

**INFORMATION ON PRINCIPLES OF PREPARATION OF THE QUARTERLY REPORT FOR THE SECOND QUARTER OF YEAR 2001****1. Form and general rules of the preparation of the balance sheet, the profit and loss account and the cash flow statement**

The balance sheet, the profit and loss account and the cash flow statement were prepared in compliance with the Polish Accounting Standards defined by the 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 22 December 1998 on type, form and scope of current and periodic information and dates of its publication by issuers of securities allowed to be traded publicly (Journal of Law No 163, pos. 1160, the "Decree on Current and Periodic Information") and cover the period from 1 January to 30 June 2001.

**2. Accounting policies**

In the second quarter of the year 2001 the Company did not introduce any significant changes in the accounting policies in comparison with those according to which the financial statements for the year 2000 and first quarter of 2001 were prepared. The accounting policies were presented in the annual report for the year 2000.

**3. Method of preparation of the financial statements**

Balance sheet, income statement and cash flow statement were prepared in a manner consistent with the method of preparation of the financial statements for the year 2000 and for the particular quarters of the year 2000 and 2001.

**4. Principles of calculation of the selected financial data expressed in EURO**

Selected financial data has been calculated in EURO according to the following principles:

- balance sheet items – on the basis of the average rate published as of 30 June 2001 – 3.3783 zloty/ EURO,
- profit and loss account and cash flow items for two cumulative quarters of year 2001 – on the basis of the rate, which is the simple average of average rates, stated by National Bank of Poland for the last day of each month of the period from 1 January – 30 June 2001 – 3.5806 zloty/ EURO,
- profit and loss account and cash flow items for second quarter of year 2001 – on the basis of the rate, which is the simple average of average rates, stated by National Bank of Poland for the last day of each month of the period from 1 April – 30 June 2001 – 3.4372 zloty/ EURO,

**DESCRIPTION OF THE COMPANY'S ACCOMPLISHMENTS IN THE SECOND QUARTER OF 2001, TOGETHER WITH A DESCRIPTION OF THE FACTORS AND EVENTS MATERIALLY AFFECTING THE NET RESULTS**

Crude oil refining over the first six months of the year 2001 amounted to 5,839.9 thousand tonnes, and in the second quarter of the current year the amount of crude oil refined totalled 2,994.4 thousand tonnes, and was by 5.2% higher than the corresponding figure for the first quarter of 2001.

In the second quarter of 2001, the Company sold 2,617.1 thousand tonnes of products and goods for resale, which was by 4.0% higher than sales in the first quarter of current year. Comparatively to the first quarter of current year, there was a higher demand for gasoline and diesel oil, which resulted in higher sales of these products by 10.3% and 18.4%, respectively. Fuel sales, however, did not reach the level reported for the corresponding period of the previous year reflecting the deteriorating economic trend, which causes a decline in the consumption of gasoline and diesel oil.

In the second quarter of 2001, there was a decline in the quantity and value of petrochemical sales. In comparison to the first quarter of the current year, sales decreases in the most significant product groups, including polyethylene (by 7.2%) and polypropylene (by 15.3%).

In order to intensify sales of its own products, the Company introduced an retail customer loyalty programme called VITAY, which is aimed at rewarding individuals who purchase products from PKN ORLEN S.A. service stations. There were more than 900 thousand people participating in the programme as at the end of the second quarter of current year.

In the second quarter, the Company recorded increase in retail sales of gasoline and diesel oil by 16.4% and 21.6%, respectively, in comparison to the first quarter of current year.

