy to restate assets and liabilities in terms of the measurement unit current at the balance sheet date. Given the historic hyperinflationary environment in Poland, reporting the results of operations and financial condition in local currency without restatement may not permit meaningful comparisons of amounts from transactions and other events that have occurred at different reporting periods. Taking into account that the three-year cumulative rate of inflation fell below 100% in late 1996, Poland was no longer considered to be a hyperinflationary economy from the beginning of 1997.

The Group last revalued its fixed assets as of 1 January 1995 to reflect the effects of inflation in general by applying price indices determined by the Central Statistical Office (“GUS”) to reflect level of inflation for individual groups of fixed assets. This revaluation was not performed in accordance with the provisions of IAS 29 since the Company did not use a general price index and did not subsequently revalue its fixed assets as of 31 December 1996.

4. Statement of principal accounting policies

(a) Principles of consolidation

The consolidated financial statements of the Group include Polski Koncern Naftowy ORLEN S.A. and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The purchase method of accounting is used for acquired businesses. Accounting for reorganisations is discussed in Note 2b. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associated companies (generally investments of between 20% to 50% in a company’s equity) where significant influence is exercised by the Group are accounted for using the equity method**.** An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

All other investments are accounted for in accordance with IAS 39, “Financial Instruments: Recognition and Measurement” as further disclosed in Note 4(m).

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss, except where stated at revalued amounts. Revaluations of property, plant and equipment were performed in Poland as mandated by the Ministry of Finance and were designed to reflect the level of inflation. Revaluations were performed using the price indices determined by Central Statistical Office (“GUS”) for individual groups of fixed assets. This is a departure from IAS 29, which requires application of a general price index. The last revaluation took place on 1 January 1995 and was designed to reflect the specific price level as of September 1994.

As a result of this revaluation both the carrying amount and tax base of the assets subject to revaluation have been increased with a resulting increase in the revaluation reserve line item in shareholders’ equity.

(in PLN million)

The Group has not revalued its property, plant and equipment as of 31 December 1996, which is a departure from IAS 29, which requires that assets are restated to a measurement unit current as of the end of hyperinflationary period. According to polish law the Group companies, performed the revaluations, which increased net book value of property, plant and equipment by a total of PLN 859. The amount equal to the difference between the depreciation on a revalued asset and the depreciation based on the cost of that asset is not transferred from revaluation reserve to retained earnings. Construction-in-progress was not subject to revaluations. Depreciation is based on the revalued amounts. Unless Polish economy is again subject to a period of hyperinflation, the Group does not intend to include effects of any further revaluations in its consolidated financial statements prepared under IFRS.

Property, plant and equipment are depreciated over their useful lives using a straight-line method. The following depreciation rates are used:

Buildings	1.5-10.0%
Plant and machinery	4.0-30.0%
Transportation vehicles and others	6.0-25.0%

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

No depreciation is provided on land and construction-in-progress.

The Group companies review the net carrying value of property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(c) Goodwill and negative goodwill

Goodwill / negative goodwill arises from the purchase of an entity. Goodwill represents the excess of the purchase consideration over the Company's interest in the fair value of the net assets acquired. Negative goodwill represents the excess of the Company's interest in the fair value of the net assets acquired over the purchase consideration. Goodwill is capitalised at the date of acquisition and amortised on a straight-line basis over the expected period of benefit. The Group amortises goodwill, which arose on the merger of CPN in year 1999, over a period of ten years. The amortisation period reflects the best estimate of the period during which future economic benefits are expected to flow to the enterprise.
Negative goodwill is recognised in the income statement as follows: to the extent that negative goodwill relates to expected future losses and expenses that are identified in the company's plan for the acquisition and can be measured reliably but which cannot be accrued for the date of acquisition, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised; the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets; the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately. The amortisation period for the presented negative goodwill is 10 – 12 years from the date of purchase of shares.

(d) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful economic live. The amortisation rates applied in relation to intangible fixed assets range from 7% to 50%.

The Group companies review the value of intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of weighted average cost. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity.

(f) Receivables

Receivables are initially stated at the fair value of the consideration given and are subsequently carried at amortised cost, after provision for impairment.

(g) Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(h) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales is recognised net of value added tax (“VAT”), excise tax and discounts. Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

(i) Operating expenses

Operating expenses are charged in the period to which they relate. In line with Polish business practice, shareholders are allowed to distribute profits for the benefit of employees to pay additional bonuses or to increase the social fund designed for the welfare of employees. If such distributions were made they would be recharacterised and recognised as an operating expense.

(j) Borrowings

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those which are directly attributable to the acquisition, construction or production of a qualifying asset and therefore capitalised. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.
Borrowings are initially recognised at the proceeds received, net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the net profit or loss for the period over the life of the borrowings.

(k) Jubilee and retirement bonuses

Certain Group companies provide defined jubilee and retirement benefit plans for their employees. Jubilee bonuses are paid to employees upon completion of a certain number of years in service whereas retirement allowances as a one–off payments paid on retirement, both depending on employee’s average remuneration and length of service. The jubilee and retirement benefits are not funded. The jubilee and retirement bonus obligations are accounted for on an accrual basis. Jubilee benefits are other long - term employee benefits, while retirement bonuses are post-employment defined benefit plans according to IAS 19. An independent actuary has determined the net present value of these obligations. Accrued obligations are those future discounted payments, adjusted by employee attrition rates, which were earned by the employees prior to the balance sheet dates. Demographic and attrition profiles are based on the historical data. Valuation of obligations was made on the assumption of no effective increase in the salary level and an effective discount rate of 4% per annum. During the 6 month periods ended 30 June 2002 and 30 June 2001 the Group paid PLN 10 and PLN 8 jubilee and retirement bonuses combined, respectively.

(l) Foreign exchange transactions

Transactions denominated in foreign currencies are translated in measurement currency (Polish Zloty) at actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the end of the period. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement, except for amounts capitalised in accordance with Note 4 (j).

(m) Financial instruments

Investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realise them within 12 months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Available-for-sale investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date unless they do not have a quoted market price in an active market and their fair value cannot be reliably measured by alternative valuation methods. Such available-for-sale investments are measured at cost.

Changes in the fair values of trading investments are included in financial income or financial expense. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Derivative financial instruments are not designated as hedging instruments and are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

Embedded derivatives are accounted for in a manner similar to derivative financial instruments that are not designated as hedging instruments.

The carrying value of cash, receivables, trade and other payables and accruals approximate their fair value.

(n) Income tax

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. For the purpose of deferred tax calculation the investment tax allowance bonus is treated as a temporary difference and is recognised as deferred tax asset in the period the investment tax allowance deduction is taken.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes.

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to realise.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet.

(o) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during that period.
Diluted earnings per share for each period is calculated by dividing the income for the year adjusted for any changes in the income resulting from the conversion of the dilutive potential ordinary shares by the weighted average number of shares outstanding taking into account the conversion of all dilutive potential ordinary shares.

(p) Environmental provisions

The Group companies accrue for environmental clean-up and remediation costs when they have a legal or constructive obligation to do so.

(q) Equity compensation plans

Convertible bonds, issued by the Company as the part of the employee compensation program, are recognised at the moment of granting the employee an option to buy convertible bonds. As of balance sheet date, the fair value of the convertible bonds options is recognised as salary expense and presented in other payables. The fair value is estimated on the basis of historical volatility of listed shares and Black-Scholes' model.

(r) Management use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates. During 2001 the Group has changed the estimate of environmental clean-up and remediation costs further presented in Note 17. In order to achieve better presentation, in 2002 the Group has changed the estimate of the closing rate used for reporting of foreign currency monetary items. Until 2001 the closing rate was approximated by the average National Bank of Poland exchange rate at the end of an accounting period ("NBP average"). Since 2002 foreign currency monetary assets are reported at lower of commercial bank's buy rate and NBP average while foreign currency monetary liabilities are reported at higher of commercial bank's sell rate and NBP average.

