CAPITAL GROUP OF
POLSKI KONCERN NAFTOWY ORLEN

CONSOLIDATED HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2002

PLOCK, SEPTEMBER 2002

This consolidated half year report of capital group of Polski Koncern Naftowy ORLEN for 6 months ended 30 June 2002 comprises:

- Consolidated financial statements of capital group of PKN ORLEN for 6 months ended 30 June 2002
- Management Board Commentary on Business Operations of capital group of PKN ORLEN
- Auditor’s report on review of half year consolidated financial statements
- Condensed financial statements of PKN ORLEN for 6 months ended 30 June 2002
- Auditor’s report on review of condensed financial statements for 6 months ended 30 June 2002

CAPITAL GROUP OF
POLSKI KONCERN NAFTOWY ORLEN

CONSOLIDATED FINANCIAL STATEMENTS
FOR 6 MONTHS ENDED 30 JUNE 2002

PLOCK, SEPTEMBER 2002

(PLN thousand)

INTRODUCTORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. Information on Capital Group

The parent company of the capital group of Polski Koncern Naftowy ORLEN S.A. (further referred to as "Capital Group", "Group") is Polski Koncern Naftowy ORLEN Spolka Akcyjna, located in Plock, Chemikow Str. 7 (further referred to as the "Parent Company", "Company" or "PKN ORLEN").

The Parent Company was formed through transformation of a State-owned enterprise into a joint stock company, on the basis of the Public Notary Act of 29 June 1993 as Mazowieckie Zaklady Rafineryjne i Petrochemiczne "Petrochemia Plock" Spolka Akcyjna (joint stock company). It was registered in the District Court in Plock on 1 July 1993 under the registration number RHB VIII 780. On 26 July, 2002 the changes in earlier registration under number KRS 28860 in the registration of the District Court for capital city of Warsaw in Warsaw were introduced.

General Meeting of Shareholders of the Parent Company on 19 May 1999 adopted a resolution on merger of the Parent Company with Centrala Produktow Naftowych "CPN" S.A. ("CPN") by incorporation of CPN to the Parent Company. On 7 September 1999 CPN was deregistered and the merger became effective.

In accordance with resolution of the General Meeting of Shareholders dated 19 May 1999, registered in the District Court in Plock on 20 May 1999, the Parent Company changed its name to Polski Koncern Naftowy Spolka Akcyjna.

In accordance with the resolution of the Extraordinary General Meeting of Shareholders dated 3 April 2000, registered in the District Court in Plock on 12 April 2000, Parent Company changed its name to Polski Koncern Naftowy ORLEN Spolka Akcyjna.

Structure of share capital of the Parent Company on 30 June 2002 is as follows:

Issue	Number of shares	Nominal value (PLN)
Series A	336,000,000	420,000,000.00
Series B	6,971,496	8,714,370.00
Series C	77,205,641	96,507,051.25
	- - - - - - - - -	- - - - - - - - - - -
Total	420,177,137	525,221,421.25
	==========	=============

On 15 May 2000 Ordinary General Meeting of Shareholders of PKN ORLEN took a resolution concerning capital increase by issuance of 11,344,784 series D ordinary bearer shares. These shares are to be acquired by bearers of series A convertible bonds with exclusion of pre-emptive rights of the owners of the existing shares. The issuance of the shares was conducted within the Motivation Program presented in Note 13.

In June 2001 Supervisory Board of PKN ORLEN approved the list of persons eligible to buy first tranche of bonds convertible to PKN ORLEN series D shares. As at 30 June 2002 the eligibility concerns I and II tranche of these bonds. Until the date of preparation of these financial statements the bonds were not acquired. Therefore, the conversion of bonds to series D shares did not take place. Additional information is presented in Note D r) and in Note 13.

In accordance with the resolution of the General Meeting of Shareholders of the Parent Company dated 19 May 1999 as the result of incorporation of CPN by the Parent Company, the scope of activities of Parent Company was changed. According to the statutory regulations dated 19 May 1999 and its further changes dated 6 July 2001, the Parent Company's activities include production, trade, services, in particular:

- processing of crude oil and manufacturing of oil-derivative / refinery and petrochemical products and semi-finished products
- domestic and foreign trade on own account, on commission and as consignee, including in particular: the trade of crude oil, oil-derivative products and other fuel, the sale of motor vehicles, parts and accessories for them as well as sale of consumer and industrial goods.
- research and development activity, project work, construction and production activities on own account and as the consignee, in the areas of manufacturing, storage, packaging and trade in solid, liquid and gaseous oil products, secondary chemical products as well as transportation: by land, by trail, water and by pipeline,
- transportation activity including land transport, trail transport, water and pipeline transport,
- storage of oil and liquid gas, creation and management of oil stock according to the appropriate regulations,
- services connected to the principal activity, especially: land and sea reloading, refining of gas and oil including ethylisation, dyeing and blending of components,
- purchase, trade and manufacturing of used lubricant oil and other chemical waste,
- manufacturing, transportation and trade in electrical and heating energy,
- reconditioning of the appliances used in core activities, especially refinery and petrochemical appliances, oil storage appliances, oil stations and means of transportation,
- metal production and manufacturing of plastic raw materials,
- operation of gas stations, bars, restaurants and hotels,
- capital investment activity, in particular: purchasing and trade of shares and stock in Polish and foreign trade,
- activities in the area of education, professional schooling and internal human capital services.

The activity is designated by Code PKD 2320 (Polish Activity Classification) – processing of crude oil. The PKN ORLEN Group runs a business within segments of production and distribution of crude oil products and in chemical segment.

The Parent Company is the biggest refinery and producer of petrochemicals in Poland and after the incorporation of CPN, the leading distributor of motor fuels in Poland.

Within the basic activity of the Capital Group there are two branch segments: refining and chemical.
The Refinery Segment consists of crude oil processing and whole- and retail sales of refinery products comprising mainly gasolines. The Chemical Segment comprises production and sales of petrochemicals, fertilisers and PVC.

The PKN ORLEN Group consists of among others:

- The capital group of Rafineria Trzebinia S.A. concentrating on processing of crude oil, lubricant and industrial oils, paraffin and asphalt,
- The capital group of Rafineria Nafty Jedlicze S.A. producing motor fuels, heating oil and re-processing used lubricant oil,
- Inowroclawskie Kopalnie Soli "Solino" S.A. producing industrial brine and processing of vacuum salt and in the future, storing of crude oil and fuels,
- The capital group of Anwil S.A., the major client for ethylene from the Parent Company, producing mainly fertilisers and PVC,
- Entities engaged in trading and distribution of refinery products.

As the result of taking control over by the Dominant Company as at 31 March 2001, Anwil S.A is consolidated under full method beginning from second quarter 2001.

The Company exercises a significant influence on Naftoport Sp. z o.o., involved in reloading crude oil imported by sea.

The Parent Company controls its subsidiaries and has the significant influence on associates.

The composition of the Supervisory Board of PKN ORLEN as of 30 June 2002 and as of the day of preparation of consolidated financial statements was the following:

- Maciej Gierej - President of the Supervisory Board,
- Jan Waga - Vice-President of the Supervisory Board,
- Edward Grzywa - Member of the Supervisory Board,
- Krzysztof Kluzek - Member of the Supervisory Board,
- Andrzej Kratiuk - Member of the Supervisory Board,
- Ryszard Lawniczak - Member of the Supervisory Board,
- Grzegorz Mroczkowski – Secretary of the Supervisory Board,
- Krzysztof Szlubowski - Member of the Supervisory Board,
- Jozef Wozniakowski - Member of the Supervisory Board.

The composition of the Management Board of PKN ORLEN as of 30 June 2002 was the following:

- Zbigniew Wrobel- President of the Management Board, General Director,
- Slawomir Golonka- Vice-President of the Management Board, Sales Director,
- Andrzej Macenowicz- Vice-President of the Management Board, Human Resources and Management Systems Director,
- Janusz Wisniewski- Vice-President of the Management Board, Production and Development Director,
- Krzysztof Cetnar- Vice-President of the Management Board, Chief Financial Officer.

The composition of the Management Board of PKN ORLEN as of the day of preparation of consolidated financial statements was the following:

- Zbigniew Wrobel - President of the Management Board, General Director,
- Slawomir Golonka – Vice-President of the Management Board, Sales Director,
- Andrzej Macenowicz - Vice-President of the Management Board, Human Resources and Management Systems Director,
- Janusz Wisniewski - Vice-President of the Management Board, Production and Development Director,
- Jacek Strzelecki - Vice-President of the Management Board, Chief Financial Officer.

(PLN thousand)

B. The entities of PKN ORLEN Group

a) Consolidated subsidiaries and associates

No	Name and location	Activity	Appropriate court or institution maintaining register	Cost of purchase	Balance sheet carrying value of shares	Percentage of share capital owned	Share capital reletionship (including direct and indirect relationship	Method of consolidation	Date of gaining control of significant influence	Yaer of including to consolidation
1.	ORLEN Petrogaz Plock Sp. z o.o. – Plock [1)]	Liquid gas trading	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	24,824	-	100.00 %	Subsidiary	Full method	15.12.1995	1998
2.	ORLEN PetroCentrum Sp. z o.o. – Plock	Trading and production	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	21,000	-	100.00 %	Subsidiary	Full method	24.09.1996	1997
3.	ORLEN Medica Sp. z o.o. – Plock	Medical activity	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	13,273	-	100.00 %	Subsidiary	Full method	24.11.1997	2000
4.	ORLEN Budonaft Sp. z o.o. – Krakow	Building and repair services	Register Court in Krakow, Economic – Register Department, under the registration number RHB 7109	3,795	-	100.00 %	Subsidiary	Full method	02.01.1997	2000
5.	ORLEN Polimer Sp. z o.o. – Plock	Sale of polymers	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	2,000	-	100.00 %	Subsidiary	Full method	09.04.1998	2001
6.	ORLEN Powiernik Sp. z o.o. – Plock	Trustee services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	4	-	100.00 %	Subsidiary	Full method	19.07.2000	2000
7.	Petrogaz Inowroclaw SP. z o.o. - Inowroclaw	LPG trading	District Court in Bydgoszcz, XIII Economic Department of KRS (National Court Register)	3,750		100.00 %	Subsidiary	Full method	08.05.1997	2000
8.	ORLEN KolTrans Sp. z o.o. Plock	Transport services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	40,796	-	99.85%	Subsidiary	Full method	13.12.2000	2000
9.	ORLEN Transport Szczecin Sp. z o.o. – Szczecin	Transport services	District Court in Szczecin, XI Economic – Register Department	3,409	-	99.56%	Subsidiary	Full method	15.06.2000	2000
10.	ORLEN Transport Krakow Sp. z o.o. – Krakow	Transport services	District Court for Krakow Środmiescie (Center), XI Economic Department of KRS (National Court Register)	11,132		98.15%	Subsidiary	Full method	05.06.2000	2000
11.	ORLEN Transport Plock Sp. z o.o. – Plock	Transport services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	25,780	-	97.58%	Subsidiary	Full method	23.12.1998	1999
12.	ORLEN Transport Lublin Sp. z o.o. – Lublin	Transport services	District Court in Lublin, XI Economic Department of KRS (National Court Register)	9,888	-	97.53%	Subsidiary	Full method	09.06.2000	2000
13.	ORLEN Transport Nowa Sol Sp. z o.o. – Nowa Sol	Transport services	District Court in Zielona Gora, VIII Economic Department of KRS (National Court Register)	9,760	-	96.72%	Subsidiary	Full method	09.06.2000	2000
14.	Zaklad Budowy Aparatury S.A. – Plock	Industry machinery manufacturing	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	17,381	-	96.56%	Subsidiary	Full method	27.10.1998	1999

(PLN thousand)

a) Consolidated subsidiaries and associates (continued)

