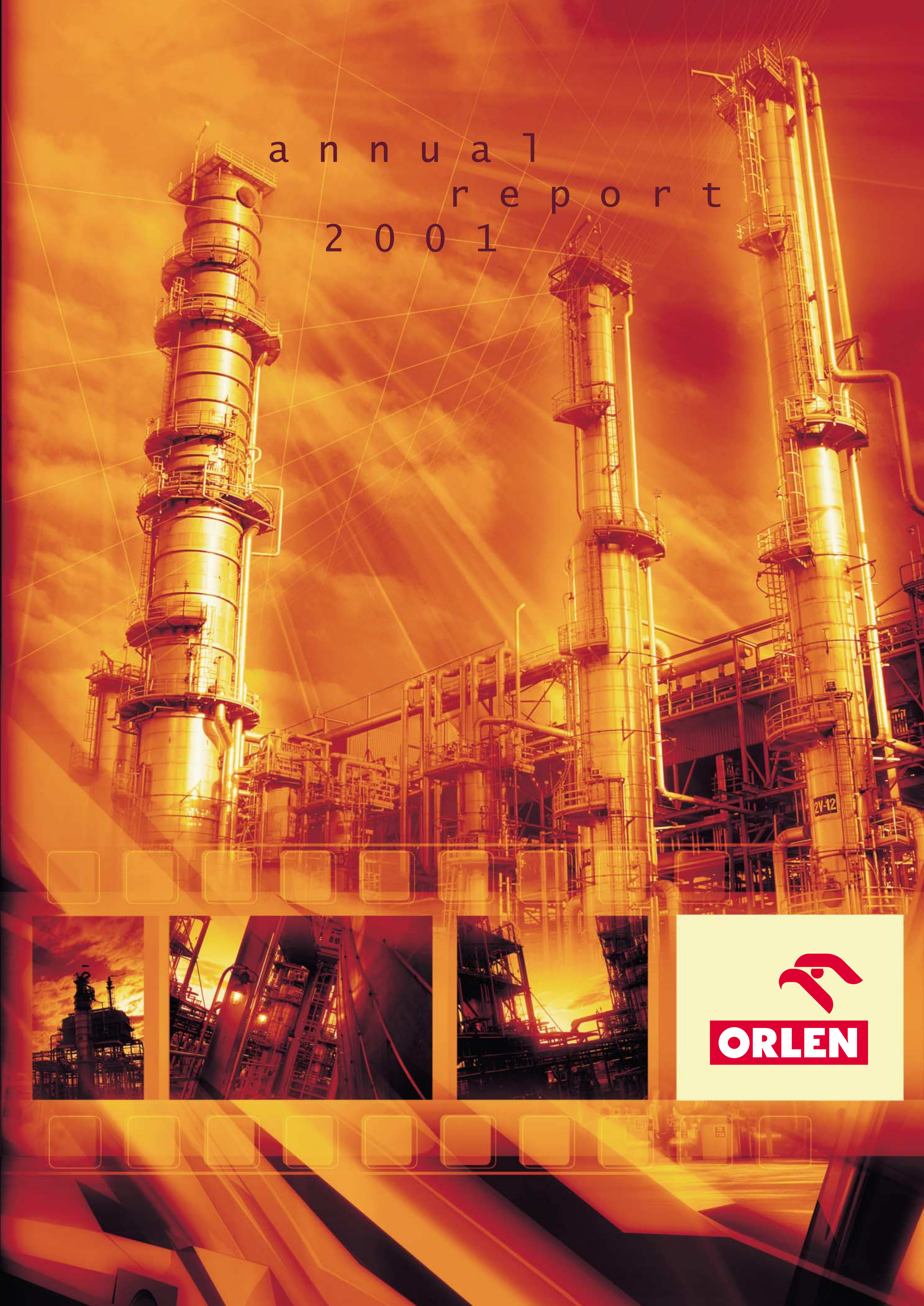
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2001
ORLEN