(in PLN million)

5. Property, plant and equipment

	30 June 2002 (unaudited)	31 December 2001
Land	127	121
Buildings and constructions	4,918	4,719
Machinery and equipment	3,222	3,283
Vehicles and other	303	294
Construction in progress	575	904
Total	9,145	9,321

The movements in each year were as follows:

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Cost						
1 January 2001	96	5,365	7,999	752	943	15,155
Additions at cost	7	701	680	120	1,279	2,787
Consolidation of subsidiaries	18	877	1,063	53	155	2,166
Reclassifications	-	1,077	(1,077)	-	-	-
Disposals	-	(94)	(85)	(25)	(10)	(214)
Transfers to other groups of PPE	-	-	-	-	(1,436)	(1,436)
Impairment	-	-	-	-	(27)	(27)
31 December 2001	**121**	**7,926**	**8,580**	**900**	**904**	**18,431**
1 January 2002	121	7,926	8,580	900	904	18,431
Additions at cost	8	390	351	49	383	1,181
Reclassifications	-	4	(4)	-	-	-
Disposals	(2)	(38)	(136)	(11)	(8)	(195)
Transfers to other groups of PPE	-	-	-	-	(704)	(704)
30 June 2002 (unaudited)	**127**	**8,282**	**8,791**	**938**	**575**	**18,713**
Accumulated depreciation						
1 January 2001	1	2,060	4,491	456	-	7,008
Charge	-	316	623	129	-	1,068
Impairments and other charges	-	11	1	1	-	13
Consolidation of subsidiaries	-	419	749	41	-	1,209
Reclassifications	-	487	(487)	-	-	-
Disposals	(1)	(86)	(80)	(21)	-	(188)
31 December 2001	**-**	**3,207**	**5,297**	**606**	**-**	**9,110**
1 January 2002	-	3,207	5,297	606	-	9,110
Charge	-	167	337	42	-	546
Other increases	-	-	-	4	-	4
Impairments and other charges	-	13	1	-	-	14
Reclassifications	-	4	(4)	-	-	-
Disposals	-	(27)	(62)	(17)	-	(106)
30 June 2002 (unaudited)	**-**	**3,364**	**5,569**	**635**	**-**	**9,568**
Net book value						
31 December 2001	**121**	**4,719**	**3,283**	**294**	**904**	**9,321**
30 June 2002 (unaudited)	**127**	**4,918**	**3,222**	**303**	**575**	**9,145**

(in PLN million)

As at 30 June 2002 and 31 December 2001 the carrying amounts of property, plant and equipment held for disposal were PLN 3 and PLN 8, respectively.

As at 30 June 2002 and 31 December 2001 the carrying amount of property, plant and equipment pledged as security for liabilities were PLN 351 and PLN 320, respectively.

Impairment losses presented in the movements of property, plant and equipment are the amounts by which the carrying amounts of the assets exceeded their recoverable amounts. The impairment losses are charged to other operating expenses. Impairment losses recognised during the year 2001 and 6 month period ended 30 June 2002 resulted from the restructuring process of the Company – (the integration process of former CPN branches) and mainly relate to idle gasoline warehouses and retail sites.

Fixed assets of the Group are not considered to be investment property under IAS 40.

As of 30 June 2002 and 31 December 2001 Construction in progress included:

	30 June 2002 (unaudited)	**31 December 2001**
Pipeline Plock – Ostrow Wielkopolski	189	143
Construction of underground crude oil and gasoline storage	40	142
Oil and gasoline pipelines to mine ”Gora”	35	5
Construction of containers	20	21
Intensification of Hydrocracking Installation	15	-
Crude oil distillation Unit DRW III	13	279
Construction of gasoline storage in Ostrow Wielkopolski	13	13
Construction of retail sites	9	12
Modernisation of wholesale site in Mosciska	8	15
Other construction in progress	233	274
Total	575	904

The Group companies record all scheduled maintenance and repairs as expenses when incurred. Environmental remediation costs related to site restoration are accrued when management has a legal or constructive obligation to restore and clean up the sites (see Note 17).

The amounts of borrowing costs capitalised for the 6 month periods ended 30 June 2002 and 30 June 2001 were PLN 27 and PLN 63, respectively. The average capitalisation rates in 6 month periods ended 30 June 2002 and 30 June 2001 were 4% and 6%, respectively.

(in PLN million)

6. Negative goodwill

	30 June 2002 (unaudited)	31 December 2001
CPN	78	83
Anwil S.A.	(326)	(345)
Other	(2)	(2)
Total	(250)	(264)

Goodwill and negative goodwill changes in the 6 month period ended 30 June 2002 and in year ended 31 December 2001 were as follows:

	30 June 2002 (unaudited)	31 December 2001
Gross amount		
Beginning of year	(334)	99
Negative goodwill on acquisition of Anwil S.A. shares	-	(305)
Reclassification from associates to subsidiaries[3)]	-	(128)
Other	(2)	-
End of period	(336)	(334)
Accumulated amortisation		
Beginning of year	70	(10)
Charge for the year, net	16[2)]	25[1)]
Reclassification from associates to subsidiaries[3)]	-	55
End of period	86	70
Net book value at the end of period	(250)	(264)

Negative goodwill does not relate to expected future losses and that it is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.

[1)] PLN 11 relates to goodwill amortisation and PLN (36) relates to negative goodwill.
[2)] PLN 5 relates to goodwill amortisation and PLN (21) relates to negative goodwill.
[3)] referring to Anwil S.A.

(in PLN million)

7. Intangible assets

	30 June 2002 (unaudited)	31 December 2001
Software	4	4
Patents and trademarks	89	86
Other	10	18
Total	103	108

The movements of intangible assets in each year were as follows:

	Software	Patents and trademarks	Other	Total
Cost				
1 January 2001	14	95	22	131
Additions at cost	2	43	7	52
Consolidation of subsidiaries	2	9	2	13
Disposals	(2)	(1)	(1)	(4)
31 December 2001	**16**	**146**	**30**	**192**
1 January 2002	16	146	30	192
Additions at cost	1	18	1	20
Disposals	-	-	(9)	(9)
30 June 2002 (unaudited)	**17**	**164**	**22**	**203**
Accumulated depreciation				
1 January 2001	10	34	7	51
Charge	2	25	5	32
Consolidation of subsidiaries	1	2	-	3
Disposals	(1)	(1)	-	(2)
31 December 2001	**12**	**60**	**12**	**84**
1 January 2002	12	60	12	84
Charge	1	15	4	20
Disposals	-	-	(4)	(4)
30 June 2002 (unaudited)	**13**	**75**	**12**	**100**
Net book value				
31 December 2001	**4**	**86**	**18**	**108**
30 June 2002 (unaudited)	**4**	**89**	**10**	**103**

(in PLN million)

8. Available for sale investments

At cost	30 June 2002 (unaudited)	31 December 2001	Group interest in capital as at 30 June 2002	Group voting rights	Principal activity
Polkomtel S.A. [1)]	534	534	19.61%	19.61%	GSM mobile operator
Telewizja Familijna S.A. [2)]	52	52	11.96%	9.61%	Television operator
LG Petro Bank S.A.	35	35	19.99%	19.99%	Bank
NFI Piast S.A.	9	9	4.88%	4.88%	Investment fund
Deutsche Bank 24 S.A. (former BWR S.A.) [3)]	-	8	-	-	Bank
Other	15	26			
Total	645	664			
Impairment	(67)	(80)			
Net value	**578**	**584**			

[1)] The amounts comprises: registered shares – PLN 436, granted loan – PLN 98
[2)] The amounts comprise: registered shares – PLN 26 and bonds – PLN 26
[3)] The Company sold shares of DB 24 S.A. during the 6 month period ended 30 June 2002

Available for sale investments as shown above are carried at cost less impairment charges since they do not have quoted market prices in an active market and their fair value cannot be reliably measured by alternative valuation methods.