No	Name and location	Activity	Appropriate court or institution maintaining register	Value of shares bought	Balance sheet value of shares	Percentage of share capital owned	Share capital reletionship (including direct and indirect relationship	Method of consolidation	Date of gaining control of significant influence	Yaer of including to consolidation
15.	ORLEN Transport Poznan Sp. z o.o. – Poznan	Transport services	District Court in Poznan, XXI Economic Department of KRS (National Court Register)	10,865	-	96.39%	Subsidiary	Full method	01.06.2000	2000
16.	ORLEN Transport Slupsk Sp. z o.o. – Slupsk	Transport services	District Court in Slupsk, VI Economic – Register Department	6,515	-	96.18%	Subsidiary	Full method	23.06.2000	2000
17.	ORLEN Transport Warszawa Sp. z o.o. – Warszawa	Transport services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	5,945	-	94.49%	Subsidiary	Full method	07.06.2000	2000
18.	Petro-Oil Sp. z o.o. – Krakow (consolidated financial statements) [3)]	Chemicals, petrochemicals and refinery products trading	District Court for Krakow-Środmiescie (Center) in Krakow, XI Economic Department of KRS (National Court Register)	40,198	-	92.29%2	Subsidiary	Full method	27.08.1998	1999
19.	ORLEN Transport Olsztyn Sp. z o.o. – Olsztyn	Transport services	District Court in Olsztyn, VII Department of KRS (National Court Register)	5,646	-	91.97%	Subsidiary	Full method	29.05.2000	2000
20.	Petrogaz Lapy Sp. z o.o.	Liquid gas trading		3,200	-	90.40%	Subsidiary	Full method	19.06.1998	2000
21.	Petrotel Sp. z o.o. – Plock	Telecommunication services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	7,282	-	88.80%	Subsidiary	Full method	14.08.1997	2000
22.	ORLEN Transport Kedzierzyn-Kozle Sp. z o.o. – Kedzierzyn-Kozle	Transport services	District Court in Opole, VIII Economic Department of KRS (National Court Register)	4,629	-	87.88%	Subsidiary	Full method	29.05.2000	2000
23.	ORLEN PetroProfit Sp. z o.o. – Niemce (consolidated financial statements) [3)]	Liquid fuels trading	District Court in Lublin, XI Economic Department of KRS (National Court Register)	13,536	-	85.00%	Subsidiary	Full method	14.09.1995	1996
24	ORLEN WodKan Sp. z o.o. - Plock	Repair of water supply and sewage installation	District Court in Plock Economic Department	1,810	-	82.28%	Subsidiary	Full method	22.07.1999	2001
25	Rafineria Trzebinia S.A. – Trzebinia (consolidated financial statements) [3)]	Production activity, crude oil processing	District Court for Krakow-Środmiescie (Center) in Krakow, XI Economic Department of KRS (National Court Register)	74,503	-	77.07%	Subsidiary	Full method	27.10.1997	1997
26.	Rafineria Nafty Jedlicze S.A. – Jedlicze (consolidated financial statements) [3)]	Production activity, crude oil processing	District Court in Rzeszow, XII Economic Department of KRS (National Court Register)	64,000	-	75.00%	Subsidiary	Full method	01.01.1999	1999
27.	Anwil S.A. – Wloclawek (consolidated financial statements) [3)]	Production of PVC and fertilizers	District Court in Torun, VII Economic Department of KRS (National Court Register)	173,852	-	74.97%	Subsidiary	Full method	05.09.1995[4)]	1996
28.	Inowroclawskie Kopalnie Soli „SOLINO” S.A. – Inowroclaw	Industrial brine production, trading services	District Court in Bydgoszcz, XIII Economic Department of KRS (National Court Register)	17,560	-	70.54%	Subsidiary	Full method	28.09.1996	1997
29.	ORLEN Mechanika Sp. z o.o. - Plock	Repair services for mechanical divisions	District Court in Plock Economic Department	3,021	-	68.17%	Subsidiary	Full method	22.07.1999	2001

(PLN thousand)

a) Consolidated subsidiaries and associates (continued)

No	Name and location	Activity	Appropriate court or institution maintaining register	Value of shares bought	Balance sheet value of shares	Percentage of share capital owned	Share capital reletionship (including direct and indirect relationship	Method of consolidation	Date of gaining control of significant influence	Yaer of including to consolidation
30.	ORLEN PetroTank Sp. z o.o. – Widelka	Trade and service activity, blending liquid, gas and solid fuels	District Court in Rzeszow, XII Economic Department of KRS (National Court Register)	7,050	-	60.00%	Subsidiary	Full method	09.04.1996	1996
31.	ORLEN Automatyka Sp. z o.o. - Plock	Repair services for automatic divisions	District Court in Plock Wydzial Gospodarczy	1,258	-	52.42%	Subsidiary	Full method	30.04.1999	2001
32.	ORLEN PetroZachod Sp. z o.o. – Poznan	Liquid fuels trading	District Court in Poznan, XXI Economic Department of KRS (National Court Register)	9,200	-	51.83%	Subsidiary	Full method	19.01.1998	1999
33.	ORLEN Petrogaz Wroclaw Sp. z o.o. (former Petrogaz Wroclaw Sp. z o.o. - Wroclaw)	Liquid gas trading	District Court for Wroclaw – Fabryczna st., VI Economic – Register Department	1,600	-	51.61%	Subsidiary	Full method	25.07.1997	2000
34.	ORLEN Remont Sp. z o.o. - Plock	Repair of heat and power plant	District Court in Plock, Economic Department	1,230	-	51.23%	Subsidiary	Full method	30.04.1999	2001
35.	Petrolot Sp. z o.o. – Warszawa	Trade and service activity	District Court for capital city of Warsaw in Warsaw, XX Economic Department of KRS (National Court Register)	10,220	-	51.00%	Subsidiary	Full method	07.01.1997	1997
36.	ORLEN Eltech Sp. z o.o. - Plock	Repair services for electrical division	District Court in Plock, Economic Department	1,071	-	51.00%	Subsidiary	Full method	22.07.1999	2001
37.	ORLEN Projekt S.A. – Plock	Technological and construction designing services	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	765	-	51.00%	Subsidiary	Full method	28.05.1998	2000
38.	ORLEN EnergoRem Sp. z o.o. - Plock	Repair activities for petrochemical division	District Court in Plock, Economic Department	918	-	51.00%	Subsidiary	Full method	30.04.1999	2001
39	ORLEN Wir Sp. z o.o. - Plock	Repair services for spinning machinery division	District Court in Plock, Economic Department	816	-	51.00%	Subsidiary	Full method	01.10.1999	2001
40.	Naftoport Sp. z o.o. – Gdansk	Construction and utilizing of liquid fuels, reloading terminals	District Court in Gdansk, XII Economic Department of KRS (National Court Register)	35,319	46,736	48.71%	Associate	Equity method	17.07.1991	1996
41.	Flexpol Sp. z o.o. – Plock	Foil production	District Court for capital city of Warsaw in Warsaw, XXI Economic Department of KRS (National Court Register)	4,800	6,695	40.00%	Associate	Equity method	03.01.2000	2000
42.	Chemiepetrol GmbH – Hamburg	Trade and intermediary activities regarding chemical and similar goods	HRB 33084 Amtsgericht Hamburg	397	725	20.00%	Associate	Equity method	28.04.1993	1996

1) ORLEN Petrogaz Plock Sp. z o.o. owns 100% of shares in Petrogaz Inowroclaw Sp. z o.o., 90.40% in Petrogaz Lapy Sp. z o.o , 51.61% in ORLEN Petrogaz Wroclaw Sp. z o.o. Specified companies are consolidated under full method by the Dominant Company
2) Dominant Company – 9.00%, Rafineria Trzebinia S.A. – 75.58%, Rafineria Nafty Jedlicze – 7.71%
3) All entities consolidated by ORLEN PetroProfit Sp. z o.o., Rafineria Trzebinia S.A., Rafineria Nafty Jedlicze S.A., Anwil S.A. and Petro-Oil Sp. z o.o. are presented in Note 4D.

(PLN thousand)

b) Unconsolidated subsidiaries and associates

No	Name and location	Activity	Percentage of share capital owned	Share in total votes on General Meeting of Shareholders	Net profit	% net profit of PKN ORLEN	Revenue (net sales and financial income)	% revenue of PKN ORLEN	Total assets as at 30 June 2002	% total assets of PKN ORLEN
1.	Wisla Plock Sportowa S.A. (former ORLEN Sportowa S.A.) – Plock	Sport activity	100.00%	100.00%	(1,757)	(1.15%)	16,235	0.15%	3,983	0.03%
2.	SAMRELAKS Machocice Sp. z o.o. – Machocice Kapitulne	Hotels and motels with restaurants	100.00%	100.00%	(651)	(0.43%)	1,117	0.01%	1,278	0.01%
3.	ZAWITAJ Swinoujscie Sp. z o.o. - Swinoujscie	Hotels and motels with restaurants	100.00%	100.00%	(424)	(0.28%)	716	0.01%	712	0.01%
4.	ORLEN Ochrona Sp. z o.o. – Plock	Security services	100.00%	100.00%	692	0.45%	15,605	0.14%	6,939	0.06%
5.	CPN Serwis Kielce Sp. z o.o. – Kielce	Maintenance services for fuel stations and stores	100.00%	100.00%	(59)	(0.04%)	959	0.01%	540	0.00%
6.	Z.W. Mazowsze Leba-Ulinia Sp. z o.o. – Leba	Resting and recreation activity	100.00%	100.00%	(223)	(0.15%)	761	0.01%	3,174	0.03%
7.	CPN Serwis Gdansk Sp. z o.o. – Gdansk	Maintenance services for fuel stations and stores	100.00%	100.00%	24	0.02%	1,648	0.02%	853	0.01%
8.	Zaklad Urzadzen Dystrybucyjnych Sp. z o.o. – Opole	Production and services activity	99.87%	99.87%	232	0.15%	6,344	0.06%	4,601	0.04%
9.	Serwis Slupsk Sp. z o.o. – Slupsk	Maintenance services for fuel stations and stores	99.76%	99.76%	158	0.10%	2,040	0.02%	2,904	0.02%
10.	CPN Serwis Nowa Wies Wielka Sp. z o.o. – Nowa Wies Wielka	Maintenance services for fuel stations and stores	99.32%	99.32%	61	0.04%	1,795	0.02%	1,817	0.01%
11.	D.W. Mazowsze Ustron Sp. z o.o. – Ustron Jaszowiec	Resting and recreation activity	98.73%	98.73%	(128)	(0.08%)	512	0.00%	1,580	0.01%
12.	Petromot Sp. z o.o. – Kedzierzyn-Kozle	Maintenance and trade of cars	97.56%	97.56%	(258)	(0.17%)	3,512	0.03%	2,674	0.02%
13.	Serwis Rzeszow Sp. z o.o. – Rzeszow	Maintenance services for fuel stations and stores	97.26%	97.26%	105	0.07%	1,485	0.01%	1,219	0.01%
14.	CPN Serwis Lodz Sp. z o.o. – Lodz	Maintenance services for fuel stations and stores	97.25%	97.25%	4	0.00%	968	0.01%	1,241	0.01%
15.	Serwis Podlasie Sp. z o.o. – Bialystok	Maintenance services for fuel stations and stores	89.67%	89.67%	25	0.02%	1,343	0.01%	908	0.01%
16.	Serwis Mazowsze Sp. z o.o. – Warszawa	Maintenance services for fuel stations and stores	88.50%	88.50%	(471)	(0.31%)	8,005	0.07%	2,902	0.02%
17.	Serwis Wroclaw Sp. z o.o. – Wroclaw	Maintenance services for fuel stations and stores	83.31%	83.31%	289	0.19%	3,493	0.03%	2,824	0.02%
18.	Serwis Krakow Sp. z o.o. – Krakow	Maintenance services for fuel stations and stores	83.20%	83.20%	29	0.02%	1,596	0.01%	940	0.01%
19.	BHT Dromech S.A. – Warszawa	Production activity	81.14%	81.14%	**	**	**	**	**	**
20.	Serwis Kedzierzyn-Kozle Sp. z o.o. – Kedzierzyn–Kozle	Maintenance services for fuel stations and stores	80.00%	80.00%	3	0.00%	754	0.01%	539	0.00%
21.	Serwis Szczecin Sp. z o.o. – Szczecin	Maintenance services for fuel stations and stores	78.09%	78.09%	61	0.04%	1,510	0.01%	1,165	0.01%
22.	Serwis Zachod Sp. z o.o. – Nowa Sol	Maintenance services for fuel stations and stores	74.31%	74.31%	33	0.02%	2,862	0.03%	2,044	0.02%

(PLN thousand)

b) Unconsolidated subsidiaries and associates (continued)