FINANCIAL HIGHLIGHTS

(In accordance with IFRS, as at year's end)	1999	2000	2001
	PLN m	PLN m	PLN m
Sales revenue	13,279	18,602	17,038
EBITDA	1,886	2,335	1,706
Net profit	944	902	376
Net operating cash flow	1,270	1,073	2,112
Capital expenditure[1]	1,742	1,423	1,482
Assets	12,059	14,087	14,383
Shareholders' equity	6,715	7,596	7,958
Financial leverage[2]	27.4%	33.5%	32,0%
ROACE[3]	10.7%	11.0%	4.6%
	Number	Number	Number
Number of employees at the Capital Group	14,169	13,342	17,572[4]
	PLN	PLN	PLN
EBIT per share	4.60	5.56	4.06
EPS	2.30	2.15	0.89
Cash flow per share	3.10	2.55	5.03

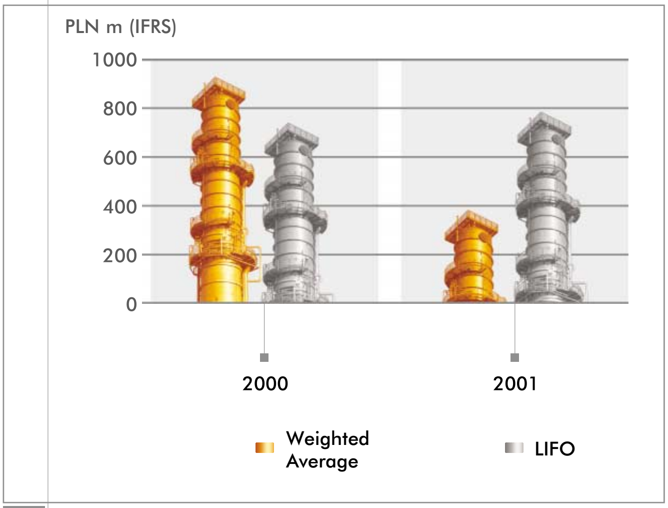
[1] Acquisition of tangible fixed assets
[2] Net debt / shareholders' equity
[3] EBIT (after tax) / average (equity + net debt)
[4] Net of Z.A. Anwil SA employees.

FINANCIAL DATA BY BUSINESS LINES

(In accordance with IFRS,	Refining	Petro-chemical	Other
as at the end of 2001)	PLN m	PLN m	PLN m
Sales revenue*	18,123	3,428	1,633
Profit	680	188	36
Non-attributed costs		-287	
Operating profit		617	
Assets	9,711	1,873	1,677
Capital expenditure[1]	955	294	115

* including inter-segment sales (PLN 6,146 m)

NET PROFIT



ANNUAL REPORT 2001

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

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LETTER FROM THE CHAIRMAN OF THE SUPERVISORY BOARD OF PKN ORLEN

TO THE SHAREHOLDERS, CUSTOMERS AND EMPLOYEES OF PKN ORLEN

Ladies and Gentlemen,

2001 was an extremely difficult time for the economy worldwide. The global economic downturn was aggravated by the terrorist attacks of September 11th and what followed – the war against terrorism in defence of democracy, freedom and security of people all over the world. These tragic events changed our lives as well as the world around us, and had a shattering effect on our sense of stability and security. They also strongly affected corporates' behaviour globally.

PKN ORLEN was also faced with new challenges brought about by sizeable fluctuations in the crude oil prices on world markets, shrinking refining margins, as well as depressed demand for fuels, both globally and in Poland. Poland's deteriorating economic conditions, along with the stagnation of the real income of consumers, are the factors behind lower fuel sales.
All these sudden developments forced a quicker pace of internal changes at PKN ORLEN. The new challenges required new management at the Company. The Supervisory Board believe that the new, competent Management Board will meet the expectations of our Shareholders, Customers and Employees.

Ladies and Gentlemen,
The Supervisory Board, over which I have had the honour to preside for more than a year, focused its activities on the implementation of five strategic objectives. The principal objective was to initiate work on PKN ORLEN's development strategy, whose implementation will assure the Company a long-term and sizeable growth in value for all groups of our Shareholders.

Customers are the focal point of our interest. Their wishes and needs must always be satisfied.

The Supervisory Board resolved that the Company's competitive edge must be improved. Thus, our actions are becoming increasingly effective and are, to a greater degree, responding to the quickly changing market needs. In this way, we will be able to provide sustained and rapid development and a higher rate of growth in the Company's revenues.