Shares of Polkomtel S.A., a Polish GSM mobile operator, are presented at historical cost of PLN 436 (19.61% of interest) as at 30 June 2002. There are three other shareholders in Polkomtel with approximately 19% ownership interest and several other minority shareholders.

On 18 June 2001 the Extraordinary Shareholders Meeting of Polkomtel S.A. agreed to grant the company a PLN 500 loan by its shareholders. The Shareholders of Polkomtel (including PKN ORLEN) participates in granting the loan according to their proportionate interest. Proceeds from the loan will be used to cover the UMTS development. The loan agreement was signed on 1 October 2001 between Polkomtel S.A. and its shareholders. PKN ORLEN granted a loan amounting to PLN 98 in accordance with their proportionate interest.

On 29 December 2000 PKN ORLEN exercised the subscription right and applied for 1,078,550 registered shares of “J” series issued by Polkomtel S.A. as a result of the planned development of UMTS telecommunication services, which is proportional to PKN ORLEN’s 19.61% stake in this company. In the year 2001 PKN ORLEN paid the amount of PLN 107 for the acquired shares, which were registered on 24 September 2001. After the issuance of shares of “J” series the PKN ORLEN’s stake in Polkomtel S.A remained the same.

As at 30 June 2002 PKN ORLEN owned 220,000 shares of Telewizja Familijna S.A. which represents 11.96% of share capital and 9.61% votes on General Meeting of Shareholders. The company’s activities include: radio and television activity, activity connected with movie and video industry, reproduction and recording, telecommunication, advertising and agency activity. The value of capital investment of PKN ORLEN in Telewizja Familijna S.A amounts to PLN 26. Shares are fully provided for. On 18 July 2001 PKN ORLEN acquired 260 bonds of Telewizja Familijna S.A. amounting to PLN 26. Repurchase of bonds is due to take place on 12 March 2005. The above bonds are fully provided for.

(in PLN million)

9. Investments accounted for on an equity basis

As at 30 June 2002 and 31 December 2001 the Group's investments accounted for on an equity basis were as follows:

	Recorded value on equity basis as at		Group Interest in Capital as at 30 June 2002	Principal activity
	30 June 2002 (unaudited)	31 December 2001		
Naftoport Sp. z o.o.	47	51	48.71%	Construction, operation and maintenance of loading station for liquid fuel
Niezalezny Operator Miedzystrefowy Sp. z o.o. ("NOM") [1]	84	82	35%	Telecommunication services
Other	56	53		
	- - - - -	- - - - -		
Total	187	186		
	=====	=====		

[1] The Company has a put option for shares in NOM, giving right to sell the shares at a price not lower than their carrying amount as at 30 June 2002.

10. Inventories

	30 June 2002 (unaudited)	31 December 2001
Finished goods	1,161	958
Work in progress (semi-products)	305	234
Goods for resale	60	81
Materials and production supplies	903	926
	- - - - - -	- - - - - -
Net inventories	2,429	2,199
	======	======

The inventory write-offs to net realisable value amounted to PLN 4 and PLN 5 respectively, for the 6 month periods ended 30 June 2002 and 30 June 2001.

As at 30 June 2002 and 31 December 2001 the carrying amounts of inventories valued at net realisable value were PLN 50 and PLN 82, respectively.

As at 30 June 2002 and 31 December 2001 the carrying amounts of inventories pledged as security for liabilities were PLN 8 and PLN 26, respectively.

Pursuant to the Act on State Reserves and Mandatory Fuel Reserves dated 30 May 1996 with further amendments, the Company and certain of its subsidiaries are obliged to maintain level of liquid fuel inventories, which in 1998 equalled 2% of total production and imports of these fuels in the previous year. This level is subject to annual increase by additional 2% of production and imports until the level denoted in the above mentioned act, equal to 90 days of total production and/or imports of these liquid fuels, is reached.

(in PLN million)

11. Trade and other receivables

	30 June 2002 (unaudited)	31 December 2001
Trade receivables	1,653	1,580
Value added and other taxes recoverable	471	463
Prepayments	110	23
Other receivables	167	111
Gross receivables	2,401	2,177
Less allowance for doubtful accounts	(292)	(226)
Net receivables	2,109	1,951

Total receivables include PLN 65 and PLN 74 of amounts in foreign currencies as at 30 June 2002 and 31 December 2001, respectively. Trade receivables relate primarily to the sales of finished goods and sales of goods bought for resale.

Other receivables include embedded derivatives (embedded foreign currency forward contracts) of PLN 12 and 15 as at 30 June 2002 and 31 December 2001, respectively.
The value of embedded derivatives as at 1 January 2001 was directly credited to equity in the amount of PLN 9, less deferred tax of PLN 2.

Concentrations of credit risk relating to trade receivables are limited due to the large number of customers comprising the Group's customer base and their dispersion across many different industries principally in Poland.

The impairment write offs and changes therein for the periods ended 30 June 2002 and 31 December 2001 were as follows:

	For 6 months ended 30 June 2002 (unaudited)	For the year ended 31 December 2001
Allowance, beginning of year	226	107
Reclassification of provision from liabilities	26	-
Charged	77	189
Released	(34)	(60)
Written off	(3)	(10)
Allowance, end of period	292	226

12. Short-term investments

Short-term investments as at 30 June 2002 and 31 December 2001 included securities which are classified as held for trading.

(in PLN million)

13. Deferred costs

	30 June 2002 (unaudited)	31 December 2001
Prepayments	80	29
Other	46	39
	----	----
Total	126	68
	====	====

14. Cash and cash equivalents

	30 June 2002 (unaudited)	31 December 2001
Cash on hand and in bank	141	172
Cash in transit and cash equivalents	76	31
	----	----
	217	203
	====	====

Total cash and cash equivalents include PLN 6 and PLN 17 of amounts in foreign currencies as at 30 June 2002 and 31 December 2001, respectively.

Concentrations of credit risk relating to cash and cash equivalents are limited because the Group places its cash with several well-established Polish and international institutions.

15. Minority interests

The minority interests represent the net assets of subsidiaries attributable to interests that are not owned, directly or indirectly through subsidiaries, by the Company.

	30 June 2002 (unaudited)	31 December 2001
Beginning of year	395	170
Change in the composition of shareholders	-	(2)
Increase in the companies' equities	13	15
Inclusion of new companies in consolidated financial statements	-	212
	----	----
End of period	408	395
	====	====

(in PLN million)

Minority interests consist of interest of minority shareholders in the following subsidiaries:

	30 June 2002 (unaudited)	**31 December 2001**
Anwil S.A.	202	200
Rafineria Trzebinia S.A.	50	46
Rafineria Nafty Jedlicze S.A.	37	40
Inowroclawskie Kopalnie Soli "Solino" S.A.	21	19
Other	98	90
	408	395

16. Interest bearing borrowings

	Note	**30 June 2002 (unaudited)**	**31 December 2001**
Bank loans	(a)	2,233	2,276
Other loans and credits	(b)	105	132
Short terms bonds	(c)	280	355
Subtotal		2,618	2,763
Less: short-term portion		(1,333)	(1,502)
Long-term portion		1,285	1,261

As at 30 June 2002 principal repayments fall due on:

	30 June 2002 (unaudited)
12 months till 30 June 2003	1,333
1 January 2003 - 30 June 2005	1,096
Thereafter	189
	2,618

The Company's interest bearing borrowings have decreased by PLN 145 during the 6-month period ended 30 June 2002. Changes were mostly a result of reduced issue of short-term bonds and repayment of part of the NFOS loans.