No	Name and location	Activity	Percentage of share capital owned	Share in total votes on General Meeting of Shareholders	Net profit	% net profit of PKN ORLEN	Revenue (net sales and financial income)	% revenue of PKN ORLEN	Total assets as at 30 June 2002	% total assets of PKN ORLEN
23.	CPN Marine Service Gdansk Sp. z o.o. – Gdansk	Duty store; production, trade	70.00%	70.00%	(48)	(0.03%)	927	0.01%	247	0.00%
24.	Centrum Edukacji Sp. z o.o. – Plock	Education and training services	69.43%	69.43%	23	0.02%	3,476	0.03%	2,722	0.02%
25.	Serwis Katowice Sp. z o.o. – Katowice	Maintenance services for fuel stations and stores	55.00%	55.00%	74	0.05%	1,834	0.02%	1,212	0.01%
26.	ORLEN Petrogaz Nowa Brzeznica Sp. z o.o. – Nowa Brzeznica	Liquid gas trading	52.00%	52.00%	**	**	**	**	**	**
27.	Petromor Sp. z o.o. – Gdansk	Storing, confectioning and warehousing of goods	51.31%	51.31%	(56)	(0.04%)	346	0.00%	2,609	0.02%
28.	CPN Serwis Poznan Sp. z o.o. – Poznan	Maintenance services for fuel stations and stores	51.00%	51.00%	34	0.02%	2,079	0.02%	1,398	0.01%
29.	ORLEN Morena Sp. z o.o. - Gdansk	Wholesale trading of automotive spare parts and accessories, retail and wholesale trading of fuels	50.48%	50.48%	666	0.44%	58,719	0.53%	18,816	0.15%
30	Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o. – Ciechocinek	Preventing and curing, resting and recreation activity	100.00%	100.00%	35	0.02%	927	0.01%	2,716	0.02%
31.	Przedsiebiorstwo Rolne Agro – Azoty II – Wloclawek Sp. z o.o. Laka near.Koszalin	Farm	100.00%	100.00%	(439)	(0.29%)	935	0.01%	1,675	0.01%
32.	Zakladowa Straz Pozarna Sp. z o.o. – Trzebinia	Fire fighting services	99.97%	99.97%	(86)	(0.06%)	1,751	0.02%	2,495	0.02%
33.	Raf-Sluzba Ratownicza Sp. z o.o. – Jedlicze	Fire fighting and rescue services	88.19%	88.19%	1	0.00%	1,543	0.01%	531	0.00%
34.	Petromont Sp. z o.o. – Niemce	Trade and building services	85.00%	85.00%	(19)	(0.01%)	796	0.01%	541	0.00%
35.	Ran- GGC Sp. z o.o. – Gdansk	Used oils collection	80.63%	80.63%	*	*	*	*	*	*
36.	Przedsiebiorstwo Gazyfikacji Bezprzewodowej PEGEBE S.A. - Plock	Trade and distribution of gas	80.00%	80.00%	(107)	(0.07%)	1,497	0.01%	872	0.01%
37.	MEDILOGISTYKA Sp. z o.o.	Wholesale and retail trade of pharmaceutical, food and industry products	80.00%	80.00%	(4)	0.00%	22	0.00%	44	0.00%
38.	PetroUkraina Ltd Sp. z o.o. – Lvov (Ukraine)	Trade	80.00%	80.00%	*	*	*	*	*	*
39.	NTVK – Vilnius (Lihuania)	Trade activity	76.00%	76.00%	*	*	*	*	*	*
40.	Medikor Sp. z o.o. – Jedlicze	Services and trade activities, medical supervising of work environment and sanitation	73.33%	73.33%	(1)	0.00%	283	0.00%	154	0.00%
41.	Raf- Ochrona Sp. z o.o. – Jedlicze	Security service	67.13%	67.13%	(8)	(0.01%)	767	0.01%	315	0.00%
42.	VARIA S.A. – Warszawa	Transport and spedition services, wholesale and retail trade	62.50%	62.50%	88	0.06%	3,035	0.03%	5,566	0.05%

(PLN thousand)

b) Unconsolidated subsidiaries and associates (continued)

No	Name and location	Activity	Percentage of share capital owned	Share in total votes on General Meeting of Shareholders	Net profit	% net profit of PKN ORLEN	Revenue (net sales and financial income)	% revenue of PKN ORLEN	Total assets as at 30 June 2002	% total assets of PKN ORLEN
43.	Wspolne Ukrainsko-Polskie Przedsiebiorstwo in the form of Sp. z o.o. PETRO-UKRAINA– Lvov (Ukraine)	Trade activity	62.00%	62.00%	**	**	**	**	**	**
44.	Ran-Flex Sp. z o.o. – Kielce	Used oils collection	52.00%	52.00%	(41)	(0.03%)	1,359	0.01%	333	0.00%
45	Ran-Oil Sp. z o.o. – Tarnow	Used oils collection	51.00%	51.00%	(26)	(0.02%)	834	0.01%	721	0.01%
46.	Ran-Starol Sp. z o.o. – Katowice	Used oils collection	51.00%	51.00%	(77)	(0.05%)	1,973	0.02%	507	0.00%
47.	Ran-Sigma Sp. z o.o. – Walbrzych	Used oils collection	51.00%	51.00%	(33)	(0.02%)	1,553	0.01%	341	0.00%
48.	Ran-Ole-Par Sp. z o.o. – Lodz	Used oils collection	51.00%	51.00%	(29)	(0.02%)	409	0.00%	185	0.00%
49	Ran-Akses Sp. z o.o. – Szczecin	Used oils collection	51.00%	51.00%	26	0.02%	630	0.01%	185	0.00%
50.	Ran-Akant Sp. z o.o. – Lublin	Used oils collection	51.00%	51.00%	(70)	(0.05%)	398	0.00%	98	0.00%
51.	Ran-Petromex Sp. z o.o. – Opole	Used oils collection	51.00%	51.00%	(297)	(0.19%)	221	0.00%	17	0.00%
52.	Ran-Kiczmer Sp. z o.o. – Pisarzowice	Used oils collection	51.00%	51.00%	(4)	0.00%	1,063	0.01%	335	0.00%
53	Ran-Dickmar Sp. z o.o. – Tarnobrzeg	Used oils collection	51.00%	51.00%	31	0.02%	1,607	0.01%	602	0.00%
54.	Ran-Watt Sp. z o.o. – Torun	Used oils collection	51.00%	51.00%	**	**	**	**	**	**
55.	Ran-Mega Sp. z o.o. – Gliwice	Used oils collection	51.00%	51.00%	(23)	(0.02%)	1,567	0.01%	1,073	0.01%
56.	Niezalezny Operator Miedzystrefowy Sp. z o.o.	Telecommunication services	35.00%	35.00%	(7,788)	(5.11)%	113,327	1.03%	367,304	2.98%
57.	Motell Sp. z o.o. – Morawica	Catering and hotel services	35.00%	35.00%	(247)	(0.16)%	3,045	0.03%	1,185	0.01%
58.	Ship-Service S.A.	Servicing and maintenance of ships in the harbours, lading, consignation and storing of goods	30.43%	25.82%	(361)	(0.24%)	99,890	0.91%	53,874	0.44%
59.	Petro-Oil CZ s.r.o. – Brno Prikop (Czech Republic)	Production, trade and services in oil industry	49.00%	49.00%	(124)	(0.08%)	60	0.00%	275	0.00%
60.	Ran-Bialy Sp. z o.o. – Bialystok	Used oils collection	46.70%	46.70%	0	0.00%	293	0.00%	134	0.00%
61.	Piast Sp. z o.o. – Krakow	Fuel trade	40.00%	40.00%	165	0.11%	68,186	0.62%	12,173	0.10%
62.	Petro-Oil Seewax Sp. z o.o. – Sulejowek	Trade and services in oil industry	25.00%	25.00%	1	0.00%	15,890	0.14%	8,909	0.07%
63.	Petro-Oil Podlaskie Centrum Sprzedazy Sp. z o.o. – Bialystok	Trade and services in oil industry	24.00%	24.00%	140	0.09%	7,192	0.07%	4,506	0.04%
64.	Petro-Oil Zachodniopomorskie Centrum Sprzedazy Sp. z o.o. - Szczecin	Production, sales, services	24.00%	24.00%	(28)	(0.02%)	6,894	0.06%	4,837	0.04%
65.	Petro-Oil Dolnoslaskie Centrum Sprzedazy Sp. z o.o. (former Petro-Oil Buwar Sp. z o.o.) – Legnica	Production and trade of petrochemical products	24.00%	24.00%	146	0.10%	9,085	0.08%	5,225	0.04%

(PLN thousand)

b) Unconsolidated subsidiaries and associates (continued)

No	Name and location	Activity	Percentage of share capital owned	Share in total votes on General Meeting of Shareholders	Net profit	% net profit of PKN ORLEN	Revenue (net sales and financial income)	% revenue of PKN ORLEN	Total assets as at 30 June 2002	% total assets of PKN ORLEN
66.	Petro-Oil Pomorskie Centrum Sprzedazy Sp. z o.o. – Gdansk	Production and service activity	24.00%	24.00%	(14)	(0.01%)	10,687	0.10%	6,768	0.05%
67.	Petro-Pak S.A. – Mielec	Production and service activity	20.00%	20.00%	(4)	0.00%		0.00%	92	0.00%
68.	RAF-Uniwersal Sp. z o.o. – Jedlicze	Production and service activity	20.00%	20.00%	25	0.02%	1,018	0.01%	250	0.00%
	Total					**(7.05%)**		**4.53%**		**4.47%**

* Financial data as of 30 June 2002 is not available

** Entity in liquidation/bankruptcy

Due to insignificant amounts presented in the financial statements of the individual entities and all above mentioned entities together, the above companies were not consolidated.

C. Information about consolidated financial statements

The consolidated financial statements were prepared in compliance with the Polish Accounting Standards defined by the amended Accounting Act of 29 September 1994 (Journal of Law No 121, pos. 591 with further changes, "the Accounting Act") and the Decree of the Council of Ministers of 16 October 2001 on type, form and scope of current and periodic information and published by issuers of securities (Journal of Law No 139, pos. 1569 with further changes, the "Decree").

The consolidated financial statements are prepared for the period from 1 January 2002 to 30 June 2002, and the consolidated comparable data comprise: in reference to balance sheet and balance sheet explanatory notes data as of 31 December 2001 and 30 June 2001, and in reference to: profit and loss account, cash flow statement and explanatory notes to the profit and loss account – data for the period from 1 January 2001 to 30 June 2001.

The amended Accounting Act is in force from 1 January 2002. In order to provide comparability of data presented in the consolidated financial statements included in this consolidated half year report, financial data presented in consolidated financial statements for year 2001 and consolidated financial statements for 6 months ended 30 June 2001 was restated.

The financial data presented in the consolidated financial statements for six month ended 30 June 2001 and for year 2001 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 rules introduced by the amendment of the Accounting Act were presented as adjustments of specific captions of 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 rules concerning year 2000 and earlier periods was presented as an adjustment to "retained earnings". Description of changes of accounting policies resulting form application of amended accounting act regulations and their impact on financial results and equity of the Company and the Capital Group are presented in Point 61.

The accounting rules applied by the Capital Group in year 2001 were presented in the consolidated financial statements for the year 2001. The accounting rules applied for financial statements for periods beginning in year 2002 and for comparable data are presented in point D of the introduction.

The consolidated financial statements were prepared under assumption that the Company and Capital Group will continues as a going concern for foreseeable future. As of the date of authorisation of consolidated financial statements, there were no facts or circumstances, indicating any threat of going concern of the Company and significant entities of the Capital Group.

Auditor's opinions to financial statements of the Group for the year 2001 contained no qualifications. Financial statements for the six months ended 30 June 2002 and for the six months ended 30 June 2001 were not subject to an audit. Auditor's reports from review of financial statements contained no qualifications.

D. Description of accounting polices adopted by the Capital Group

a) Intangible fixed assets

Intangible fixed assets are recognised if it is probable that in the future they will bring economic benefits, which can be attributed directly to these assets. Initially intangible fixed assets are presented at the purchase price or at manufacturing cost. Subsequently, the intangible fixed assets are valued at the purchase price or at manufacturing cost less accumulated amortisation and impairment losses. Intangible fixed assets are amortised using straight-line method over their estimated economic life. Amortisation rates resulting from tax regulations are used only if they correspond with the economic life of the intangible fixed assets. The correctness of applied periods and depreciation rates are verified at regular intervals, at least at the end of the financial year, and any necessary adjustments to amortisation charges are made in subsequent periods. Typical amortisation rates applied in reference to intangible fixed assets:

Licences, patents and similar assets	7- 50%
Computer software	10- 50%

b) Research and development costs

Expenses on research are treated as costs at the moment when they are incurred. Costs of completed development projects conducted for own needs, incurred before the production is commenced or technology is applied, are treated as intangible fixed assets, if:

- product or technology of production is clearly set, and related to the costs of development are reliably determined,
- technical usefulness has been confirmed and properly documented and on this basis the entity decided to manufacture the products or to apply the technology,
- the costs of completed research will be covered – according to estimations – by sales of the products or application of the technology.

The period of making development costs write offs does not exceed 5 years.

c) Goodwill

Goodwill is the positive difference between purchase price of certain entity or its organised part and the fair value of the net assets taken over. If the purchase price of the entity or its organised part is lower than the fair value of assets taken over, the difference constitutes the negative goodwill.

The excess of the purchase price over the fair value of net assets of the acquired company is presented as goodwill in assets of the company to which the assets of the joint companies were transferred or in assets of a new company set up as the result of the merger.

Goodwill is amortised not longer than 5 years. Amortisation is charged on the straight line basis and is treated as other operating cost. In cases other than described in the paragraph below, the negative goodwill up to the value not exceeding fair value of acquired fixed assets, excluding long term financial assets quoted on regulated stock markets, is treated as deferred income and amortised over a period calculated as weighted average of economic life of acquired amortisable and depreciable assets. Negative goodwill in amount exceeding fair value of fixed assets, excluding long term financial assets quoted on regulated stock markets, is treated as income as of the day of merger.

The negative goodwill is written off into other operating income in amount relating to the value of reliably estimated future losses and costs estimated by the acquiring company as of the day of merger, though not constituting liabilities. The write-off is made in the reporting period, in which the losses and costs influence the financial result. If the losses and costs were not incurred in previously estimated reporting periods, the negative goodwill related to them is written off in the manner described above.

d) Tangible fixed assets

Tangible fixed assets, excluding land and real estate classified as investments, are stated at purchase price or manufacturing cost subject to revaluation less accumulated depreciation and impairment losses. At the moment of disposal or liquidation the purchase price or manufacturing cost and its accumulated depreciation are removed from books and any profit or loss on its disposal is presented in income statement. Land is valued at purchase price less impairment losses.
Costs incurred after a fixed asset is put into operation, such as: overhauls, reviews, maintenance fees influence financial result of the reporting period in which they were incurred. If it is possible to prove that the incurred costs increased the future economic benefits resulting from ownership of the fixed asset exceed the benefits previously assumed, the incurred costs increase the initial value of the fixed asset.
Fixed assets are depreciated in straight-line method over their estimated economic life. Depreciation rates resulting from tax regulations are used only if they correspond with the economic life of the fixed assets. The correctness of applied periods and depreciation rates are verified at regular intervals, which results in proper adjustments of depreciation charges in subsequent periods.