In line with the concept of the Company's development, we also agreed that PKN ORLEN's priority should be the supply of world-class liquid fuels that will be environmentally friendly and will meet the most stringent European Union standards.

We strongly believe that it is only through the initiation of consolidation processes in the refining and petrochemical sectors in Poland and in Central and Eastern Europe, and through Poland's active participation in these processes, that PKN ORLEN will maintain its position and role as the market leader.

In business, the secret to success always rests in the people and in the ethos which they represent as individuals and a group. The Supervisory Board decided that the Company must focus on the provision of appropriate and safe work conditions and on the creation of a new corporate culture, which functions and grows based on such universal values as integrity, reliability, diligence, and innovation. A task of particular importance for us is also to provide the management staff and the workforce as a whole with appropriate conditions and incentives to learn and grow professionally.

Ladies and Gentlemen,
We would like to thank you for your continued support.
Through the unyielding focus of our activities on the achievement of a long-term growth in the Company's fundamental value, we are building our common future and success. In line with this strategy, the Supervisory Board sees the dividend as a measurable effect of the increase in shareholder value.
We are working and shall continue to work with determination to strengthen the Company's market position and to increase its value. We are convinced that this is the only way that we can hope to win your trust and further approval for our actions.

Prof. Andrzej Herman
Chairman of the Supervisory Board of PKN ORLEN

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF PKN ORLEN

Ladies and Gentlemen,

I am pleased to summarise another, third year of the operations of the Company, whose shares you decided to purchase and hold, thus putting your trust in us.

I assumed the position of the President of PKN ORLEN's Management Board on February 8th 2002, and at the very beginning I adopted a management strategy oriented towards transforming the Company into one of the largest and best companies in the fuels and petrochemicals industry, both in Poland and Europe.

At this point, I would like to express my gratitude to the Supervisory Board and the Shareholders for their full support and confidence in me.

Efficient and effective management based on methods which have proved successful on international markets will enable us to restructure our resources and become a company committed to free-market principles, dedicated to consumers' interests, and generating profits for its shareholders.

Our strong market focus and competition, rapid development of the ORLEN brand and other portfolio brands – all this is bound to foster further development of PKN ORLEN, which will obviously benefit all its owners, and is to be accompanied by the application of transparent management principles at all levels of the decision-making structure, implementation of Corporate Governance Principles and adherence to the social accountability and social responsibility guidelines, as well as transparent, proven employee incentive systems.
PKN ORLEN is an enterprise characterised by long-term growth, providing investors with a steady increase in shareholder value. We operate the largest wholesale and retail network in Poland, through which we are distributing our own refining products and petrochemicals – all of the highest quality. We also plan to invest in expanding our petrochemical units to enhance our capabilities and achieve compatibility with international markets and standards. The third phase of PKN ORLEN privatisation is before us. It should lead to a regional consolidation within the refining and petrochemical sectors. In this respect, our primary objective should be to position ourselves in such a way as to take maximum advantage of our incontestable attributes and ensure the expected synergies. We shall thoroughly consider opportunities to expand into markets of Central and Eastern Europe. Therefore, I support the alliance of PKN ORLEN and Rafineria Gdańska, which, in the liberalised market, will not only enhance our Company's value, but will also benefit Rafineria Gdańska, regional infrastructure and the national economy as a whole. The consolidation process should be completed through PKN ORLEN's alliance with an upstream business partner. This move is to ensure financial stability for the Company regardless of crude oil price fluctuations.