(in PLN million)

(a) Bank loans analysed by currency are as follows:

		30 June 2002 (unaudited)	31 December 2001
Polish Zloty	(1)	1,267	1,352
German Mark	(2)	-	2
U.S. Dollar	(3)	824	797
Swiss Franc	(4)	29	22
EURO	(5)	113	103
		2,233	2,276

(1) as at 30 June 2002 loans in Polish Zloty that bore floating rates of T/N WIBOR + 0.5% - T/N WIBOR + 0.6%, 1T WIBOR + 0.5%, 1M WIBOR – 1M WIBOR + 2.5%, 3M WIBOR + 0.3% - 3M WIBOR + 1.5%, 6M WIBOR + 0.95%, 1M WIBID + 0.5%, 0.30 – 1.30 of the NBP discount rate and 0.5 of the NBP refinance loan amounted to PLN 1,267;
as at 31 December 2001 loans in Polish Zloty that bore fixed rates of 10.7% – 20% amounted to PLN 4 (including PLN 0,1 at 20%) and loans that bore floating rates of T/N WIBOR - T/N WIBOR + 1.1%, 1T WIBOR + 0.5% - 1T WIBOR + 1.1%, 1M WIBOR – 1M WIBOR + 3%, 3M WIBOR + 0.25% – 3M WIBOR + 1.5%, 6M WIBOR + 0.95%, 1M WIBID + 0.5%, 0.30 - 1.30 of the NBP discount rate and 0.65 of the NBP refinance loan amounted to PLN 1,348;

(2) as at 31 December 2001 loans in German Mark that bore floating rates of 3M LIBOR + 1% amounted to PLN 2;

(3) as at 30 June 2002 loans in U.S. Dollar that bore floating rates of 3M LIBOR + 0.35% and 1W LIBOR + 0.6% amounted to PLN 824;
as at 31 December 2001 loans in U.S. Dollar that bore floating rates of 3M LIBOR + 0.35% and 1W LIBOR + 0.6% amounted to PLN 797;

(4) as at 30 June 2002 and 31 December 2001 loans in Swiss Franc that bore a floating rate of 3M LIBOR + 1% amounted to PLN 29 and PLN 22, respectively;

(5) as at 30 June 2002 loans in EURO that bore floating rates of 1W LIBOR + 0.6%, 1M LIBOR + 1.7%, 3M LIBOR + 1.0%, 6M EURIBOR + 0.3% - 6M EURIBOR + 1.5% amounted to PLN 113;
as at 31 December 2001 loans in EURO that bore floating rates of 3M LIBOR + 0.35%, 1M LIBOR + 1.7%, 6M EURIBOR + 1.5% - 6M EURIBOR + 0.3% amounted to PLN 103.

The 1M WIBOR rates as at 30 June 2002 and 31 December 2001 were 9.26% and 12.08%, respectively. NBP discount rates as at 30 June 2002 and 31 December 2001 were 10.00% and 14.00%, respectively.

As of 30 June 2002 and 31 December 2001 the Group had loans from LG Petrobank S.A. amounting to PLN 62 and PLN 61.

As of 30 June 2002 and 31 December 2001 loans amounting to PLN 621 and PLN 783 respectively, are secured on specific assets of the Group.

(b) Other loans and credits

	30 June 2002 (unaudited)	31 December 2001
Wojewodzki Fundusz Ochrony Srodowiska i Gospodarki Wodnej (Voivodship Fund for Environmental Care)	11	13
Narodowy Fundusz Ochrony Srodowiska (National Fund for Environmental Care)	94	119
Total	105	132

As at 30 June 2002 other loans and credits are subject to floating interest rates at 4%-10% which are below market rates.

(in PLN million)

(c) Bonds issued by PKN ORLEN are denominated in Polish Zloty and they are subject to interest rates at 9.10% – 10.36% and are repayable in the third quarter 2002.

The Group continuously monitors the achievable interest rates and attempts to replace its loans with more favourable ones in response to market conditions.

The Group is granted loans both in PLN and foreign currencies, that bore mainly floating rates.

Based on arrangements made with their banks the Group had unused loan facilities of PLN 719 as at 30 June 2002.

17. Provisions for liabilities and charges

	30 June 2002 (unaudited)	31 December 2001
Environmental provisions	398	412
Jubilee awards and retirement bonuses	138	135
Penalties and compensation	12	20
Other provisions	17	34
	----	----
	565	601
	====	====

The Group companies have a legal or constructive obligation to restore a significant number of contaminated retail and wholesale sites. An evaluation of the sites and an estimation of remediation costs were performed by independent professional consultants in 2000 - 2002. The amount of environmental provision was determined by the Management on the basis of independent professional consultants' reports and represents Management's best estimate of future costs assuming average level of parameters influencing estimated costs.

(in PLN million)

The movements in each year were as follows:

	Environmental provision	Jubilee awards and retirement bonuses	Penalties and compensations	Other provisions	Total
1 January 2001	**543**	**102**	**51**	**18**	**714**
Charge	9	55	16	16	96
Use of provision	(33)	(22)	-	-	(55)
Reversal	(107)[2]	-	(47)[1]	-	(154)
31 December 2001	**412**	**135**	**20**	**34**	**601**
Charge	2	13	3	9	27
Use of provision	(5)	(10)	(11)	-	(26)
Reversal	(11)	-	-	-	(11)
Assets impairment reclassification	-	-	-	(26)	(26)
30 June 2002 (unaudited)	**398**	**138**	**12**	**17**	**565**

[1] In the year ended 31 December 2001, the Company set up a provision in amount of PLN 40 for liability concerning the penalty imposed by the Office for Protection of Competition and Consumer with regard to “Petrygo” and monoethylene glycols. As a result of positive outcome of the dispute for the Company, the provision was released in the year ended 31 December 2001.
[2] PLN 57 million represents change of estimate of future environmental costs, PLN 50 represents provision related to sites, which were disposed in 2001 with transfer of potential future liabilities to the acquirer. The total effect of PLN 107 is included in other operating income in profit and loss statement.

(in PLN million)

18. Trade, other payables and accrued expenses

Trade and other payables and accrued expenses consist of the following:

	30 June 2002 (unaudited)	31 December 2001
Trade payables	1,390	1,271
Taxes and social security	991	835
Dividend payables	50	-
Social funds	58	51
Holiday pay accrual	17	19
Wages and salaries	33	35
Accrued expenses and other payables	129	80
	2,668	2,291

The social fund, classified as a short-term employee benefit, is an employer's obligation based on the government mandated calculation based on the number of employees and the monthly minimum wage in Poland. The amounts calculated under this formula must be used for the benefits of the employees.

Trade and other payables and accrued expenses include PLN 922 and PLN 706, respectively, of amounts denominated in foreign currencies as at 30 June 2002 and 31 December 2001.

19. Deferred income

	30 June 2002 (unaudited)	31 December 2001
Grants	6	9
Other	5	1
	11	10

20. Shareholders' equity

The share capital as at 30 June 2002 represented by the parent company's share capital is PLN 525, divided into 420,177,137 shares with nominal value of 1.25 Polish Zloty each.

The share capital consist of the following share series as of 30 June 2002 and 31 December 2001:

Share series	Number of shares issued at 30 June 2002	Number of shares issued at 31 December 2001	Number of shares authorised at 30 June 2002	Number of shares authorised at 31 December 2001
A series	336,000,000	336,000,000	336,000,000	336,000,000
B series	6,971,496	6,971,496	6,971,496	6,971,496
C series	77,205,641	77,205,641	77,205,641	77,205,641
D series	-	-	11,344,784	11,344,784
	420,177,137	420,177,137	431,521,921	431,521,921

In Poland, each new issuance of capital is labelled as a new series of shares. All of the above series have the exact same rights.