Typical depreciation rates applied in reference to fixed assets:

Buildings and constructions	1.5- 10%
Plant and equipment	4- 30%
Transport	6- 20%
Other fixed assets	8.5- 25%

Low-value assets of estimated useful life below 1 year and cost less than 3.5 thousand zloty are fully expensed when brought into usage.

The impairment losses on a fixed asset, which previously was subject to revaluation, are deducted from the revaluation reserve attributed to given fixed asset. In case the impairment loss exceeds the revaluation reserve attributed to this fixed asset, the difference is expensed in the reporting period in which the impairment loss was recognised.

Acquired perpetual leasehold of land and acquired cooperative title to premises are recorded as fixed assets and depreciated over their economic life.

Value of land leased perpetually is not presented in balance sheet.

e) Construction in progress

Construction in progress is recorded at total costs directly attributable to its purchase or manufacture less impairment losses. Construction in progress includes also materials purchased for construction in progress. Construction in progress is not depreciated until it is completed and put into operation.

f) Financial lease

Assets used under lease, tenancy agreements or other agreements complying with the criteria set by the amended Accounting Act are treated as fixed assets and presented at lower of the two: fair value of the leased asset at the beginning of the lease contract and current value of minimal lease payments.

Assets leased out, tenancy agreements or other agreements complying with the criteria set by the amended Accounting Act are treated as long term receivables and presented at the amount of net leasing investment.

g) Real estate investments

Real estate investments may comprise land and real estate, purchased in order to bring benefits such as rent or increase in real estate value. Real estate used to earn the above mentioned economic benefits but not purchased for that purpose are treated as fixed assets. Real estate investments are valued according to the fair value.

h) Investments in subsidiaries

Shares in subsidiaries are presented in unconsolidated financial statements at cost of purchase less impairment losses. In the consolidated financial statement significant subsidiaries are consolidated.

Goodwill on consolidation of subsidiaries is calculated as a surplus of the purchase price of shares in the subsidiary over corresponding share in net assets of subsidiary based in their fair value on the date of obtaining control. Goodwill on consolidation of associates is calculated as a surplus of the purchase price of shares in the associate over corresponding share in net assets of associate on the date of obtaining significant influence. Goodwill on consolidation is charged to income statement using straight-line method over period not longer than five years.

Negative goodwill on consolidation of subsidiaries is calculated as a surplus of share in net assets of subsidiary based on their fair value on the day of obtaining control over the purchase price of shares in a subsidiary. Negative goodwill on consolidation of associates is calculated as a surplus of value of share in equity of associate as at the date of obtaining significant influence over the purchase price of shares in associate. Negative goodwill is charged over period calculated as weighted average economic useful life of the depreciable assets acquired.

i) Inventories

Inventories are stated at the net realisable value being the lower of purchase price or manufacturing cost and net selling price. Different types of inventories are valued using weighted average method in a following manner:

Raw materials:	Purchase cost
Semi-finished products and work in progress:	Cost of manufacture
Finished goods:	Cost of manufacture
Goods for resale:	Purchase cost

Indirect costs included in manufacturing costs comprise among others: the part of fixed, indirect production costs, which correspond with level of normal operating capacity utilisation.

The net realisable value is determined as possible to obtain, as of the balance sheet date, selling price less VAT and excise, less any rebates, discounts and any other similar decreases in value and costs spent on making the item available for sale and enabling the sale.

Inventories that lost their economic usefulness are accounted for as costs.

j) Receivables

Receivables are stated at amount due less allowances. Allowances are recognised either based on the analysis of collectibility of receivables from individual debtors or when the contractor goes into bankruptcy or liquidation.

Allowances for bad debts are treated as other operating or financial costs – depending on the kind of the receivables, to which the allowance refers.

Written-off, overdue and bad debts diminish the previously made allowances for their value.

Written-off, overdue and bad debts for which no allowances were made or which were not fully allowed for, are treated as other operating costs or financial costs.

k) Cash and cash equivalents

Cash and other cash assets include cash on hand and cash in banks, cash in transit and other cash assets. Cash includes assets in form of domestic currency and foreign currencies.

l) Prepayments and deferred costs

Prepayments and deferred costs are expenses relating to periods later than period in which they were incurred. Such deferred costs mainly include: cost of excise duty (concerning inventory of goods), cost of catalysts, cost of insurance, cost concerning patronage agreements and leasing costs.

m) Financial instruments

Financial instruments are presented and valued in accordance with Decree of the Minister for Finance dated 12 December 2001 on detailed rules of recognition, valuation methods, scope of disclosure and way of presentation of financial instruments ("Decree on financial instruments").

Financial instruments are classified into the following categories:
- held-for-trade financial assets and liabilities,
- loans granted and own receivables,
- financial assets held to maturity,
- financial assets available for sale.

Derivatives and embedded derivatives are also financial instruments.

Short term financial assets held-for-trade are treated as assets acquired principally for the purpose of generating economic benefit from short-term changes in price and fluctuations of other market factors or short maturity of the acquired instrument, and other financial assets too, irrespective for intentions, which lead to conclusion of the contract, if they constitute an element of portfolio of similar financial assets, the realisation probability of intended economic benefits in a short time is considerable.
Current financial assets or financial liabilities comprise financial derivatives, except when an entity recognises concluded contracts as hedging instruments.
Financial assets arisen directly due to cash transfer to the other party of the contract, providing that the contract meets requirements determined in proper paragraphs of the amended Act, are treated as loans granted and own receivables, irrespective of their maturity.
Financial assets not classified as loans granted and own receivables, for which the concluded contracts determine the maturity of nominal value and right to obtain at set dates economic benefits, for example, interests of constant or determinable amount, providing that the entity intends and is able to hold the assets until maturity, are classified as held-to-maturity financial assets.
Other financial assets, not meeting requirements classifying them into categories enumerated in points a) to c) are treated as financial assets available for sale.
Financial assets are carried at their fair value (without any deduction for transaction costs which the entity would incur in case of selling the assets) excluding:

a) loans granted and own receivables not available for sale,

b) financial assets held to maturity,

c) financial assets for which market price set on regulated active market does not exist or for which it is unworkable to measure their fair value reliably,

d) hedged financial assets.

Financial assets not valued at their fair value are valued in the following manner:

- loans granted and own receivables, excluding those held for trading - at the amortised cost, estimated by using effective interest rate regardless if the entity is going to held it until maturity or not,
- financial assets, for which the maturity is set - at adjusted purchase price estimated by using effective interest rate,
- financial assets, for which the maturity is not set - at the purchase price.

Financial liabilities are valued at the amortised cost, excluding financial liabilities held-for-trade and derivatives, which are stated at fair value.

n) Derivatives

Derivatives possessed by the Company are not usually accounted for as hedging instruments and are classified as short term assets and carried at fair value, with any changes to their fair value charged to income statement.
Derivatives are among others: forward and futures contracts, options and swap contracts.
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,
- it is possible to determine reliably value of the embedded derivative,
- the hybrid (combined) instrument is not measured at fair value and changes in its fair value is not charged to net profit or loss.

Embedded derivatives are accounted for in a manner similar to separate derivatives that are not categorised as hedging instruments.

o) Equity

Equity is presented in books in accordance with rules determined by law and the company's statute.

Share capital is stated at nominal value in compliance with the Statutory Regulations of the Company and the relevant entry in the Companies Register.

Declared but not paid share capital is accounted for as unpaid share capital. Own shares and unpaid share capital decrease the value of equity of the Company.

The capital reserve is generated by profit sharing, transfer of revaluation reserve and share premium.

Equity arisen due to conversion of securities, liabilities and loans into shares is presented at nominal value of these securities, liabilities and loans, adjusted by not amortised discount or premium, interests accrued and not paid to the day of conversion, which will not be paid, unrealised foreign exchange differences and capitalised issuance costs.

The revaluation reserve was established as result of the fixed assets revaluation as of 1 January 1995. In case of disposal or liquidation of a fixed asset item, the corresponding part of revaluation reserve is transferred to reserve capital.

Impairment losses on fixed asset, which previously was subject to revaluation, diminishes the revaluation reserve attributed to the fixed asset. If impairment loss exceeds the revaluation reserve attributed to given fixed asset, the difference is expensed in the reporting period in which the impairment loss was recognised.

Formation costs diminish the reserve capital up to the amount of share premium. The remaining part of formation costs is expensed as financial cost.

p) Provisions for liabilities

Provisions are set for:

1) certain or highly probable future liabilities, amount of which can be reliably estimated, particularly for losses on economic transactions in progress, including guarantees granted, borrowing transactions, results of legal actions,
2) future liabilities resulting from restructuring, if basing on separate rules the Company is obliged to perform it or binding agreements were concluded and the restructuring plans allow to estimate reliably the value of future liabilities.

The above mentioned provisions are expensed as: other operating costs, financial costs or extraordinary losses, depending on circumstances to which the future liabilities corresponds. Occurrence of the liability for which the provision was set diminishes the provision.

q) Provision for jubilee and retirement bonuses

According to remuneration schemes, employees are entitled to jubilee bonuses upon completion of a certain number of years in service and to retirement allowances paid on retirement. The amount of bonuses depends on employee's average remuneration and length of service. The employees receive also a one–off payments on retirement. Pensions are paid to employees who prove permanent disability to work. The amount of bonuses depends on employee's average remuneration and length of service. The costs of jubilee and retirement/pension bonuses are accrued in Company on a basis of an independent actuarial valuation. According to the amended Accounting Act the provisions for jubilee and retirement bonuses are presented in the balance sheet in caption "Liabilities and provisions for liabilities" as "Provision for retirement benefits and similar bonuses".

r) Equity compensation plans costs

Convertible bonds, issued by the Company as the part of the employee compensation plan, 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 is recognised as remuneration expense and presented in short term payables. The fair value is estimated on the basis of historical volatility of listed shares and Black-Scholes' model.

s) Environmental costs

Provisions for certain or highly probable future liabilities resulting from environment protection are recorded in case of existence of law requirements or existing policy regarding elimination pollutions, which costs may be reliably estimated.

t) Credits and loans

Costs of loans and borrowings are recognised in principle at the moment of occurrence. Costs of loans and borrowings are capitalised only in case if they directly refer to acquisition, construction or manufacture of certain element of assets. Costs of loans and borrowings are capitalised until the element of assets is ready for planned use. Providing that the net book value of an asset is greater than the value possible to receive, the net book value is decreased by the write-off resulting from impairment.

Loans are initially recorded at the amount of inflows received, decreased by transaction costs. Subsequently they are presented at the amortised purchase price with use of effective interest method. The difference between net inflows and maturity amount is reflected in net profit or loss in the period of loan.

u) Foreign currency transactions

At the balance sheet date assets and liabilities denominated in foreign currencies are recorded as follows:

- assets (excluding stakes in associates accounted for under equity method) – at the call exchange rate applied by the basic bank which renders services for the company, not higher than average exchange rate set for the given currency by the National Bank of Poland ("NBP") for this date,
- liabilities – at the put exchange rate applied by the basic bank which renders services for the company, not lower than average exchange rate set for the given currency by the NBP for this date.

Exchange rate differences concerning long term investments denominated in foreign currencies, arising at the day of their valuation are accounted for in manner determined in article 35 paragraph 2 and 4 of the Act.

Exchange rate differences concerning assets and liabilities denominated in foreign currencies, arising at the date of their valuation and on settlement of receivables and liabilities denominated in foreign currencies are classified respectively to financial gains or expenses and in legitimate cases to purchase price or manufacture costs of fixed assets.

v) Sales, costs and financial result

The sales revenues comprise amounts due or received from sales, including excise, less VAT. Revenues from sales are recognised in situation when it is probable that the company will receive economic benefits resulting from transactions and when amount of the revenues can be reliably estimated.

Sales of goods and materials is recognised at the moment of delivery, which results in transfer of risk and benefits stemming from ownership of these goods and products. Income on services are recognised in proportion to the completion, providing that it is possible to estimate it reliably. In case it is not possible to estimate reliably the effect of transaction related to services rendering, income on the services are recognised only to the value of costs incurred in relation to it.

Costs are accounted for in period they relate to. Costs are accounted for both by type and by function. Cost of goods sold includes direct costs of goods and justifiable part of indirect costs. General and administration expenses include costs of the Capital Group's general operations and its management. Selling and distribution costs are the costs incurred in relation with sales of products and goods for resale and include the particularly excise tax related to sale of products of the Capital Group.

Dividends receivable are accounted for as financial income as of the day when the proper body learns about profit division resolution, unless the resolution does not determine an other day of right to the dividend acquisition.