In 2001, we operated in particularly challenging conditions. We had to face adverse macroeconomic environment: stormy changes in the refining industry throughout the world and a strong decline in the rate of Poland's economic growth.
Poland in a recession, drop in refining margins, abandonment of protective customs tariffs for the fuel market, and a lower demand for fuels (despite lower prices in comparison to 2000) – all these factors left their mark on the financial results of Polish oil companies. However, although the falling retail and wholesale prices failed to invigorate demand, we were able to record a 2.1% increase in sales of fuels.
A visible sign of the changes taking place are service stations under the new ORLEN logo, whose number is constantly increasing. It is our objective for all our stations to operate in the new colours. The retail activity, as an area of regular and direct contact with customers and a revenue source, is of particular interest to the Management Board for it is the consumers' needs that should define the volumes and range of products. The retail margins, which in 2001 rose by 40%, testify to the effectiveness of our initiatives.
In 2002, we plan to further accelerate the development of our infrastructure to reinforce our leading position on the wholesale market and to strongly support PKN ORLEN's retail activities. Our goal is to boost efficiency of sales at the service stations through network restructuring and increased customer satisfaction. First underground fuel and oil tank farms in IKS Solino should soon be operational. An important achievement was the launching of the fuel depot in Ostrów Wielkopolski – with a target annual storage capacity of 175,000m^3. It is worth noting that we

supply fuel to western operators in Poland, including BP, Shell, and Statoil. Thanks to the one-year fuel-supply contracts , the volume of the fuel supplied in 2002 by PKN ORLEN will increase by over 30% compared to 2001. Our refining operations are yet another cause for satisfaction. The Profit Improvement Programme, implemented together with KBC, has been a success. We have exceeded plans. We not only realised the projected savings of USD 0.40 per barrel of processed crude, but were also able to implement additional production-related process and organisational improvements, which should bring in an additional USD 0.10-0.15 in savings per barrel. In total, by the end of 2001 all of the cost-cutting initiatives generated PLN 500m in savings (over the 1999 figure), though this target was originally projected for the end of 2002. In cooperation with Shell Global Solutions, in 2002 we also plan to further optimise maintenance costs and plant availability. We estimate that over the next three years the plan should yield annual savings in the order of PLN 100m.

With a view to diversifying our supply sources, in 2001 we concluded an agreement with BMP, a business partner we had worked with in the past; the agreement is guaranteed by YUKOS, a Russian upstream company. We plan to continue the process of diversifying our supply sources to secure strategic independence for PKN ORLEN. In the longer term, we are determined to gain access to oil reserves through strategic alliances and joint ventures with experienced business partners.

In 2002, we plan to enter into cooperation with Basell, a world leader in the petrochemicals sector. This will help us achieve considerable economic benefits on the absorptive Polish petrochemicals market. To this end, the Company intends to increase production capacity of its Ethylene Cracker II, which uses semi-refined products as feedstock.

The 2001 events of most significance for the ORLEN Capital Group included an equity investment of PLN 115,331,200, which increased our interest in the share capital of ZA Anwil SA from 38% to 75%. This enterprise is an important element in the value chain beginning with crude oil processing. Another noteworthy move in the area of equity investments was the acquisition of new issue shares in Polkomtel SA, totalling PLN 107,855,000. In 2001, we completed the consolidation of our gas businesses. At Rafineria Nafty Jedlicze SA we launched a used-oil hydrofinishing installation with an annual capacity of 80,000 tonnes, which is the first facility of this type in Poland, and the most modern one in Europe. It is compliant with EU requirements. The plant processes used oil distillates to extract highly desulphurised components for diesel oil, light heating oil and base oils of the same quality as the base oils obtained from crude processing.

Ladies and Gentlemen,

The Management Board, with me at the helm, has set ambitious, yet feasible objectives for itself and the Company. Although 2002 will be a challenging year for us, we will strive to mitigate the effects of adverse external factors and optimise factors which remain under our control. Although I assumed the management of the Company at a time of difficult market conditions, I am proud of having been entrusted with such a post, all the more as it provides me with the opportunity to work with a group of high-class professionals, and I know that we will be able to meet our commitments at the very least.

I would like to thank all of you who feel part of the great ORLEN family: investors, shareholders, customers and employees – who have confidence in the high quality of our products. My thanks go out to all of you who believe – as I do – that we have a common interest: growing the value of PKN ORLEN. I am convinced that together with the Supervisory Board and our shareholders we will make PKN ORLEN even stronger, better positioned to compete, and therefore the company of choice for more customers.