(in PLN million)

In order to implement a motivation program for the top and medium level management on 15 May 2000 General Meeting of Shareholders authorised issuance of Series D shares and Series A convertible bonds. Due to the limitations of Polish law, Series A bonds convertible to Series D shares are to be offered instead of options to purchase shares. The exercise price of 1 bond is 20.30 zloty and each bond is convertible to one Series D share with nominal value of 1.25 zloty each. Series D shares are to be issued in years 2001-2003. In June 2001 the Supervisory Board of PKN ORLEN approved the list of employees authorized to purchase Series A bonds convertible to Series D shares. Members of the Management Board of PKN ORLEN were awarded with the rights to purchase 3,850,000 convertible bonds while members of the middle management of PKN ORLEN were awarded with the rights to purchase 4,091,349 convertible bonds. Above mentioned number of bonds convertible to Series D shares refer to I tranche, awarding the rights in June 2001 and II tranche awarding the rights in June 2002. Until the date of preparation of these consolidated financial statements the awarded bonds were not acquired.

As of 30 June 2002, the fair value of the convertible bonds approved by the Supervisory Board amounted to PLN 20 and was recognised as liability, difference of PLN 1 in valuation as at 31 December 2001, which amounted PLN 19 and valuation as at 30 June 2002, was recognised as salary expense for the 6 month period ended 30 June 2002.

Revaluation reserves result from obligatory in Poland revaluation of fixed assets. Revaluations of property, plant and equipment were generally performed in as mandated by the Central Statistics Office ("GUS") and were designed to reflect the level of inflation. These amounts are not distributable.

Reserves available for distribution, according to Polish law as at 30 June 2002 and 31 December 2001 amounted to: PLN 2,164 and 2,062 respectively. PKN ORLEN is authorised to pay the dividends to the extent of distributable reserves available under Polish Accounting Standards for the Company on a stand-alone reported basis.

During 6 month period ended 30 June 2002 the Company has not paid any dividends. The General Shareholders Meeting on 28 June 2002 has voted a dividend from net profit for 2001 to be paid in July 2002 in the amount of PLN 50 (0,12 per share). During the period ended 31 December 2001 the Company has paid dividends in the amount of PLN 21.

Both the Company and its subsidiaries and associates do not possess shares of PKN ORLEN as at the balance sheet date.

Earnings per share calculation and diluted earnings per share calculation are presented below.

	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
Basic and diluted earnings per share (PLN)				
Weighted average common stock outstanding	420,177,137	420,177,137	420,177,137	420,177,137
Net profit for the period per share (in zloty per share)	0.43	0.27	0.58	0.48

There is no difference between the basic and diluted earnings per share

21. Segment reporting

Business segments

The Company's activities are conducted through two major operating divisions: Refining and Marketing (R&M) and Chemicals (C).

- The Refining and Marketing (R&M) includes crude oil refining and wholesale and retail trading of refinery products.
- The Chemicals (C) includes mainly production and trading of petrochemical products by PKN ORLEN and fertilisers and PVC by Anwil.

Other operations include mainly support activities in PKN ORLEN, transport activities and repair and construction activities performed by the Company's subsidiaries.

Segment profit and segment assets have been determined before making intersegment adjustments as appropriate. Sales prices between business segments approximate market prices.

(in PLN million)

Segment:	Refining and Marketing			Chemicals			Other operations			Eliminations			Consolidated		
	For 6 month period ended 30 June 2002	For 3 month period ended 30 June 2002	For 6 month period ended 30 June 2001	For 6 month period ended 30 June 2002	For 3 month period ended 30 June 2002	For 6 month period ended 30 June 2001	For 6 month period ended 30 June 2002	For 3 month period ended 30 June 2002	For 6 month period ended 30 June 2001	For 6 month period ended 30 June 2002	For 3 month period ended 30 June 2002	For 6 month period ended 30 June 2001	For 6 month period ended 30 June 2002	For 3 month period ended 30 June 2002	For 6 month period ended 30 June 2001
Revenue															
External sales	5,998	3,210	6,735	1,268	652	1,245	168	70	163	-	-	-	7,434	3,932	8,143
Inter-segment sales	1,099	607	1,167	577	269	540	581	309	599	(2,257)	(1,185)	(2,306)	-	-	-
Total revenue	7,097	3,817	7,902	1,845	921	1,785	749	379	762	(2,257)	(1,185)	(2,306)	7,434	3,932	8,143
Result															
Segment result	385	185	318	105	64	184	46	47	37				536	296	539
Unallocated corporate expenses													(151)	(90)	(162)
Profit from operations													**385**	**206**	**377**
Financial income													66	48	187
Financial expenses													(175)	(82)	(215)
Share of net profits of associates	-	-	-	-	-	11	4	2	-				4	2	11
Profit before income tax													**280**	**174**	**360**
Income taxes													(86)	(58)	(101)
Minority interests													(13)	(1)	(14)
Net profit													**181**	**115**	**245**

(in PLN million)

	Refining and Marketing		Chemicals		Other Operations		Eliminations		Consolidated	
Other Information	as at 30 June 2002	as at 31 December 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2002	as at 31 December 2001
Segment assets	9,971	9,711	2,010	1,873	1,638	1,677	(93)	(104)	13,526	13,157
Investments in associates	11	10	6	7	170	169			187	186
Unallocated corporate assets									1,005	1,040
Total assets									**14,718**	**14,383**
Segment liabilities	2,551	2,283	225	221	376	397	(96)	(104)	3,056	2,797
Unallocated corporate liabilities									3,165	3,233
Total liabilities									**6,221**	**6,030**

(in PLN million)

Segment:	**Refining and Marketing**			**Chemicals**			**Other Operations**			**Consolidated**		
	for the period of			**for the period of**			**for the period of**			**for the period of**		
	6 months ended 30 June 2002	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**
Property, plant, equipment and intangible assets expenditure	281	132	535	54	26	54	50	36	41	385	194	630
Property, plant, equipment and intangible assets expenditure unallocated to segments										18	8	33
Total property, plant, equipment and intangible assets expenditure										**403**	**202**	**663**
Segment depreciation	368	193	353	97	48	62	84	42	78	549	283	493
Unallocated assets depreciation										17	9	14
Total depreciation										**566**	**292**	**507**
Non-cash expenses other than depreciation	**70**	**46**	**28**	**8**	**4**	**15**	**18**	**-**	**5**	**96**	**50**	**48**

(in PLN million)

Geographical segments

The Group operates mainly in Poland. The following table shows the distribution of the Company's consolidated sales by geographical market segment reporting for business segments for 6 and 3 month periods ended 30 June 2002 and for 6 month period ended 30 June 2001:

Segment:	**Refining and Marketing**			**Chemicals**			**Other Operations**			**Consolidated**		
	for the period of			**for the period of**			**for the period of**			**for the period of**		
	6 months ended 30 June 2002	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**3 months ended 30 June 2002**	**6 months ended 30 June 2001**
Export sales	391	296	364	325	160	284	10	7	4	726	463	652
Domestic sales	5,607	2,914	6,371	943	492	961	158	63	159	6,708	3,469	7,491
Total external revenue	**5,998**	**3,210**	**6,735**	**1,268**	**652**	**1,245**	**168**	**70**	**163**	**7,434**	**3,932**	**8,143**
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(in PLN million)

All Group's assets as at 30 June 2002 were located in Poland, where also the capital expenditures were incurred during the six month period ended 30 June 2002.

The segment data presented above has been prepared in accordance with IAS No. 14 "Segment Reporting" and IAS 34 "Interim Financial Reporting", except for not presenting comparable data for the three month period ended 30 June 2001. The Company was not obliged to prepare and did not prepare segment data for the three month period ended 30 June 2001 in the past. In the Management Board's view, preparation of such data as required by IFRS is not practical and the cost of preparation would exceed benefits derived from preparation of such data.