Net profit or loss is constituted by:

- operating profit or loss, including this resulting from other operating income and costs,
- financial operations result,
- extraordinary operations result,
- compulsory amounts reducing profit resulting from income tax, the payer of which is the entity, and payments equal to it, on the basis of separate regulations.

Result on operating activity is calculated as the difference between net income on sales of products, goods and materials adjusted by grants, discounts, rebates and other increases and decreases, excluding VAT and other operating income and cost of products, goods and materials sold, valued at intial cost, increased by all incurred from the beginning of the year general and administration expenses, selling and distribution costs and other operating costs.

Result on financial operations is the difference between financial income, particularly on dividends (shares in profits), interests, profits on investment sales, adjustments of investments values, excess of positive above negative foreign exchange differences, and financial costs, particularly on interests, losses on sales of investments, adjustments of investments values, excess of negative above positive foreign exchange differences.

Result on extraordinary items is the difference between extraordinary profits and losses.

w) Taxation

Current liabilities resulting from corporate income tax are calculated in accordance with Polish taxation law.

Due to temporary differences between value book values and tax values of assets and liabilities companies of the Capital Group set up provisions and recognise assets resulting from deferred tax.

Deferred tax assets are set in the amount of future expected tax deduction due to negative temporary differences, which will lower in the future basis for income tax calculation, set in line with prudent valuation principle.

Deferred tax provision is set in the amount of income tax due in the future, due to positive temporary differences, which are differences, which will increase basis for income tax calculation in the future.

The amount of deferred tax asset and provision is set basing on income tax rates binding in the predicted year of occurrence of income tax liability.

Deferred tax asset and provision can be netted off against if there is a title giving right to simultaneous settelement when calculating current tax liability.

Deferred tax asset and provision resulting from operations settled with equity are also reflected in equity.

x) Impairment

Impairment takes place when there is a considerable probability, that the item of assets controlled by the company will not bring in the future in a considerable part or at all the previously estimated economic benefits. It justifies making an write-off bringing down the net book value of the item of assets to the net sales price, and in case of inability to determine the price – to differently determined fair value.

Write-offs on current assets made in reference to their impairment resulting from their valuation at net realisable value instead of purchase or acquisition prices, or costs of manufacture are accounted for as respectively: other operating costs, costs of goods sold or costs of sales.

Providing that the reason for which the write-off adjusting the value of assets was made, including impairment, is no longer present, the value of all or respective part of previously made write-off increases value of the item of assets and is accounted for as respectively other operating income or financial income.

y) Contingent liabilities and receivables

Contingent liability is defined as an obligation, arising of which is dependent on occurrence of certain events. Contingent liability is presented in balance sheet unless the probability of outflow of resources embodying economic benefits is insignificant.

Contingent receivables are not presented in balance sheet, but the information about contingent receivables is disclosed, if the inflow of resources embodying economic benefits is probable.

z) Related party transactions

According to the amended Accounting Act transactions between related parties, which are: the dominant company or significant investor, subsidiaries and associates presented in the financial statement. Associates in case of the Capital Group are all entities directly or indirectly associated as well as direct or indirect subsidiaries not consolidated.

(PLN thousand)

aa) Investment allowance

In accordance with Decree of Ministry of Finance dated 25 January 1994 on investment allowance and reductions of income tax (”Investment Expenses Decree”) and with article 18a of the Corporate Income Tax Act, being in force till 31 December 1999 and with article 3.1 of the Act dated 20 November 1999 on Changes of Corporate Income Tax Act being in force from 1 January 2000, the companies from the PKN ORLEN Group benefited from investment allowance in period 1996- six months ended 30 June 2002. The fixed assets affected by the investment allowance are depreciated for accounting purposes according to normal depreciation rates applied for particular types of fixed assets. The effects of the investment allowance are recorded off-balance sheet and considered only in relation to taxable profits and deferred tax provision purposes.

ab) Parent company’s Management Board estimates

The preparation of consolidated financial statements requires Management of the Parent Company to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results may differ from results of those estimates. These estimates concern, among others, provisions, deferred costs and depreciation rates applied. During 2001 the PKN ORLEN Group has changed the estimate of environmental clean-up and remediation costs further presented in Note 21 E.

E. Main captions of consolidated financial statements calculated in EURO together with exchange rates of PLN

	the first six months of 2002	the first six months of 2001
NBP average exchange rate at the end of period	4.0091	3.3783
Arithmetic average of exchange rates (last day of the month)	3.7026	3.5806
Maximum exchange rate during the period (last day of the month)	4.0091	3.8015
Minimum exchange rate during the period (last day of the month)	3.5910	3.3783

SELECTED FINANCIAL DATA	PLN thousand 6 month period ended 30 .06.2002	EUR thousand 6 month period ended 30 .06.2002	PLN thousand 6 month period ended 30 .06.2001	EUR thousand 6 month period ended 30 .06.2001
I. Net sales of finished products, goods for resale and materials	12,053,778	3,255,490	12,262,202	3,311,781
II. Operating profit	399,339	107,854	391,997	105,871
III. Gross profit	301,289	81,372	328,786	88,799
IV. Net profit	199,141	53,784	239,062	64,566
V. Assets (as at the end of period)	14,430,840	3,599,521	14,532,787	3,624,950
VI. Liabilities and provisions for liabilities (as at the end of period)	6,103,470	1,522,404	6,431,111	1,604,128
VII. Long term liabilities (as at the end of period)	1,319,222	329,057	1,388,596	346,361
VIII. Short term liabilities (as at the end of period)	3,911,456	975,644	4,084,373	1,018,776
IX. Equity (as at the end of period)	7,648,424	1,907,766	7,373,408	1,839,168
X. Share capital (as at the end of period)	525,221	131,007	525,221	131,007
XI. Number of shares (as at the end of period)	420,177,137	420,177,137	420,177,137	420,177,137
XII. Net profit for 12 months per share (PLN/EURO)	0.78	0.21	*	*
XIII. Net book value per share (PLN/EURO)	18.20	4.54	17.55	4.38
XIV. Net cash flow from operating activities	789,646	213,268	1,486,155	401,381
XV. Net cash flows used in financing activities	(300,194)	(81,077)	(502,624)	(135,750)
XVI. Net cash flow used in investing activities	(475,500)	(128,423)	(861,335)	(232,630)

*The Group does not have comparable data of the profit for 12 months ended 30 June 2001.

Selected financial data were calculated into EURO according to the following rules:

- particular captions of assets and liabilities– at the average exchange rate published for 30 June 2002 – 4.0091 PLN/ EURO,
- particular captions of profit and loss account and cash flow statement– at the exchange rate being an arithmetic mean of average rates published by the National Bank of Poland for the last day of each month in the period from 1 January 2002 to 30 June 2002 – 3.7026 PLN/ EURO.

F. Financial statements according to International Financial Reporting Standards

As at 17 September 2002, the Parent Company prepared consolidated financial statements of the PKN ORLEN Group for the six months ended 30 June 2002 in accordance with International Financial Reporting Standards ("IFRS").
Hyperinflation effects were not included in those financial statements as required by IAS 29 "Financial Reporting in Hyperinflationary Economies". Polish enterprises are obliged to revalue their fixed assets (using the rates set by the Head of Central Statistical Office for the particular groups of fixed assets based on market values) in accordance with relevant ordinances issued by the Minister of Finance. The last revaluation was ordered to reflect the consequences of inflation. The results of revaluation are shown as "Revaluation reserve", which is not distributable. According to IAS 29 "Financial Reporting in Hyperinflationary Economies" value of assets and liabilities are to be stated at revalued cost as at the end of hyperinflationary reporting period and are basis for the valuation of assets and liabilities in financial statements of subsequent periods. Polish economy till the end of 1996 was hyperinflationary economy, but beginning from 1997 the criteria for hyperinflationary economy were not met.

Financial statements prepared under IFRS were subject to review by auditors, who issued a qualified auditors' review report with respect to non-including hyperinflation effects in accordance with IAS 29.

The consolidated financial statements were prepared in accordance with Polish Accounting Standards (PAS) and accounting principles and practices employed by enterprises in Poland as is required by the Accounting Act. Apart from issue described above, these consolidated financial statements differ from consolidated financial statements prepared in accordance with IFRS in the following areas:

	Net profit for the 6 months ended 30 June 2002	**Net profit for the 6 months ended 30 June 2001**
	PLN million	
PAS basis consolidated *	199	239
Distributions from profit	-	(3)
Capitalisation of borrowing costs, net of depreciation	(4)	35
Amortisation of CPN goodwill	(5)	(5)
IFRS treatment of negative goodwill from consolidation	4	(5)
Deferred tax on the above	2	(8)
Others	(15)	(8)
	- - - - - -	- - - - - -
IFRS consolidated	181	245
	======	======

	Equity as at 30 June 2002	Equity as at 31 December 2001	Equity as at 30 June 2001
	PLN million		
PAS basis consolidated*	7,649	7,501	7,373
Capitalisation of borrowing costs net of depreciation	547	551	524
CPN goodwill, net	78	83	89
IFRS adjustment for negative goodwill from consolidation	(75)	(79)	(67)
Deferred tax on the above	(121)	(123)	(118)
Others	11	25	26
	------	------	------
IFRS consolidated	8,089	7,958	7,827
	======	======	======

* due to changes of PAS resulting from the amended accounting act, from 1 January 2002 financial data according to PAS as of 30 June 2002 were prepared according to the amended PAS regulations; comparable data for the six months ended 30 June 2001 and as of 31 December 2001 was restated according to amended PAS and differ from previously published.

a) Distribution from profit

According to Polish business practice shareholders of the Parent Company have the right to distribute the profit for the employees benefits, i.e. for bonus payment or for the Parent 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

According to PAS, borrowing costs are charged into the profit and loss account when incurred after reduction of amounts capitalised in investment expenditures, resulting from liabilities specifically referring to a project. Borrowing costs concerning general indebtedness are expensed wholly when incurred. Borrowing costs related directly to investment projects are capitalised until the fixed assets are brought into usage and are expensed with depreciation.
According to IFRS, the borrowing costs are capitalised pursuant to the alternative treatment allowed by IAS 23 "Borrowing costs".

c) Goodwill on the purchase of CPN employee shares

The shares purchased from employees of CPN were presented according to IFRS on the basis of acquisition method. As a result, goodwill in the amount of PLN 107 million was recognised on purchase of 19.43% of CPN shares held by its employees. For the purposes of consolidated financial statements according to PAS the merger, including purchase of shares from minority shareholders, was conducted under pooling interest method.

d) IFRS treatment of negative goodwill from consolidation

Pursuant to PAS, before the amended accounting act came into effect, negative goodwill from consolidation was written off to incomes over 2-5 year period. In financial statements prepared under IFRS, the negative goodwill is recognised in the way described in Note D (h).

e) Deferred tax

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

f) Sales revenues according to IFRS

According to PAS sales revenues and selling costs include excise tax, charged by PKN ORLEN and other entities of the Group on the products subject to excise tax and included in realised revenues.

For the purpose of IFRS financial statements, the amount of excise tax calculated by the entities of the PKN ORLEN Group was eliminated from sales revenues and selling costs in the amounts of 4,620 million zloty and 4,122 million zloty in the six month periods ended 30 June 2002 and 30 June 2001, respectively.

g) Scope of financial statements

The captions of consolidated financial statements prepared according to PAS and IFRS may differ significantly. The scope of disclosures to consolidated financial statements according to PAS differs from the scope of disclosures under IFRS.

(PLN thousand)

Note 41. Method of calculation of earnings and diluted earnings per ordinary share for the twelve months period

Net profit (for 12 months) in zloty	(A)	325,945,111.12
Weighted average number of ordinary shares	(B)	420,177,137
Earnings per ordinary share (in zloty)	(A/B)	0.78
Weighted average expected number of ordinary shares	(C)	420,177,137
Diluted earnings per ordinary share (in zloty)	(A/C)	0.78

Following assumptions were made to calculate earnings and diluted earnings per ordinary share:

- number of issuer's ordinary shares is set as a number of shares in the specified period where weights are set as length of the period equal to the whole or the part of the accounting year,

- expected number of ordinary shares is calculated according to IFRS.