The comparison of the Company's financial results during particular periods of 2000 and 2001, as well as their dynamics, are presented in the table below:

Items	II Quarter 2000	I Quarter 2001	II Quarter 2001	Dynamics	
				II Quarter 2001/ II Quarter 2000	II Quarter 2001/ I Quarter 2001
Sales revenue	6,288,370	5,429,169	5,886,525	93.6%	108.4%
Profit on sales	310,851	13,033	269,533	86.7%	2,068.1%
Operating profit	269,806	49,567	269,252	99.8%	543.2%
Profit (loss) before taxation	187,408	-4,823	230,820	123.2%	-
Net profit (loss)	125,460	-15,711	182,790	145.7%	-

Profit on sales in the second quarter of 2001 amounted to PLN 269,533 thousand that is PLN 256,500 thousand more than in the previous quarter. High level of profit on sales in comparison to the first quarter caused that the Company made a net profit during the first six months of PLN 167,079 thousand and in the second quarter alone a profit of PLN 182,790 thousand. The significant improvement in the Company's second quarter results was driven by:

- increased sales of motor fuels,
- increased prices of motor fuels,
- higher refining margin on gasolines.

In the first quarter of this year, the decrease in profit was the result of the falling prices of crude oil, which had an even more detrimental impact because of the Company's inventory valuation method (transfer deferment for the results of changes in crude oil prices in relation to finished product prices). This was not the case in the second quarter of this year.

The most significant capital investment realised by the Company in the second quarter of current year was the purchase of 1,522,095 shares of Zakłady Azotowe Anwil S.A. for a total of PLN 20.6m, as a result of which PKN ORLEN S.A.'s share in Anwil S.A. increased to 74.97%; and the acquisition of shares in the increased capital of Niezależny Operator Miedzystrefowy Sp. z o.o. (payment of PLN 24.5m in the second quarter).

The Company is continuing the restructuring process. Employment as at the end of the second quarter was 7,542 and was lower by 48 in comparison to the end of the first quarter.

**IMPORTANT EVENTS OF THE SECOND QUARTER OF 2001 REPORTED EARLIER IN THE CURRENT REPORTS**

1. On May 10, 2001 the Company informed that Securities Exchange Commission (SEC) approved LEVEL I program for PKN ORLEN S.A. Therefore, PKN ORLEN S.A. GDRs are available for all american institutional and individual investors and may be subject to trade on the over the counter market (OTC).
2. On May 15, 2001 the State Treasury appointed Jaroslaw Cholodecki to the Supervisory Board at the same time dismissing Ludomir Handzel. With the relation to the fact, that the cadence of the Supervisory Board was over, Ordinary General Meeting of Shareholders adopted resolutions on the appointment and establishment of a number of members of the Supervisory Board. The number of the Supervisory Board members was 9 persons, including 2 independent members. To the Supervisory Board the following were appointed:
  - 1) Andrzej Herman - President
  - 2) Marcin Gizowski - independent member
  - 3) Marek Wasowicz - independent member
  - 4) Kalina Grzeskowiak- Gracz
  - 5) Jerzy Idzik
  - 6) Aleksander Olasa
  - 7) Szczepan Targowski
  - 8) Stanislaw Kondracikowski.
3. On May 28, 2001 the Company informed that Polish Securities Exchange Commission allowed to transfer property rights to shares of PKN ORLEN S.A over the stock exchange market, that is premium shares. These are one of the preferences for Individual Investors, who acquired Company's shares in the offer within the Individual Investors Tranche.
4. On June 6, 2001 PKN ORLEN S.A. entered the agreement relating to the acquisition of 1,522,095 shares of Zakłady Azotowe Anwil S.A. from BIG Bank Gdanski. The value of the transaction amounted to 20,589,379.07 PLN. The transfer of property rights to shares of Zakłady Azotowe Anwil S.A. to PKN ORLEN S.A. and conclusion of the transaction took place on June 12, 2001. As a result of the transaction, the share of PKN ORLEN S.A. in Zakłady Azotowe Anwil S.A. increased from 64.82% to 74.97%.
5. On June 18, 2001 Extraordinary General Meeting of Shareholders of Polkomtel S.A. – Plus GSM cellular network operator agreed to accept PLN 500 mln loan from its shareholders. Shareholders of Polkomtel (including PKN ORLEN S.A. ) will participate in the loan proportionally to the possessed shares (the Company possesses 19.61% of Polkomtel S.A shares). The funds from the loan will be designated to the financing of UMTS.
6. On June 27, 2001 Vice-President and CFO of PKN ORLEN S.A. – Marek Mroczkowski following the decision of the Supervisory Board of Polkomtel S.A. was appointed to President of Polkomtel S.A., and dismissed form the function of member of Supervisory Board of Polkomtel S.A.
7. On June 28, 2001 the Company informed that the “Development Program of PKN ORLEN S.A. for the years 2001-2010” was adopted. The Program relates to important development directions of PKN ORLEN S.A. in the areas of: refinery production, petrochemical production, marketing infrastructure. Planned, total expenditure for the development of petrochemical part in Plock are about USD 550 mln.