22. Operating costs

	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
Raw materials and energy	4,777	2,638	5,262	2,803
Cost of goods bought for resale	587	317	719	234
External services	643	350	599	271
Payroll and benefits (staff costs)	526	288	522	316
Depreciation and amortisation	566	292	507	269
Taxes and charges	149	63	148	76
Other	142	34	72	76
	- - - - -	- - - - -	- - - - -	- - - - -
Adjusted by:				
Change in inventories, deferred and accrued costs	(307)	(224)	(49)	(28)
Internal costs capitalised	(34)	(32)	(14)	(39)
	- - - - -	- - - - -	- - - - -	- - - - -
Operating costs	7,049	3,726	7,766	3,978
	=====	=====	=====	=====

23. Financial income and expenses, net

	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
Interest expense	(90)	(56)	(143)	(60)
Foreign exchange losses	(58)	(16)	(34)	(14)
Interest income	37	16	44	17
Foreign exchange gains	5	3	52	36
Profit from sale of shares, securities	5	2	49	2
Other	(8)	17	4	10
	- - - - -	- - - - -	- - - - -	- - - - -
	(109)	(34)	(28)	(9)
	=====	=====	=====	=====

(in PLN million)

24. Income tax

	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
Current income tax charge	106	57	56	49
Deferred tax charge (benefit)	(20)	1	45	41
	86	58	101	90

The Group does not constitute a tax group under Polish legislation. Therefore, every company in the Group is a separate taxpayer.

According to the Polish tax regulations, the tax rate in effect in 2002 and 2001 was 28%. The tax rate is regulated to be 24% and 22% in 2003, 2004 and thereafter, respectively.

The reconciliation between the reported income tax expense and the theoretical amount arising by applying the statutory income tax rates is as follows:

	For 6 months ended 30 June 2002 (unaudited)	For 3 months ended 30 June 2002 (unaudited)	For 6 months ended 30 June 2001 (unaudited)	For 3 months ended 30 June 2001 (unaudited)
Profit before income tax	280	174	360	302
Income tax calculated at statutory rate	78	49	101	85
Effect of investment tax allowance bonus	(2)	(1)	(7)	(7)
Permanent differences	4	(3)	-	6
IFRS adjustments	(3)	2	6	8
Other (including effect of tax rate changes)	9	11	1	(2)
Income tax expense for the year	86	58	101	90

(in PLN million)

The net deferred tax liability as at 30 June 2002 and 31 December 2001 consists of the following:

	30 June 2002 (unaudited)	**31 December 2001**
Deferred tax assets:		
Deferred tax on environmental charges	90	96
Investment tax allowance bonus	7	14
Jubilee and retirement costs provisions	29	27
Other	17	65
	----	----
	143	202
	----	----
Deferred tax liabilities:		
Investment tax allowance	(280)	(348)
Capitalisation of borrowing costs	(122)	(124)
Unrealised foreign exchange gains	(2)	(26)
Difference between tax and accounting amortisation and depreciation	(33)	(14)
Revaluation of assets to fair value relating to acquisition of majority stake of Anwil S.A	(29)	(32)
Valuation of financial instruments	(6)	(8)
	----	----
	(472)	(552)
	----	----
Net deferred tax liabilities	(329)	(350)
	=====	====

As the companies in the Group are not subject to group taxation and relief, the deferred tax assets and liabilities in the individual companies must be evaluated on a standalone basis. As a result, the consolidated balance sheets reflect deferred tax assets of PLN 30 and PLN 15 and deferred tax liabilities of PLN 359 and PLN 365 as of 30 June 2002 and 31 December 2001, respectively.

Under Polish tax regulations, taxpayers could have reduced the taxable income by the costs of purchasing qualifying fixed assets acquired in a given tax year (investment tax allowance deduction). In addition, the taxable income could have been further reduced in the following year by 50% of the previous year deduction (investment tax allowance bonus).

Both the initial deduction and the additional deduction have been subject to limits prescribed in the Corporate Income Tax Act dated 15 February 1992. A deduction not used in a given year due to lower pre-tax profit could not have been carried over into the next year.

Resulting from recent changes in income tax law, the above described tax incentives have been only available in year 2000 in relation to the continued investment projects from previous periods. In all other cases, the investment incentives are no longer available.

(in PLN million)

25. Operating leases

Operating lease agreements are mainly in respect of the lease of buildings, computer equipment and vehicles. The lease expenses for the 6 - month periods ended 30 June 2002 and 30 June 2001 were PLN 2 and PLN 9, respectively.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2002 were as follows:

	30 June 2002 (unaudited)
Second half year of 2002	3
2003	5
2004	5
2005	4
2006	1
2007 and thereafter	2
Total minimum lease payments	20

26. Supplementary cash flow information

Purchase of a subsidiary

In March 2001 PKN ORLEN purchased 37% of Anwil S.A. As a result of this transaction the Group acquired a majority stake in Anwil S.A.

Fair value of assets and liabilities as at the date of take-over of the control was as follows:

Cash and cash equivalents	43
Inventories	114
Trade and other receivables	128
Property, plant and equipment	1,239
Other assets	86
Liabilities	(467)
Fair value of net assets of Anwil S.A.	1,143
Share in net assets at fair value of Anwil S.A., not purchased in this transaction	(723)
Share in net assets at fair value of Anwil S.A., purchased in the transaction from March 2001	420
Negative goodwill resulting from this transaction	(305)
Purchase price	115
Acquired cash and cash equivalents	(43)
Acquisition of Anwil S.A. presented in cash flow statement	72

(in PLN million)

27. Commitments resulting from capital expenditures

As of 30 June 2002, capital and other expenditures amounting to PLN 1,055 had been committed and authorised under contractual arrangements and PLN 6,478 had been authorised by Management Board and not contracted yet.

28. Related party transactions

a. Transactions with members of the Management Board, Supervisory Board, their spouses, siblings, descendants and their other relatives

As at 30 June 2002 there were no borrowings granted by the Company to managing and supervising persons and their relatives.

In the 6 month period ended 30 June 2002 members of Management Board, Supervisory Board, their spouses, siblings, descendants and their other relatives have not entered any significant transactions with the Company.

b. Transactions between the Company and its related parties were conducted on normal commercial terms and were as follows:

	Entities accounted for using equity method
Sales	
6 months ended 30 June 2002	88
6 months ended 30 June 2001	57
Purchases	
6 months ended 30 June 2002	91
6 months ended 30 June 2001	66
Trade debtors	
30 June 2002	31
31 December 2001	18
Trade creditors	
30 June 2002	19
31 December 2001	20

The above transactions included primarily sales and purchases of petroleum products as well as purchases of maintenance, transportation and other services.

29. Contingencies and risks

a) Guarantees and other contingent liabilities

The Group entities granted guarantees and sureties. The amounts of such guarantees and other contingent liabilities were PLN 116 (including PLN 112 granted to Group’s companies) and PLN 100 (including PLN 99 granted to Group’s companies) as at 30 June 2002 and 31 December 2001, respectively.

b) Litigation

The following claims or lawsuits may affect the Group:

(i) The claim of Enerco- Industrie amounting to PLN 23, which includes the amount of Enerco's share capital called but not paid in (PLN 5) plus interest due (PLN 18)
(ii) The claims of individuals amounting to PLN 23, which includes the amount of fee for an inventive project (PLN 22) and the family member's accident compensation (PLN 1).

c) Tax regulations in Poland

Poland currently has a number of laws related to excise tax, value-added tax, corporate income tax and payroll (social) taxes, together with others, which have been implemented not long ago. Implemented regulations are often unclear or inconsistent. Often, differing opinions regarding legal interpretations exist both among and within government ministers and organisations, creating uncertainties and areas of conflict. Tax settlements, together with other legal compliance areas (for example: customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Poland that are substantially higher than those typically found in countries with more developed systems.

There are no formal procedures in Poland to agree the final level of tax charge for a period. Tax settlements may be a subject of review during the subsequent 5 years. There is a risk that the authorities may have a different opinion from that presented by the entities constituting the Group as to the interpretation of the law which could have significant effect on Group's entities stated tax liabilities.

d) Excise tax – contingent liability of Rafineria Trzebinia S.A.