Note 42. Distribution of profit of the Company and consolidated associates and subsidiaries for the year 2001

a). Distribution of profit for the year 2001

Distribution of profit	
Dividend (0.12 zloty per 1 share)	50,421,256.44
Reserve capital	197,605,162.56
	- - - - - - - - - - -
Total	248,026,419.00
	===========

(PLN thousand)

b) Distribution of profit of consolidated associates and subsidiaries for the year 2001

	ORLEN KolTrans Sp. z o.o.	Petrocentrum Sp. z o.o.	Petrogaz Plock Sp. z o.o.	ORLEN Medica Sp. z o.o.	ORLEN Budonaft Sp. z o.o.	Petrogaz Inowroclaw Sp. z o.o.	Orlen Polimer Sp. z o.o.	Orlen Powiernik Sp. z o.o.	Orlen Transport Szczecin Sp. z o.o.	Orlen Transport Krakow Sp. z o.o.	ORLEN Transport Plock Sp. z o.o.	Orlen Transport Lublin Sp. z o.o.
Distribution of profit												
Rewards for employees	-	-	-	-	-	-	-	-	-	-	-	-
Social Security Office (ZUS) and Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserve (absorption of losses)	-	276	-	197	(2,068)	(341)	1,127	30	808	207	168	1,299
Dividends	-	-	-	-	-	-		-	-	-	-	
Company's Social Fund (ZFSS)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment of capital reserve write-off	-	-	-	-	-	-	-	-	-	-	-	-
Previous year loss cover	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed profit	797	-	7,030	-	-	-	-	-	-	-	-	190
	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Total profit (loss) for the year 2001	797	276	7,030	197	(2,068)	(341)	1,127	30	808	207	168	1,489
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(PLN thousand)

b) Distribution of profit of consolidated associates and subsidiaries for the year 2001 (continued)

	Orlen Transport Nowa Sol Sp. z o.o.	Zaklad Budowy Aparatury Sp. z o.o.	Orlen Transport Poznan Sp. z o.o.	Orlen Transport Slupsk Sp. z o.o.	Orlen Transport Warszawa Sp. z o.o.	Petrotel Sp. z o.o.	Orlen Transport Olsztyn Sp. z o.o.	Petrogaz Lapy Sp. z o.o..	Orlen Transport Kedzierzyn-Kozle Sp. z o.o.	ORLEN Petroprofit Sp. z o.o.	Orlen Wodkan Sp. z o.o.
Distribution of profit											
Rewards for employees	-	-	-	-	-	-	-	-	-	-	-
Social Security Office (ZUS) and Pension Fund	-	-	-	-	-	-	-	-	-	-	-
Capital reserve (absorption of losses)	3,240	(1,142)	1,612	1,478	740	2,986	355	-	798	(3,138)	278
Dividends	-	-	-	-	-	328	-	-	-	-	-
Company's Social Fund (ZFSS)	-	-	-	-	-	-	-	-	-	-	-
Adjustment of capital reserve write-off	-	-	-	-	-	-	-	-	-	-	-
Previous year loss cover	-	-	-	-	-	-	-	-	-	-	-
Undistributed profit	-	-	-	235	-	-	-	(921)	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total profit (loss) for the year 2001	3,240	(1,142)	1,612	1,713	740	3,314	355	(921)	798	(3,138)	278
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(PLN thousand)

b) Distribution of profit of consolidated associates and subsidiaries for the year 2001 (continued)

	Rafineria Trzebinia S.A.	Petro-Oil Sp. z o.o.	Rafineria Nafty Jedlicze S.A.	Anwil S.A.	Inowroclawskie Kopalnie Soli "Solino" S.A.	Orlen Mechanika Sp. z o.o.	ORLEN Petro-Tank Sp. z o.o.	Orlen Automatyka Sp. z o.o.	Orlen Petrozachod Sp. z o.o.	ORLEN Petrogaz Wroclaw Sp. z o.o.
Distribution of profit										
Rewards for employees	-	-	-	-		-	-	-	-	-
Social Security Office (ZUS) and Pension Fund	-	-	-	-		-	-	-	-	-
Capital reserve (absorption of losses)	2,976	253	11,096	20,025	999	172	6,684	-	292	(125)
Dividends	-	-	-	-	-	-	-	480	-	-
Company's Social Fund (ZFSS)		-	-	-	350	-	-	-	-	-
Adjustment of capital reserve write-off	-	-	-	-	-	-	-	-	-	-
Previous year loss cover	-	-	-	-	-	-	-	1.743	-	-
Undistributed profit	483	-	-	-	-	-	-	-	-	(124)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total profit (loss) for the year 2001	3,459	253	11,096	20,025	1,349	172	6,684	2.223	292	(249)
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(PLN thousand)

b) Distribution of profit of consolidated associates and subsidiaries for the year 2001 (continued)

	Orlen Remont Sp. z o.o.	Petrolot Sp. z o.o.	Orlen Eltech Sp. z o.o.	Petroprojekt Sp. z o.o.	Orlen EnergoRem Sp. z o.o.	Orlen Wir Sp. z o.o.	Naftoport Sp. z o.o.	Flexpol Sp. z o.o.	Chemiepetrol GmbH
Distribution of profit									
Rewards for employees	-	-	-	-	-	-	-	-	-
Social Security Office (ZUS) and Pension Fund	-	-	-	-	-	-	-	-	-
Capital reserve (absorption of losses)	-	3,859	528	1,272	440	635	-	-	-
Dividends	480	-	132	1,050	146	-	20,974	4,634	620
Company's Social Fund (ZFSS)	1,609	-	-	-	-	-	-	-	-
Adjustment of capital reserve write-off	-	-	-	-	-	-	-	-	-
Previous year loss cover	-	-	-	-	-	-	-	-	-
Undistributed profit	-	-	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total profit (loss) for the year 2001	2,089	3,859	660	2,322	586	635	20,974	4,634	620
	=====	=====	=====	=====	=====	=====	=====	=====	=====

(PLN thousand)

Note 43. Method of calculation of net book value and diluted net book value per share as at 30 June 2002

Net book value	(A)	7,648,423,224,83
Number of shares	(B)	420,177,137
Net book value per share (in zloty)	(A/B)	18.20
Expected number of shares	(C)	420,177,137
Diluted net book value per share (in zloty)	(A/C)	18.20

Following assumptions were taken to calculate net book value and diluted net book value per ordinary share:

- number of issuer’s ordinary shares is set as a number of shares as at 30 June 2002,
- expected number of ordinary shares is calculated according to IFRS.

(PLN thousand)

NOTES TO CASH FLOW STATEMENT

Information about cash and cash equivalents is presented in Note 10 A.

Note 44. Classification of the capital group activities in cash flow statement

The classification of activities into operating, investing and financing activities is as follows:

- Operating activity includes transactions and events connected with the PKN ORLEN Group's core activity, not enumerated in financing and investing activities (i.e. repayment of liabilities, cash inflow from sales of finished products or goods for resale, income tax payments, collection of receivables from sales);

- Investing activity includes mainly inflows and outflows connected with purchase or sale of fixed assets and with purchase or sale of securities;

- Financing activity includes mainly the securing of equity capital and loan capitals, as well as their repayment and maintenance.

a. The reasons for occurrence of differences between balance sheet changes of selected balance sheet items and changes presented in cash flow statement

Receivables:	6 months ended 30 June 2002
Balance sheet change in net value of long- and short-term receivables	(47,948)
Change in investing receivables	278
Change in financial fixed assets	4,428
Change in financial instruments receivables	4,421
Other	8,033
Change in receivables within cash flow statement	(30,788)

Liabilities:	6 months ended 30 June 2002
Balance sheet change in long- and short-term liabilities	189,951
Change in short-term loans and borrowings	85,222
Change in investing liabilities	51,453
Change in liabilities resulting from issuance of securities	65,000
Change in dividend liabilities	(50,901)
Change of liabilities from financial fixed assets	(5,963)
Other	(1,341)
Change in long- and short-term liabilities within cash flow statement	333,421

Stock:	6 months ended 30 June 2002
Balance sheet change in stock	(247,599)
Contributions in kind changes	63
Other	(20)
Change in balance of stock within cash flow statement	(247,556)

(PLN thousand)

Accruals:	6 months ended 30 June 2002
Balance sheet change in accruals	(62,891)
Change in commercial bonds interest	(2,623)
Change in accruals on financial instruments	6,833
Other	2,524
Change in accruals within cash flow statement	(56,157)

Provisions:	6 months ended 30 June 2002
Balance sheet change in provisions	(14,046)
Adjustment of deferred tax reflected in equity	149
Other	(2,885)
Change in provisions within cash flow statement	(16,782)

b) Other captions in consolidated cash flow statement

In the cash flow statement for the six months ended 30 June 2002 in an item B.II.5 in investing activities an amount of PLN (100,203) thousand is presented. This amount includes:

Change in prepayments for fixed assets	(96,635)
Other	(3,568)

	(100,203)
	======

ADDITIONAL EXPLANATORY NOTES CONCERNING REPORTING BY INDUSTRY AND GEOGRAPHICAL SEGMENTS

Note 45. Selected financial data by main segments of the Capital Group's activities

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 other Group entites.

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

(PLN thousand)

Segment:	**Refining and Marketing**		**Chemicals**		**Other operations**		**Eliminations**		**Consolidated**	
	For 6 month period ended 30 June 2002	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**
Revenue										
External sales	10,601,589	10,844,860	1,271,432	1,245,074	180,757	172,268	-	-	12,053,778	12,262,202
Inter-segment sales	1,112,071	1,176,225	577,092	539,698	580,744	598,793	(2,269,907)	(2,314,716)	-	-
Total revenue	11,713,660	12,021,085	1,848,524	1,784,772	761,501	771,061	(2,269,907)	(2,314,716)	12,053,778	12,262,202
Result										
Segment result	418,268	343,918	82,380	167,504	48,216	38,124	(181)	31	548,683	549,577
Unallocated corporate expenses									(149,344)	(157,580)
Profit from operations									399,339	391,997
Financial income									83,981	197,253
Financial expenses									(200,526)	(284,482)
Gross profit									282,794	304,768
Extraordinary profits									1,173	3,639
Extraordinary losses									(3,997)	(1,733)
Write-off of goodwill from consolidation	-	(16)	-	-	(522)	(1,223)			(522)	(1,239)
Write-off of negative goodwill from consolidation	4,643	5,034	16,052	16,567	1,146	1,750			21,841	23,351
Profit before taxation									301,289	328,786

(PLN thousand)

Segment:	**Refining and Marketing**		**Chemicals**		**Other operations**		**Eliminations**		**Consolidated**	
	For 6 month period ended 30 June 2002	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**	**For 6 month period ended 30 June 2002**	**For 6 month period ended 30 June 2001**
Income tax									(96,249)	(93,801)
Other obligatory charges on profit										
Share of net profits of entities consolidated under equity method	(356)	(163)	492	11,561	6,022	6,539			6,158	17,937
Minority interests									(12,057)	(13,860)
Net profit									199,141	239,062

(PLN thousand)

	Refining and Marketing			Chemicals			Other operations			Eliminations			Consolidated		
	as at 30 June 2002	as at 31 December 2001	as at 30 June 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2001	as at 30 June 2002	as at 31 December 2001	as at 30 June 2001
Other Information															
Segment assets	9,428,467	9,150,983	9,695,483	2,311,185	2,197,995	2,117,823	1,597,700	1,640,343	1,624,379	(92,746)	(104,324)	(104,940)	13,244,606	12,884,997	13,332,745
Investments in associates	1,452	1,667	1,438	6,420	7,311	6,456	56,988	61,666	56,501				64,860	70,644	64,395
Goodwill	85	59	32	-	-	-	4,060	4,079	6,064				4,145	4,138	6,096
Unallocated corporate assets													1,117,229	1,149,502	1,129,551
Total assets													**14,430,840**	**14,109,281**	**14,532,787**
Segment liabilities	2,554,086	2,278,098	2,994,436	227,674	229,106	228,135	378,193	402,832	403,347	(95,829)	(104,052)	(104,598)	3,064,124	2,805,984	3,521,320
Negative goodwill	15,594	18,644	22,778	255,335	271,382	306,358	444	1,689	3,770				271,373	291,715	332,906
Unallocated corporate liabilities													3,039,346	3,113,590	2,909,791
Total liabilities													**6,374,843**	**6,211,289**	**6,764,017**

	Refining and Marketing		Chemicals		Other operations		Consolidated	
	6 months ended 30 June 2002	6 months ended 30 June 2001	6 months ended 30 June 2002	6 months ended 30 June 2001	6 months ended 30 June 2002	6 months ended 30 June 2001	6 months ended 30 June 2002	6 months ended 30 June 2001
Property, plant, equipment and intangible assets expenditure	259,652	459,892	51,774	53,084	48,941	35,706	360,367	548,682
Property, plant, equipment and intangible assets expenditure unallocated to segments							17,473	31,008
Total property, plant, equipment and intangible assets expenditure							**377,840**	**579,690**
Segment depreciation	328,443	309,148	99,592	61,120	81,237	75,080	509,272	445,348
Unallocated assets depreciation							16,268	12,976
Total depreciation							**525,540**	**458,324**
Non-cash expenses other than depreciation	64,560	18,347	7,781	15,011	16,829	5,261	**89,170**	**38,619**

(PLN thousand)

Geographical segments

The Group operates mainly in Poland. The following table shows the distribution of the Company's consolidated sales by geographical market segmental 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**	
	6 months ended 30 June 2002	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**6 months ended 30 June 2001**	**6 months ended 30 June 2002**	**6 months ended 30 June 2001**
Export sales	391,443	363,812	325,342	284,200	9,563	4,224	726,348	652,236
Domestic sales	10,210,146	10,481,048	946,090	960,874	171,194	168,044	11,327,430	11,609,966
Total external revenue	**10,601,589** =====	**10,844,860** =====	**1,271,432** =====	**1,245,074** =====	**180,757** =====	**172,268** =====	**12,053,778** =====	**12,262,202** =====

wersja robocza

ADDITIONAL EXPLANATORY NOTES

Note 46. Financial instruments

Additional explanatory notes

1 FINANCIAL INSTRUMENTS

a. Swap transactions

One of the subsidiaries, Anwil S.A., entered foreign currency swap and interest rate swap to hedge against foreign exchange rate exposure. Data concerning that contract as at 30 June 2002 and 30 June 2001 are presented below:

Entity	Bank	Type of forward transaction	Date of entering transaction	Date of closing transaction	Amount bought forward	Amount sold forward	Interest rate for the amount bought forward	Interest rate for the amount sold forward
Anwil S.A.	BIG Bank Gdanski S.A.	exchange rate and interest rate swap	15/01/2002	08/04/2004	EUR 19,186,000	PLN 67,571,173	6M EURIBOR + 0.3%	6M WIBOR + 2.5%

Date of interest payment on amount bought forward	Date of interest payment on amount sold forward	Amount of interest received by the Group in the 6 month period to 30 June 2002 (PLN thousand)	Amount of interest paid by the Group in the 6 month period to 30 June 2002 (PLN thousand)	Fair value as at 30 June 2002 (PLN million)	Fair value as at 31 December 2001 (PLN million)	Fair value as at 30 June 2001 (PLN million)
every 6 months from 08/04/2002 to 08/04/2004	every 6 months from 08/04/2002 to 08/04/2004	570	2,057	5	-	-

(PLN thousand)

b. Changes of financial instruments by categories

Changes of particular categories of financial assets (except for cash and cash equivalents) and financial liabilities of the Capital Group of Polski Koncern Naftowy ORLEN S.A. in the 6 month periods ended 30 June 2002 and 30 June 2001 are the following:

Balance sheet values, net	Financial assets held for trading	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities held for trading
1 January 2001	-	14,297	425,857	54	-
- changes in accounting policies	8,885	-	-	-	-
1 January 2001 restated for comparative data	8,885	14,297	425,857	54	-
-increases	15,090	129,902	2,618	-	-
-decreases	(10,828)	(119,831)	(21,117)	-	-
30 June 2001	13,147	24,368	407,358	54	-
Balance sheet items					
Long term investments	-	-	407,358	-	-
Short term receivables	-	-	-	-	-
Short term investments	13,147	24,368	-	54	-
Short term liabilities	-	-	-	-	-
Total	13,147	24,368	407,358	54	-

Value of long term financial assets available for sale valued at adjusted purchase price as at 30 June 2001 was equal PLN 405,295 thousand and included mainly shares, with no active market. As at 30 June 2001 the Group did not possess significant financial assets held for trading valued at adjusted purchase price.

The Group presents derivatives of positive fair value as financial assets held for trading, whereas derivatives of negative fair value as financial liabilities held for trading.

(PLN thousand)

Balance sheet values, net	Financial assets held for trading	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities held for trading
1 January 2002	15,463	10,969	483,392	104,586	-
-increases	11,152	149,083	757	9,364	708
-decreases	(7,961)	(131,764)	(7,602)	(9,767)	-
	-------	-------	-------	-------	-------
30 June 2002	18,654	28,288	476,547	104,183	708
	=======	=======	=======	=======	=======
Balance sheet items					
Long term investments	-	-	476,547	100,062	-
Short term receivables	7,079	-	-	3,665	-
Short term investments	11,575	28,288	-	456	-
Short term liabilities	-	-	-	-	708
	------	------	------	------	------
Total	18,654	28,288	476,547	104,183	708
	======	======	======	======	======

The value of long term financial assets available for sale valued at adjusted purchase price as at 30 June 2002 was equal PLN 473,723 thousand and comprised mainly shares, for which an active market exists. As at 30 June 2002, the Group did not have any significant financial assets held for trading valued at adjusted purchase price.

The Group presents derivatives of positive fair value as financial assets held for trading, whereas derivatives of negative fair value as financial liabilities held for trading..

(PLN thousand)

c. Interest from debt securities, loans granted and own receivables

6 months ended 30 June 2002	realised	unrealised with maturity:				interest total
		to 3 months	3-12 months	above 12 months	total	
Interest from financial assets held for trading	-	-	-	-	-	**-**
Interest from financial assets held to maturity	1,422	60	-	-	60	**1,482**
Interest from financial assets available for sale	-	-	-	-	-	**-**
Interest from loans granted and own receivables	4,732	-	3,665	-	3,665	**8,397**
Total	**6,154**	**60**	**3,665**	**-**	**3,725**	**9,879**

6 months ended 30 June 2001	realised	unrealised with maturity:				interest total
		to 3 months	3-12 months	above 12 months	total	
Interest from financial assets held for trading	-	-	-	-	-	**-**
Interest from financial assets held to maturity	644	46	-	-	46	**690**
Interest from financial assets available for sale	-	-	-	-	-	**-**
Interest from loans granted and own receivables	-	-	-	-	-	-
Total	**644**	**46**	**-**	**-**	**46**	**690**

(PLN thousand)

d. Interest from financial liabilities

6 months ended 30 June 2002	realised	unrealised with maturity:				interest total
		to 3 months	3-12 months	above 12 months	total	
Interest from financial assets held for trading	-	-	-	-	-	**-**
Interest from other short term financial liabilities	66,803	9,164	-	-	9,164	**75,967**
Interest from long term financial liabilities	26,975	4,533	-	-	4,533	**31,508**
Total	**93,778**	**13,697**	**-**	**-**	**13,697**	**107,475**

6 months ended 30 June 2001	realised	unrealised with maturity:				interest total
		to 3 months	3-12 months	above 12 months	total	
Interest from financial liabilities held for trading	-	-	-	-	-	**-**
Interest from other short term financial liabilities	136,810	6,753	-	-	6,753	**143,563**
Interest from long term financial liabilities	53,913	9,910	-	-	9,910	**63,823**
Total	**190,723**	**16,663**	**-**	**-**	**16,663**	**207,386**

(PLN thousand)

Nota 47. Contingent liabilities and risks

a) Guarantees and other contingent liabilities

Type of liability as at six months ended 30 June 2002	
Guarantees granted, including:	115,643
– to subsidiaries, including:	112,561
- consolidated:	111,262
– to associates	-
– to other companies	3,082
Other contingent liabilities, including:	46,303
– complaint of Enerco – Industrie (i)	23,232
– complaint of individuals (ii)	23,040
– other	31

Total	161,946
	======

(i) Contingent liability concerning complaint of Enerco – Industrie of PLN 23,232 thousand includes payment for shares (PLN 5,000 thousand) and interest (PLN 18,232 thousand).

(ii) Contingent liabilities concerning: complaint of individuals of PLN 22,140 thousand. The amount of 22,140 relates to the fee for an inventive project and complaint of an individual of PLN 900 thousand due to an accident of a family member and against three parties.

(PLN thousand)

b) Tax allowance

According to the Decree of Ministry of Finance dated 25 January 1994, concerning deductions of taxable income with investment expenses and decreases of tax on profits as well as according to Art.18a of the Corporate Income Tax Act (being in force from 31 December 1999, from 1 January 2000 article 3.1 of Changes to Corporate Income Tax Act), corporate taxpayers were allowed to offset their taxable basis for a specified tax year with investment expenditure incurred in that year, and then offset its taxable basis for next tax year with a "tax bonus", i.e. half of the investment expenditure incurred in previous tax year. The PKN ORLEN Group companies benefited from the investment incentives in the following amounts in the periods from 1996 to 6 months ended 30 June 2002 (deductions from taxable income):

PKN ORLEN Group	Tax allowance	Tax bonus
Year 1996	251,669	129,315
Year 1997	442,234	125,834
Year 1998	307,514	175,363
Year 1999	280,045	136,575
Year 2000	206,963	127,986
Year 2001	98,927	43,750
6 months ended 30 June 2002	13,972	31,848
	-------	------
Total	1,601,324	770,671
	=======	======

These allowances and bonuses are conditional. The Corporate Income Tax regulations provide for the loss and reversal of entitlement for investment allowances if within 3 years beginning end of the taxable year in which the allowance was used, any of the following circumstances arise:

1) 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 case of VAT, any outstanding payments may not exceed 3% of output VAT;

2) 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 the Commercial Code;

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

4) the taxpayer is put into liquidation or is declared bankrupt;

5) 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 recognized.

The Act on the amendment of the Corporate Income Tax Act dated 20 November 1998 (Journal of Law no 144, position 931,being in force from 31 December 1999, from 1 January 2000 article 3.1 of Changes to Corporate Income Tax Act) stipulates that taxpayers do not lose such right to investment allowance (according to the article 18 a of Corporate Income Tax Act) if they adjust their tax returns and settle the outstanding payments with penalty interest due within 14 days. In this case, the above implications, described in point (1) are not applicable.

c) Excise tax – contingent liability of Rafineria Trzebnia S.A.

On 9 January 2002 after a tax audit in Rafineria Trzebinia S.A., the Fiscal Control Inspector issued a decision denoting the amount of liabilities concerning excise and VAT tax for the period from June to December 1998, of PLN 55 million and liabilities resulting from penalty interest of PLN 58 million. 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 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 total value equal to the tax liability. The right annotation was made in Fiscal Pledge Register.
On 12 February 2002 Fiscal Office in Chrzanow submitted 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 Office in Krakow waived all decisions, which were subject to an appeal.
The case was referred to the first court for further inspection.

d) Power transfer fee – Zaklad Eneregetyczny 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 January 15, 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.

e) Anti-trust proceedings

The Parent Company is subject to four anti-trust proceedings.

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

1. Prices of fuels – the Parent Company appealed to Anti-Trust Court against the negative decision of OPCC setting a penalty of PLN 5 million. Anti-Trust Court repealed the decision of OPCC concerning monopolistic practice of PKN ORLEN and therefore the cash penalty was repealed. In the year 2000 the provision of PLN 5 million, set in year 1999, was released. On 21 February 2001 OPCC applied to the Supreme Court to annul the positive verdict for the Parent Company. As of the date of preparation of this statement, 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 Parent Company appealed to Anti-Trust Court against the negative decision of OPCC setting penalty of PLN 40 million. On 13 August 2001, the Anti-Trust annulled fully the decision the decision of OPCC, which blame PKN of applying monopolistic practice, annulling at the same time cash penalty. OPCC applied on 4 October 2001 to the Supreme Court to annul the verdict. As of the date of preparation of this statement, the Supreme Court has not appointed any date for the annulling lawsuit.

Until the date of preparation of these consolidated financial statements, ultimate results of the above mentioned lawsuits were not known. Consolidated financial statements do not comprise provisions concerning above mentioned lawsuits, because according to the Management Board of the Parent Company, it is not probable that the Company will be charged with these costs.

In case of two remaining proceedings mentioned below, ultimate decisions were made. The proceedings concerned:

- Practices limiting competition – on 10 October 2001 President of OPCC commenced legal proceedings to command following 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 July 2002 President of OPCC decided, that no practices limiting competition by means of agreements setting the prices for fuel on gas stations by the charged companies took place at the local market of Koszalin,

– Refusal to sale fuels to certain group of customers – the Parent 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 Anti-trust Court set the verdict overruling the appeal of the Company, that was subject to cessation. The Supreme Court on 4 July 2002 overruled cessation of the Company, which sustains decision of OPCC from 13 January 1999. That decision urged to stop refusing sales of liquid fuels to certain groups of customers, because of anti-trust character of these actions.

In the verdict to which OPCC and PCLF submitted 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 stressed 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 anti-trust act.

f) Lawsuits concerning declaring as invalid the resolutions of the general meeting of shareholders of CPN and deregistering of CPN from Companies Register

The Parent Company was subject to three court proceedings on declaring as invalid the resolutions of the general meeting of shareholders of CPN.

One of them concerned the resolution taken on 29 October 1998 and relating to the decrease in capital of CPN by redemption part of shares being in possession of Nafta Polska S.A..

Two proceedings concerned declaring as invalid the resolution of 19 May 1999 relating to the merger of CPN with the Parent Company.

All the lawsuits were terminated by the Court.

g) Employees compensation plans

On 19 August 1999 an agreement between the Parent 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 Parent Company structure after the merger. The agreement was accepted by the other trade unions operating within the Parent Company and expanded to the remaining employees of the Parent Company. The Parent Company guaranteed all the employees not to be made redundant within 24 months from 1 January 1999. Above agreement expired on 30 November 2001.
The Parent Company is negotiating new agreement concerning regulation of employee situation in case of introducing restructuring actions in the Parent Company.

h) Polish taxation

Poland currently has a number of laws related to excise tax, value added tax, corporate income tax and payroll (social) taxes. Regulations regarding these taxes were implemented not long ago, and may be often unclear or inconsistent. Often, differing opinions regarding legal interpretations exist both among and within government ministers and organizations, 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, which are reinforced 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 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 of the Capital Group as to the interpretation of the law which could have significant effect on the entities of Group stated tax liabilities.

i) Fixed assets located on the land where ownership is disputed

Net value of fixed assets on land with unsettled ownership issues as at 30 June 2002 accounts for PLN 11,129 thousand. Those assets are located mainly on fuel stations of former CPN. The necessity to leave or return these assets can have an adverse influence on the financial position or activity of the Capital Group.