**INFORMATION ON CHANGES IN PROVISIONS AND FIXED ASSETS IMPAIRMENT LOSSES  
(IN PLN THOUSAND)**
**I. Provision for deferred tax**
**Data for second quarter 2001**

Balance at 31.03.2001	163,529
Increases during the period 1.04.2001 – 30.06.2001	39,161
Decreases during the period 1.04.2001 – 30.06.2001	(28,411)
Balance at 30.06.2001	174,279

**Cumulative data for second quarter 2001**

Balance at 31.12.2000	152,641
Increases during the period 1.01.2001 – 30.06.2001	77,518
Decreases during the period 1.01.2001 – 30.06.2001	(55,880)
Balance at 30.06.2001	174,279

**II. Other provisions presented as liabilities**

	Environmental provision	Provision for business risks	Provision for potential losses resulting from OPCC decisions*	Other provisions
<b>Data for second quarter 2001</b>				
Balance at 31.03.2001	502,155	4,700	20,000	9,464
Increases during the period 1.04.2001 – 30.06.2001	-	-	-	109
Decreases during the period 1.04.2001 – 30.06.2001	(5,135)	-	-	(729)
Balance at 30.06.2001	497,020	4,700	20,000	8,844

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	Environmental provision	Provision for business risks	Provision for potential losses resulting from OPCC decisions*	Other provisions
<b>Cumulative data for second quarter 2001</b>				
Balance at 31.12.2000	502,389	4,700	40,000	13,229
Increases over the period 1.01.2001 – 30.06.2001	-	-	-	109
Decreases over the period 1.01.2001 – 30.06.2001	(5,369)	-	(20,000)	(4,494)
Balance at 30.06.2001	497,020	4,700	20,000	8,844

\* In relation to the introduced Consumer and Competition Protection Act, which sets the upper limit of penalty of 5,000 thousand EURO to be applied (also for unsolved cases), the Company adjusted the provision to the maximum of the possible penalty amount.

### III. Provision for bad and doubtful debts

#### Provisions for receivables

##### Data for second quarter 2001

Balance at 31.03.2001	96,693
Increases during the period 1.04.2001 – 30.06.2001	32,740
Decreases during the period 1.04.2001 – 30.06.2001	(11,379)
Balance at 30.06.2001	118,054

##### Cumulative data for second quarter 2001

Balance at 31.12.2000	84,721
Increases during the period 1.01.2001 – 30.06.2001	53,241
Decreases during the period 1.01.2001 – 30.06.2001	(19,908)
Balance at 30.06.2001	118,054

### Adjustments in the valuation of financial fixed assets and differences in the valuation of contributions

#### Provision for financial fixed assets

##### Data for second quarter 2001

Balance at 31.03.2001	12,282
Increases during the period 1.04.2001 – 30.06.2001	1,028
Decreases during the period 1.04.2001 – 30.06.2001	(486)
Balance at 30.06.2001	12,824

##### Cumulative data for second quarter 2001

Balance at 31.12.2000	11,055
Increases during the period 1.01.2001 – 30.06.2001	2,255
Decreases during the period 1.01.2001 – 30.06.2001	(486)
Balance at 30.06.2001	12,824