On 9 January 2002 after a tax audit in Rafineria Trzebinia S.A. (the Company's consolidated subsidiary), the Fiscal Control Inspector issued a decision denoting the amount of liabilities concerning excise and VAT for the period from June to December 1998, of total value of PLN 55 and liabilities resulting from interest charge of total value PLN 58. The decision was subject to an appeal to Fiscal Chamber and a request to suspend the execution of the decision.
On 7 February 2002 Fiscal Office in Chrzanow suspended execution of the above decision. At the same time the Fiscal Office set pledge on shares constituting financial fixed assets of Rafineria Trzebinia S.A. and on plant and equipment owned by Rafineria Trzebinia S.A. of a total value equal to the tax liability. The right annotation was made in Fiscal Pledge Register.
On 12 February 2002 Fiscal Office in Chrzanow submit to Mortgage Department of Regional Court a request for an annotation on enforced mortgage on real estates owned by Rafineria Trzebinia S.A.
On 4 July 2002 Fiscal Chamber in Krakow annulled all decisions that were subject to an appeal.

The case was referred to the first court - Chrzanow Tax Office for further inspection. Until the date of preparation of the presented financial statements, the results of the tax audit performed by the first court - Chrzanow Tax Office is not yet known.

e) Antimonopoly proceedings

The Company is subject to four anti-trust proceedings.

In two proceedings Office for Protection of Competition and Consumer ("OPCC") issued a decision setting cash penalty. These proceedings concern:

1. Prices of fuels – the Company appealed to Anti-Trust Court against the negative decision of OPCC setting a penalty of PLN 5. Anti-Trust Court repealed the decision of OPCC concerning monopolistic practice of PKN ORLEN and therefore the cash penalty was cancelled. The provision of PLN 5, created in year 1999, was released in 2000. On 21 February 2001 OPCC applied to the Supreme Court to annul the positive verdict for the Company. As of the date of preparation of these financial statements the Supreme Court has not appointed any date for the annulling lawsuit.

2. Methods of setting prices for antifreeze liquid to radiators “Petrygo” and prices for monoethylene glycols – the Company appealed to Anti-Trust Court against the negative decision of OPCC setting penalty of PLN 40. On 13 August 2001 the Anti-Trust annulled fully the decision of OPCC, which accused PKN ORLEN of applying monopolistic practice, annulling at the same time the cash penalty. This resulted in the release of the provision in PKN ORLEN in 2001. OPCC applied to the Supreme Court to annul the verdict. As of the date of preparation of these financial statements the Supreme Court has not appointed any date for the annulling lawsuit.

Until the date of preparation of the presented financial statements, the results of the above proceedings were not yet known. These financial statements do not include provisions related to the above mentioned proceedings, as in the view of Management Board of the PKN ORLEN, charging the Company with these penalties is not probable.

In the relation to the below described proceedings the final results were issued.

- Practices limiting competition – on 10 October 2001 the President of OPCC commenced legal proceedings to command the companies: PKN ORLEN, BP EXPRESS Sp. z o.o., KAPBROL-Bis Sp. z o.o. and Klemens Imiola Firma KI to cease monopolistic practices, limiting competition by concluding agreements concerning prices for fuels on gas stations that belong to these firms in Koszalin. On 31 June 2001 the President of OPCC issued a decision, not stating that the sued companies apply monopolistic practices limiting competition by concluding agreements concerning prices for fuels on gas stations belonging to them in local market of Koszalin.

- Refusal of fuel sales to certain group of customers – the Company appealed to the Supreme Court against the negative verdict of the Anti-trust Court, concerning cessation of monopolistic management practice. On 22 December 1999 the Anti-trust Court issued the verdict implying cessation of monopolistic management practice. The Company appealed against it. On 4 July 2002 the Supreme Court refused the appeal of the Company, in result giving force to the decision of OPCC dated 13 January 1999, implying cessation of monopolistic management practice in form of liquid fuel sales refusal.

On 7 February 2002 the Supreme Court issued a verdict (published on 21 February 2002) in which it dismissed the annulling request submitted by OPCC and Polish Chamber of Liquid Fuels (“PCLF”) concerning the verdict of Anti-Trust Court from 23 June 1999.
In the verdict to which OPCC and PCLF submit annulling request, the Anti-Trust Court dismissed the decision of OPCC from 11 December 1998, issued at the request of PCLF ordering PKN ORLEN to cease practice of selling liquid fuels at the same price in Plock and regional trade offices of PKN ORLEN.
The Court underlined that although PKN ORLEN dominates on the liquid fuels market and acts on both wholesale and retail market, the way of setting wholesale prices does not interfere with the anti-trust act.

f) Litigation relating to CPN and the merger with CPN

The Company was subject to three court proceedings pursuant to which the claimants are seeking to have declared as invalid the resolutions of the general meeting of shareholders of CPN.
One of them concerns the resolution taken on 29 October 1998 and relates to decrease of Naftobazy Sp. z o.o. share capital by partial redemption of shares belonging to Nafta Polska.
Two proceedings concern declaring as invalid the resolution of 19 May 1999 relating to the merger of CPN with the Company.
All proceedings were terminated by the Court.

(in PLN million)

g) Employees compensation plans

On 19 August 1999 an agreement between the Company and a trade union "Solidarnosc" operating in former CPN was signed. The goal of this agreement was regulating legal status of former CPN employees in the Company structure after the merger. The agreement was accepted by the other trade unions operating within the Company and expanded to the remaining employees of the Company. The Company guaranted all the employees not to be made redundant within 24 months from 1 January 1999. The above agreement expired on 30 November 2001.
The Company is negotiating new agreement concerning regulation of employee situation in case of introducing restructuring actions.

h) Power transfer fee – Zaklad Energetyczny Plock S.A.

Under the Decree of Ministry of Economy dated 14 December 2000 relating to detailed methods of determination and computation of tariffs and electricity settlement regulations (Journal of Law No. 1 dated 15 January, 2001), the power transfer fee calculation method has changed. PKN ORLEN is in the process of negotiating new power transfer fee with Zaklad Energetyczny Plock S.A. The disputed amount was provided for based on best possible estimate made by PKN ORLEN Management.

i) Tax allowances – investment incentives

During the period 1996 – the first half of 2002 the Group companies took advantage of the investment tax allowances described earlier in Note 24. Under the terms of this scheme, the Group companies have taken current deductions equal to PLN 2,372 in respect of investments in qualifying assets. During the period 1996 – the first half of 2002 the Group companies have also utilised additional investment tax bonuses relating to these capital investments. These deductions and bonuses have reduced the tax charges of the Group by PLN 569 and PLN 268, respectively, during the period 1996 – the first half of 2002 as follows.

Financial Year	**Tax allowance**	**Tax bonus**
1996	101	52
1997	168	48
1998	111	63
1999	95	46
2000	62	38
2001	28	12
the 6 month period ended 30 June 2002 (unaudited)	4	9
	----	----
Total	569	268
	====	====

The above described allowances are conditional. The law provides for the loss and reversal of entitlement for all investment allowances if within 3 years, any of the following circumstances arise:

(i) the taxpayer has outstanding tax liabilities exceeding 3% of particular taxes due for specific tax years, in relation to taxes constituting the state budget's income and insurance pension premiums; in the case of VAT, any outstanding payments may not exceed 3% of output VAT,

(ii) the taxpayer transfers, in any form, the ownership of items that were subject to investment deductions; this does not concern the transfer of ownership resulting from the change of an entity's legal form or the merger or diversion of companies, performed on the basis of regulations regarding state-owned companies, the commercialisation and privatisation of state-owned companies, the Commercial Code and Cooperative Law,

(iii) the legal basis for the treatment of leased fixed assets as a component of the lessee's property ceases to exist,

(iv) the taxpayer is put into liquidation or is declared bankrupt,

(v) the taxpayer is reimbursed for investment expenses in any form,

Tax authorities may also deny a claim to tax allowances if the taxpayer had been charged with outstanding tax liabilities at the moment in which the tax incentives deductions were recognised.