Note 48. Amounts due to the State or local government budgets as a result of obtaining the right of ownership to buildings

As at 30 June 2002 there were no significant amounts due to the State or local government budgets as a result of obtaining the right of ownership to buildings.

Note 49. Discontinued operations

During the six months ended 30 June 2002 the entities of the PKN ORLEN Group did not discontinue any core activity and do not plan to discontinue any area of core activity in the following 12 months.

Note 50. Information on cost of construction in progress, fixed assets and development for own needs

Cost of construction in progress and fixed assets constructed for own use during the six months ended 30 June 2002 amounted to PLN 8,015 thousand.

Note 51. Capital expenditures planned and incurred after 30 June 2002

Capital expenditures planned by the PKN ORLEN Group in following years amounts to PLN 6,479,253 thousand, including planned expenditures related to protection of environment amounting PLN 963,083 thousand. Capital expenditures on financial and non-financial fixed assets incurred till the end of July 2002 amounted to PLN 439,654 thousand, including expenditures related to protection of environment amounting to PLN 77,427 thousand.

Note 52. Information about significant transactions with related parties

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

Transactions with members of the Management Board and Supervisory Board are described in Note 55.

As at 30 June 2001 there were no borrowings granted by the PKN ORLEN Group companies to managing and supervising persons and their relatives.

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

(PLN thousand)

b) Transactions of Parent Company with related entities in the period between 1 January and 30 June 2002 and account balances as at 30 June 2002

Capital Group of PKN ORLEN

	Consolidated subsidiaries 1)	Consolidated associates 2)	Unconsolidated subsidiaries 1)	Unconsolidated associates 2)	Total of related entities
Sales	1,396,688	16,912	25,483	45,926	1,485,009
Purchases	278,431	12,098	58,542	20,822	369,893
Interest receivable	1,576	18	172	86	1,852
Interest payable	-	-	-	-	-
Receivables	362,966	5,450	5,500	20,533	394,449
Payables	60,423	2,654	10,935	5,687	79,699
Loans granted	-	-	-	-	-
Loans received	-	-	-	-	-
Long-term receivables	255,076	-	-	-	255,076

1) The Company uses its vote rights (above 50% of votes) to appoint members of the Supervisory Board and in some cases also members of the Management Board

2) The Company has significant influence through representatives of supervisory bodies

Information about share in common stock and number of votes in subsidiaries and associates is presented in Note 5 E

Note 53. Information on significant items of financial fixed assets

a) Polkomtel S.A.

As at 30 June 2002 PKN ORLEN owned 4,019,780 shares of Polkomtel S.A. and had 19.61% share in Polkomtel share capital.

Polkomtel S.A. activities mainly include:
- designing, installation, exploitation and managing of GSM system on Polish territory in accordance with conditions of license given to the company,
- services connected with GSM cellular telecommunication on Polish territory,
- sales of products and services related to GSM system.

On 29 December 2000 having exercised the subscription right, PKN ORLEN applied for 1,078,550 registered shares of "J" series issued by Polkomtel S.A. due to the development of UMTS technology, what is proportional to PKN ORLEN's 19.61% share in this company. In 2001 PKN ORLEN also paid instalments amounting to 107,855 thousand zloty for the acquired shares. On 24 September 2001 increase of capital amounted to 550 million zloty by issuing 5,500,000 shares was registered in The Regional Court for the city of Warsaw, IX Department of National Registry Code. Share capital of the company amounts to 2,050 million zloty.

On 18 June 2001 the Extraordinary Shareholders Meeting of Polkomtel S.A. agreed to grant the company a 500 million zloty loan by their shareholders. The Shareholders of Polkomtel (including PKN ORLEN) will participate in granting the loan in proportion to possessed shares. Financial support from the loan will be used to cover the UMTS expenses. The loan agreement was signed on 1 October 2001 between Polkomtel S.A. and its shareholders (including PKN ORLEN). PKN ORLEN granted loan amounting to 98 million zloty in the year 2001.

b) Niezalezny Operator Miedzystrefowy Sp. z o.o.

As at 30 June 2002 PKN ORLEN owned 168,000 shares and 35% of votes on General Meeting of Shareholders of Niezalezny Operator Miedzystrefowy Sp. z o.o. Share capital of the company amounts to PLN 240 million. The other shareholders are Polskie Sieci Elektroenergetyczne S.A. in Warsaw (50%) and Telekomunikacja Energetyczna Tel-Energo S.A. in Warsaw (15%).
The company's activities include: interregional telecommunication services, installation, exploitation, modernisation and usage of telecommunication systems.
In short-term perspective, new capital increases up to 60 million zloty are planned. Total share capital of Niezalezny Operator Miedzystrefowy Sp. z o.o. will amount to 300 million zloty. PKN ORLEN is to acquire new shares for the amount of 21 million zloty in total.
In the year 2001 involvement of PKN ORLEN S.A in Niezalezny Operator Miedzystrefowy Sp. z o.o. has increased by 35 million zlotys. The face value of one share increased from 100 zloty to 500 zloty (on 29 August 2001 Regional Court for the city of Warsaw XX Department of National Registry Code issued the decision of increasing the share capital of 100 million zlotys and of the change of the nominal value of share).

c) Telewizja Familijna S.A.

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.

On 14 March 2000 a contract was signed between the Parent Company, Telewizja Familijna S.A., KGHM Metale S.A., PSE S.A., Prokom Investments S.A., Powszechny Zaklad Ubezpieczen na Zycie S.A. and Monastery "Prowincja Zakonu Braci Mniejszych Konwentualnych". The parties of this contract became the shareholders of Telewizja Familijna S.A. The value of capital investment of PKN ORLEN. amounts to 26 million zloty. The Parent Company set up an impairment provision for full value of shares.

(PLN thousand)

On 18 July 2001 PKN ORLEN acquired 260 bonds amounting to 26 million zloty. Repurchase of bonds is going to take place on 12 March 2005. The above bonds were fully provided for.

Note 54. Average employment information

Average employment by category in Parent Company and consolidated subsidiary entities between 1 January to 30 June 2002 was as follows:

Category of employment	6 months ended 30 June 2002
Blue collar workers	9,864
White collar workers	7,746
	- - - - -
	17,610
	=====

Note 55. Remuneration of the Company's Management and Supervisory Boards, including distribution of profits of the Parent Company paid out in the period between 1 January 2002 and 30 June 2002

Remuneration of the Parent Company's Management includes contract remuneration, bonuses, yearly prize and cash equivalents for the unused vacations set by the Supervisory Board in management contracts. Additionally, the Parent Company pays for the members of Management Board life insurance.

Remuneration	6 months ended 30 June 2002
Management Board of Parent Company	4,481*
Supervisory Board of Parent Company	428
	- - - -
	4,909
	====

* including remuneration of former members of Management Board

Remuneration in subsidiaries	6 months ended 30 June 2002
Management Board of Parent Company	172*
Supervisory Board of Parent Company	-
	- - - -
	172
	====

* including remuneration of former members of Management Board

Remuneration in associates	6 months ended 30 June 2002
Management Board of Parent Company	35*
Supervisory Board of Parent Company	-
	- - - -
	35
	====

* including remuneration of former members of Management Board

Note 56. Information about loans, borrowings and guarantees granted to the Management and Supervisory Board members and other information concerning Management and Supervisory Board members of Parent Company

The Parent Company, subsidiaries and associates did not grant loans to the Management and Supervisory Board members of the Parent Company in the year 2001. The Parent Company, subsidiaries and associates did not grant loans and guarantees to the Management and Supervisory Board members of the Parent Company.

Note 57. Significant events from previous years included in the financial statements for the first half of 2002

No significant events, concerning previous years were included in the financial statements for the six months ended 30 June 2002.

Note 58. Events occurring after the end of the financial year

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. 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) Signing a 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% of Unipetrol.

d) Changes in the structure of shareholders

On 30 July 2002 Management Board of PKN ORLEN S.A. announced that the number of its shares held by the Bank of New York decreased by 2.03%.
The Bank of New York, as of 29 July 2002, owned 70,634,050 shares of PKN ORLEN S.A. which assured 70,634,050 votes the General Shareholders' Meeting, that constituted 16.81% stake in the share capital as well as share in the number of votes at the General Shareholders' Meeting.

e) Approval of consolidated financial statements

On 30 August 2002 the General Meeting of Shareholders of PKN ORLEN approved the Management Board's report on the performance of ORLEN Capital Group and ORLEN Capital Group's consolidated financial statements for the year ended 31 December 2001.

Note 59. Information on relations between legal antecedent and the Company concerning overtaking of assets and liabilities

On 29 June 1993 the Minister for Privatisation representing State Treasury transformed the State-owned enterprise under the firm of Mazowieckie Zaklady Rafineryjne i Petrochemiczne “Petrochemia” located in Plock into State-owned Joint Stock Company. The Parent Company’s share capital resulted from transformation of the former state enterprise funds: enterprise fund and start-up fund. The share capital of the Parent Company at the day of transformation amounted to 420 million zloty, with the remaining part of the funds of state-owned enterprise presented as the capital reserve of the Parent Company. The State Treasury took up all of the Company’s shares. The special funds of the state-owned enterprise, in the amounts presented in the closing balance sheet, became special funds of the Parent Company in accordance with their previous use.

Note 60. Hyperinflationary accounting and reporting

The yearly average cumulated inflation rate for last three years for all the periods covered by this consolidated financial statements did not equal, nor exceed 100%, therefore the additional disclosure is not necessary.

(PLN thousand)

Note 61. Changes in the accounting policies

During the year 2002 the Capital Group introduced changes in accounting policies concerning rules according to which the consolidated financial statements for the previous reporting period were prepared, which resulted from the fact that the amended accounting act came into force from 1 January 2002 onwards. Further information on this is included in point D of the introduction to these consolidated financial statements.

The table below presents reconciliation between consolidated equity presented in the consolidated financial statements for the six months ended 30 June 2001 and for the year 2001 and consolidated net profit presented in the consolidated financial statements for the six months ended 30 June 2001 and comparable data presented in these consolidated financial statements.

	30 June 2001	**31 December 2001**
Consolidated equity – (data published earlier)	7,302,940	7,419,130
Unrealised foreign exchange gains	120,251	115,530
Changes resulting from assets and liabilities valuation	(11,350)	(15,100)
Embedded derivatives valuation	20,581	24,143
Equity compensations plans cost	(21,147)	(18,865)
Share of minority shareholders in the additional equity	1,053	(2,631)
Other adjustments	(13,391)	2,050
Deferred tax on adjustments	(25,529)	(23,118)
	------------	------------
Consolidated equity – comparable data	7,373,408	7,501,139
	========	========

	6 months ended 30 June 2001
Consolidated net profit – (data published earlier)	227,137
Unrealised foreign exchange gains	33,351
Changes resulting from assets and liabilities valuation	(2,401)
Embedded derivatives valuation	11,696
Equity compensations plans cost	(21,147)
Share of minority shareholders in the additional equity	(1,047)
Other adjustments	2,632
Deferred tax on adjustments	(11,159)

Consolidated net profit – comparable data	239,062
	========

Unrealised foreign exchange gains

Unrealised foreign exchange gains are recorded as financial income of the reporting period in which the change of foreign exchange rate occurred. According to the Accounting Act before the amendment the differences were accounted for as deferred income.

(PLN thousand)

Valuation of assets and liabilities as at balance sheet date

At the balance sheet date foreign currency assets and liabilities are valued in the manner presented in point D. According to the Accounting Act before amendment the above items were valued at the average exchange rate set by NBP for the balance sheet date.

Embedded derivatives

Embedded derivatives are separated form contracts and treated as standalone derivatives in the manner presented in point D. The Accounting Act before amendment did not refer to the embedded derivatives so the embedded derivatives were not separated.

Equity compensations plans costs

Convertible bonds issued by the Company under the equity compensations plans are accounted for in the manner presented in point D. Before the amendment to the Accounting Act had been introduced the result of granting the right to purchase the bonds was not presented.

Note 62. Change in the methods of preparing consolidated financial statements

Except for the changes resulting from adoption of the amended Accounting Act and the Decree, no other changes in preparation of consolidated financial statements were introduced. Comparable financial data for the year 2001 were accordingly prepared with accordance to the Decree.

Note 63. Liabilities secured on the consolidated entities' assets

As at 30 June 2002 the PKN ORLEN Group had the following types of liabilities secured on their assets:

Type of collateral as at 30 June 2002	Liabilities secured on assets	Amount of collateral
Collateral	259,356	309,243
Collateral on other fixed assets	14,735	41,886
Pledge on goods	18,453	8,436
Cession of receivables	230,709	185,323
Others	97,751	51,137
	-------	-------
Total	621,004	596,025
	=======	=======

Note 64. Mandatory reserves of liquid fuels

Pursuant to the Act on State Reserves and Mandatory Fuel Reserves dated 30 May 1996 (Journal of Law, No. 90, pos. 404, with further amendments), the Parent Company and certain of its subsidiaries were 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. Beginning 1999, 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.

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD

....
President - Zbigniew Wrobel

....
Vice President – Jacek Strzelecki

....
Vice President – Slawomir Golonka

....
Vice President – Andrzej Macenowicz

....
Vice President – Janusz Wisniewski

Plock, 17 September 2002