Zbigniew Wróbel
President of the Management Board of PKN ORLEN
Chief Executive Officer

MANAGEMENT BOARD OF PKN ORLEN

Zbigniew Wróbel
President of the Management Board and Chief Executive Officer

Krzysztof Cetnar
Vice-President and Chief Financial Officer

Sławomir Golonka
Vice-President, Sales

Andrzej Macenowicz
Vice-President, Human Resources and Management Systems

Janusz Wiśniewski
Vice-President, Production and Development

Zbigniew Wróbel

President of the Management Board, Chief Executive Officer

Zbigniew Wróbel, age 49, graduate of the Faculty of Chemistry at the Silesia University of Technology of Gliwice, where he majored in crude oil and coal processing.

In 1982-1986, Mr Wróbel was Managing Director of Almatur, a student travel agency. In 1986–1991, he served as Director at Polskie Linie Lotnicze LOT and as Managing Director of LOT Air Tours. In 1991–1993, Mr Wróbel was employed as Sales Director at Philip Morris Poland. In 1993, he was entrusted with the post of Sales and Distribution Director at PepsiCo Trading Poland, to later (1996-2002) become responsible for Corporate Development as Vice-President at PepsiCo Central and Eastern Europe. He joined PKN ORLEN, as CEO and President of the Management Board, on February 8th 2002.

Mr Wróbel brings to PKN ORLEN a wealth of experience amassed through the founding in 1997 of Promarka –- Association of Genuine/Vintage Product Manufacturers. He has also held a number of posts in Brussels: Board member of Association des Internationales de Marque (1997–2002), Vice-President of UNESDACISDA (1998-2002), and Vice-President of the World Federation of Advertisers (2000–2002). Mr Wróbel has also been appointed to the Supervisory Boards of: Okocim SA, Inteligo Financial Services Sp. z o.o., Polkomtel SA, and IKS SOLINO SA. As a member of the Advisory Panel at Poland's European Integration Committee he is responsible for business communities. He also serves on the Board of Semper Polonia Foundation.

Krzysztof Cetnar

Vice-President, Chief Financial Officer

Krzysztof Cetnar, age 35, graduate of the Faculty of Physics at the Jagiellonian University in Kraków. He is licensed as a securities broker and an investment advisor. In 1999, he was awarded an MBA degree from the University of Teesside and the School of Entrepreneurship and Management at the Academy of Economics in Kraków.

In 1991-1993, Mr Cetnar worked as a physicist at the Institute of Nuclear Physics in Kraków. In 1994–1995, he was employed at the Brokerage Office of Certus Sp. z o.o. in Kraków, first as General Director and then as Investment Director. In 1996-1999, Mr Cetnar served on the Management Board of Zakłady Chemiczne Alwernia SA as Financial Director. From April 1999 until the deletion of CPN SA from the commercial register (September 1999), he was Economic and Financial Director and member of the Management Board of CPN SA. In 1999, Mr Cetnar joined PKN ORLEN to serve as Planning and Supervision Director and member of the Management Board (1999–2001). As of August 6th 2001, he advanced to hold the post of Vice-President and CFO at PKN ORLEN.

At present, he serves on the Supervsory Boards of Rafineria Nafty Jedlicze SA (Chairman), NOM Sp. z o.o. (Deputy-Chairman), and Z.A. Anwil SA (Deputy-Chairman).

Sławomir Golonka

Vice-President, Sales

Sławomir Golonka, age 46, graduate of the Faculty of Foreign Trade at the Warsaw School of Planning and Statistics (currently the Warsaw School of Economics).

In 1996-2001, Mr Golonka served as Vice-President of the Management Board and Marketing and Sales Director at Polkomtel SA. In 1989-1996, he was Vice-President of the Management Boards, first at Brinkmann & Lendwehrmen Investment Banking and then at Management Focus, International Consulting Group. In 2001-2002, he advised BRE SA.

In addition, Mr Golonka was appointed Member of the Supervisory Boards of: Rafineria Gdańska SA, CPN SA and PKN ORLEN. As of February 8th 2002, he advanced to hold the post of the Management Board Member and since March 12th 2002, he has held the position of the Vice-President in charge of sales at PKN ORLEN. At present, he serves on the Supervisory Boards of NFI Jupiter SA (Chairman), Petro-Oil Sp. z o.o. (Chairman), Z.A. Anwil SA (Member), and Telewizja Familijna SA (Member).