**Differences in the valuation of contributions relating to financial fixed assets****Data for second quarter 2001**

Balance at 31.03.2001	53,588
Increases during the period 1.04.2001 – 30.06.2001	-
Decreases during the period 1.04.2001 – 30.06.2001	(104)
Balance at 30.06.2001	53,484

**Cumulative data for second quarter 2001**

Balance at 31.12.2000	53,593
Increases during the period 1.01.2001 – 30.06.2001	-
Decreases during the period 1.01.2001 – 30.06.2001	(109)
Balance at 30.06.2001	53,484

**Provision for tangible fixed assets****Data for second quarter 2001**

Balance at 31.03.2001	45,449
Increases during the period 1.04.2001 – 30.06.2001	3,544
Decreases during the period 1.04.2001 – 30.06.2001	(13,063)
Balance at 30.06.2001	35,930

**Cumulative data for second quarter 2001**

Balance at 31.12.2000	48,000
Increases during the period 1.01.2001 – 30.06.2001	3,544
Decreases during the period 1.01.2001 – 30.06.2001	(15,614)
Balance at 30.06.2001	35,930

Unplanned depreciation charges in the second quarter of 2001 amounted to 5,639 PLN thousand and for the second quarter 2001 cumulatively amounted to 6,112 PLN thousand.

The Company did not make stock valuation adjustments in the second quarter of the year 2001.

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**SHAREHOLDERS POSSESSING DIRECTLY OR INDIRECTLY THROUGH DEPENDENT ENTITIES AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT JUNE 30, 2001**

Shareholder	Share in number of votes at the GM as at 31.12.2000	Change during the period 1.01.2001-30.06.2001	Share in number of votes at the GM as at 30.06.2001	Number of shares as at 30.06.2001
Nafta Polska S.A.	18.06 %	-	18.06 %	75,873,997
State Treasury	10.38 %	-	10.38 %	43,633,897
Bank of New York (GDR holders)	27.07 %	1.15 %	28.22 %	118,575,960
Others	44.49 %	(1.15 %)	43.34 %	182,093,283
Total	100.00 %	-	100.00 %	420,177,137
	=====	=====	=====	=====

On 17 January 2001 the Company was informed, that Franklin Resources Inc. and its subsidiaries possessed 21.063.580 shares of PKN ORLEN S.A., constituting to 5.01% of total number of shares and votes on the General Meeting of Shareholders.

**CHANGES IN THE COMPANY SHARES POSSESSED BY THE MANAGEMENT BOARD AND BY THE SUPERVISORY BOARD, ACCORDING TO INFORMATION POSSESSED BY THE COMPANY**

	Number of shares as at 31.12.2000	Acquired	Disposed	Increases due to changes in composition	Decreases due to changes in composition	Number of shares as at 30.06.2001
Management Board	17,906	-	-	-	-	17,906
Supervisory Board	5,760	1,800	-	4,840	-	2,720

**INFORMATION ON LEGAL ACTIONS CONCERNING THE COMPANY'S OR ITS DEPENDENT ENTITIES' LIABILITIES OR RECEIVABLES ACCOUNTING FOR 10% OR MORE OF THE COMPANY'S EQUITY**

In the period from January 1 to June 30, 2001 the Company was not involved in any legal actions concerning the Company's or its dependent entities' liabilities or receivables accounting for 10% or more of the Company's equity.

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**President** - Andrzej Modrzejewski

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**Vice-President** - Marek Mroczkowski

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**Vice-President** - Jarosław Tyc

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**Member of the Board** - Czesław Bugaj

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**Member of the Board** - Krzysztof Cetnar

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**Member of the Board** - Andrzej Dretkiewicz

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**Member of the Board** - Tadeusz Szczerba

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**Member of the Board** - Władysław Wawak

.....  
**Member of the Board** - Wojciech Weiss

Plock, August 3, 2001