The Act for the amendment of the Corporate Income Tax Act of 20 November 1998 (Journal of Law dated 27 November 1998 with further amendments), stipulates that taxpayers do not lose such a right if they correct their tax returns and settle the outstanding payments with penalty interest due, within the period prescribed by regulations. In this case, the above implications described in point (i) are not applicable.

j) Fixed assets located on land where ownership is disputed

The Group owns several fuel stations and other properties on which the ownership of the underlying land is unclear. The book value of the fixed assets located on such plots were PLN 11 and PLN 24 as of 30 June 2002 and 31 December 2001, respectively.

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k) Termination benefits for key Management personnel

PKN ORLEN Management Board members, based on their individual employment contracts, are entitled to receive 6 to 12 months salaries after the termination of employment.

30. Short-term employee benefits paid to Management Board and Supervisory Board

Short-term employee benefits include salaries, annual bonuses and cash equivalent for unutilised holiday.

Short-term employee benefits for the 6 – month period ended 30 June 2002 (in thousand PLN):

Management Board	4,481
Supervisory Board	428

Additionally, as at 30 June 2002 the fair value of the rights granted to the former and present Management Board members to purchase Series A convertible bonds was estimated at PLN 10.

31. Employment structure

Average employment by category during the period ended on 30 June 2002 was as follows:

Blue collar workers	9,864
White collar workers	7,746
	- - - - -
	17,610
	=====

Employment level as of 30 June 2002 totalled 17,606 persons.

32. Post balance sheet events

a) Changes in the Management Board

On 1 July 2002 the Company informed that Mr Krzysztof Cetnar's, CFO, mandate and three year term of office has expired on 28 June, 2002 - the day of the Ordinary General Meeting of Shareholders which approved the Management Board's report on the Company's financial statements for the year 2001. On 11 July 2002 the Supervisory Board of PKN ORLEN appointed Mr Jacek Strzelecki to the position of the Vice President of the Management Board & CFO.

b) Changes in the Supervisory Board

On 1 July 2002, the Company informed that the Ordinary Meeting of Shareholders on 28 June, 2002 dismissed from the Supervisory Board Andrzej Herman, from 28 June, 2002 the Ordinary Meeting of Shareholders appointed to the Supervisory Board Jozef Wozniakowski and moreover the Ordinary Meeting of Shareholders appointed Mr Maciej Gierej to hold position of the Chairman of the Supervisory Board.

c) Letter of Intent with Agrofert Holding a.s.

On 24 July 2002 PKN ORLEN announced that it has signed a Letter of Intent with Prague-based Agrofert Holding a.s. (AGH) in Czech Republic to conduct a joined due diligence of Unipetrol a.s. (Unipetrol) and possibly express common interest in the acquisition of 62.99 per cent of Unipetrol.

d) Changes in shareholders' structure

The Management Board of PKN ORLEN informed that The Bank of New York decreased number of possessed shares of the Company by 2.03% as of 30 July 2002.
As of 29 July 2002 The Bank of New York possessed 70,634,050 shares of PKN ORLEN S.A., which gives right to 70,634,050 votes on the General Meeting of Shareholders, that represents 16.81% of share capital and the same share in votes at the General Meeting of Shareholders.

(in PLN million)

33. Transformation for IFRS purposes

The Group companies maintain their accounts in accordance with the accounting principles and practices employed by enterprises in Poland as is required by the Amended Accounting Act. The financial statements set out above reflect certain adjustments not reflected in the companies statutory books to present these financial statements in accordance with IFRS, except for non-compliance with IAS 29 "Financial Reporting in Hyperinflationary Economies" as specified in Note 3.

The adjustments to the consolidated financial statements prepared under Polish Accounting Standards ("PAS") are set out below:

	Net profit for the 6 - month period ended 30 June 2002 (unaudited)	**Net profit for the 3 - month period ended 30 June 2002 (unaudited)**	**Net profit for the 6 - month period ended 30 June 2001 (unaudited)**	**Net profit for the 3 - month period ended 30 June 2001 (unaudited)**
PAS basis consolidated*	199	130	239	213
Distributions from profit	-	-	(3)	(3)
Borrowing costs capitalisation, less depreciation	(4)	(14)	35	12
Amortisation of CPN goodwill	(5)	(2)	(5)	(2)
IFRS treatment of negative goodwill	4	2	(5)	(6)
Deferred tax on the above	2	4	(8)	(18)
Other	(15)	(5)	(8)	4
	- - - - -	- - - - -	- - - - -	- - - - -
IFRS Consolidated	181	115	245	200
	=====	=====	=====	=====

	Net assets as of 30 June 2002 (unaudited)	**Net assets as of 31 December 2001**
PAS basis consolidated*	7,649	7,501
Borrowing costs capitalisation less depreciation	547	551
Goodwill on CPN, net	78	83
IFRS treatment of negative goodwill	(75)	(79)
Deferred tax on the above	(121)	(123)
Other	11	25
	- - - - - -	- - - - - -
IFRS Consolidated	8,089	7,958
	======	======

* following changes in PAS introduced by the amended Accounting Act effective 1 January 2002, the PAS figures for the 6 and 3 month periods ended 30 June 2002 were prepared under the new PAS rules; the comparative data for the 6 and 3 month periods ended 30 June 2001 and as at 31 December 2001 has been restated using the new PAS rules and differ from previously published

(a) Distribution from profit

According to Polish business practice shareholders of the Company have the right to distribute the profit for the employees benefits, i.e. for bonus payment or for the Company’s social fund. Such distributions are presented in statutory financial statements, similarly to dividend payments, through the change in capital. In the financial statements prepared in accordance with IFRS such payments are charged to operating costs of the year, that the distribution concerns.

(b) Capitalisation of borrowing costs

In accordance with PAS, borrowing costs are written off to the income statement as incurred net of the amount capitalised related to borrowings for specific capital projects. Borrowing costs incurred on general borrowings are always expensed as incurred. Borrowing costs are capitalised as a part of the costs of the relevant fixed assets up to the date of commissioning and written off to the income statement over the period in which the assets is depreciated.

In these financial statements borrowing costs are subject to capitalisation in accordance with allowed alternative treatment of IAS 23 “Borrowing costs” presented in Note 4(j).

(c) Goodwill on shares purchased former CPN employees

As discussed in Note 2b, the acquisition of CPN’s employee shares was recorded for IFRS purposes under the acquisition method of accounting. As a result the Company recognised goodwill of PLN 107 on the acquisition of the 19.43% CPN shares held by the employees.

For PAS, the acquisition of CPN, including the acquisition of the minority shares, was pushed back to the earliest financial statements presented under pooling of interests’ method.

(d) IFRS treatment of negative goodwill

According to PAS, before the amended Accounting Act came into force, the Company released negative goodwill to income during two to five years period subsequent to acquisition. In the IFRS financial statements negative goodwill is recognised in a manner presented in Note 4(c).

(e) Deferred tax effects

As a consequence of adjusting the financial statements prepared in accordance with PAS, the deferred tax position has accordingly been changed.

(f) IFRS treatment of Revenues

In accordance with PAS, the Company and certain of its subsidiaries included excise tax charged on the oil product manufactured in their revenues and selling expenses.

For the purpose of these consolidated financial statements prepared under IFRS revenues and selling expenses had been presented net of excise tax of 4,620 and 4,122 for the 6 month periods ended 30 June 2002 and 30 June 2001, respectively.

34. Other

The consolidated financial statements have been authorised by Company's Management Board at premises of the Company, on September 17, 2002.

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD

....
President – Zbigniew Wróbel

....
Vice President – Jacek Strzelecki

....
Vice President – Sławomir Golonka

....
Vice President – Janusz Wiśniewski

....
Vice President – Andrzej Macenowicz