Andrzej Macenowicz

Vice-President, Human Resources and Management Systems

Andrzej Ernest Macenowicz, age 56, graduate of the Academy of Agriculture in Kraków. Following graduation, Mr Macenowicz continued his scholarly career as a junior lecturer at the Academy. He earned his post-graduate degree in Management and Organisation of Work.

Mr Macenowicz worked to tie his professional life to social activism. Having completed a three-year post-graduate programme at the Academy of Diplomacy, he was Advisor to the Minister of Foreign Affairs and First Secretary of the Polish Embassy in the Hauge. In 1995, he joined the civil service as Director of the Office of the Speaker of the Sejm (lower chamber of the Polish parliament), to later become Managing Director of the Office of the Prime Minister. In 1996–1997, Mr Macenowicz was Under-Secretary of State in the Office of the Prime Minister, while concurrently serving as Secretary of Defence Committee – his scope of responsibilities entailed national defence and security, including energy security. Since 1997, he has been employed as Director at Naftobazy Sp. z o.o. (fuel distribution company).

He was appointed Member to the Supervisory Boards of: CPN SA (1996-1997) and Cenzin SA (1996-1997). As of February 8th 2002, he advanced to hold the post of the Management Board Member and since March 12th 2002, he has held the position of Vice-President in charge of Human Resources and Management Systems at PKN ORLEN. At present, he serves on the Supervisory Boards of: Naftoport Sp. z o.o. (Chairman), LG Petrobank (Deputy-Chairman), and Budimex SA (Member).

Janusz Wiśniewski

Vice-President, Production and Development

Janusz Wiśniewski, age 43, graduate of the Łódź University, Faculty of International Trade. He completed post-graduate studies at the Princeton University, Stanford University and the University of Chicago. He has eighteen-year professional experience in the chemical industry.

In 1984, Mr Wiśniewski joined Zakłady Azotowe Tarnów. He was Manager of the Licence Export Office in 1987-1990, and then, in 1990-1993, the Sales Director at Zakłady Azotowe Tarnów-Mościce SA. In 1993-1999, he served as Vice-President of the Management Board of Zakłady Azotowe Tarnów-Mościce SA. In 1999-2001, he was the Vice-President and then President of the Management Board of Zakłady Azotowe Kędzierzyn SA of Kędzierzyn-Koźle. As of March 7th 2002, he advanced to hold the post of the Management Board Memeber and since March 12th 2002, he has held the position of Vice-President in charge of Production and Development at PKN ORLEN.

At present, he serves on the Supervisory Boards of Z.A. Anwil SA (Chairman), Rafineria Trzebinia SA (Chairman), CIECH SA (Member) and Petro-Oil Sp. z o.o. (Member).

Mr Wiśniewski is a Member of the Stanford Business School Alumni Association.

SUPERVISORY BOARD OF PKN ORLEN

Andrzej Herman
Chairman of the Supervisory Board

Jan Waga
Deputy-Chairman

Grzegorz Mroczkowski
Secretary

Maciej Gierej
Member

Edward Grzywa
Member

Krzysztof Kluzek
Member

Andrzej Kratiuk
Member

Ryszard Ławniczak
Member

Krzysztof Szlubowski
Member

First quarter of 2001

- Futures on PKN ORLEN shares are traded on the Warsaw Stock Exchange for the first time.
- A three-year agreement is concluded with Naftobazy Sp. z o.o. on the storage and reloading of oil products and special liquid products.
- The VITAY loyalty-card programme is launched throughout our service station network.
- Launch of a new LPG desulphurisation unit with a capacity of 318,000 tonnes per year. Beginning of sales of gasolines based on ethyl tert-butyl ether (ETBE) sourced from Company's own production. ETBE replaced the use of methyl tert-butyl ether (MTBE).

Second quarter of 2001

- We achieve the top position in the ranking of the largest plastics industry enterprises in Poland.
- The American Securities and Exchange Commission (SEC) approves the Level One programme for PKN ORLEN, making our depository receipts available to all American investors and eligible for trading on the U.S. OTC market.
- For the second time, PKN ORLEN tops the *Rzeczpospolita* ranking of Poland's 500 largest corporations, prepared in cooperation with Institute of Economic Sciences at the Polish Academy of Sciences (Instytut Nauk Ekonomicznych PAN), and Business Information Centre (*Centrum Informacji Gospodarczej*) of the Ministry of Economy.

Third quarter of 2001

- PKN ORLEN bonus shares for individual investors debut on the Warsaw Stock Exchange. The bonus shares are allocated to those investors who purchased shares during the secondary offering in the previous year, and who held them for an uninterrupted period of at least 12 months.
- The Supervisory Board approves PKN ORLEN's "Strategy for 2001-2005 and Outlook for 2005-2010".
- The Management and Supervisory Boards agree to upgrade the Ethylene Cracker II, thereby initiating the development of PKN ORLEN's petrochemical business.
- The first stage of the construction of the underground fuel and oil tank farms, with a capacity of 1.75m m^3, is completed in the Góra salt mine, owned by IKS SOLINO of ORLEN Capital Group.

Fourth quarter of 2001

- Poland's first used-oil hydrofinishing installation launched in Rafineria Nafty Jedlicze SA (a member of the ORLEN Capital Group). The installation will process approximately 80,000 tonnes per year of used oil to recover valuable elements for the production of diesel and heating oil, and base oils.
- We sign one-year fuel-supply contracts with Shell Produkty Polska Sp. z o.o., BP Polska Sp. z o.o., and Statoil Polska Sp. z o.o.
- The storage depots in Ostrów Wielkopolski, the most modern product storage facility in Poland, become operational. Their current storage capacity is 55,000 m^3, and this is to be increased to a target capacity of 175,000 m^3. The depots store fuels for sale in the south-west of Poland, which is a highly competitive region.

First quarter of 2002

- Fitch Ratings Limited assigns PKN ORLEN a BBB credit rating for long-term liabilities, and F3 for short-term liabilities. It is the highest grade ever assigned to a Polish manufacturing company.
- We conclude a maintenance agreement with KBC Process Technology Ltd, UK (KBC) an extension of the Profit Improvement Programme implemented in 1999-2001.
- We also executed a maintenance agreement with Shell Global Solutions International B.V., with a view to rationalising maintenance costs and optimising plant availability.
- Our Management and Supervisory Boards change, with Mr Zbigniew Wróbel appointed as the President of the Company's Management Board and the number of Management Board members reduced from nine to five.
  The new Management Board reviews our long-term development strategy for 2001-2010.

PKN ORLEN AND ITS ACTIVITIES

We are the largest refiner of crude oil and marketer of fuels in Central Europe.

PKN ORLEN AND ITS ACTIVITIES

PKN ORLEN is Poland's largest refiner of crude oil and marketer of fuels. The Company was established in 1999 as a result of the merger of Petrochemia Płock SA and Centrala Produktów Naftowych SA (CPN). Following the merger, the two companies became the main assets of PKN ORLEN.

Our integrated refining and petrochemical production complex in Płock is among ten most advanced and efficient facilities of this type in Europe. We operate Poland's largest network of service stations and a number of storage depots, which enables us to maintain our leading position on the domestic retail and wholesale fuel markets.

PKN ORLEN, along with the other 203 companies making up the ORLEN Capital Group, is among Central Europe's largest oil concerns.

Our key product groups are:

- liquid fuels;
- petrochemicals, including polypropylene, polyethylene and products for synthesis;
- lubricating oils;
- bitumens and binders.

We employ state-of-the-art technology to produce top quality fuels, some of which already meet the exacting standards of the European Union.

PKN ORLEN ON THE CAPITAL MARKETS

Our share capital is divided into 420,177,137 ordinary bearer shares with a par value of PLN 1.25 per share. All the shares are listed on the Warsaw Stock Exchange, while on the London Stock Exchange the shares are listed in the form of Global Depository Receipts (GDRs). GDRs are also traded in the United States on the OTC market, with The Bank of New York acting as the depositary. On the London Stock Exchange each GDR represents two PKN ORLEN shares.

The shares and GDRs were first quoted on the Warsaw and London Stock Exchanges in November 1999.

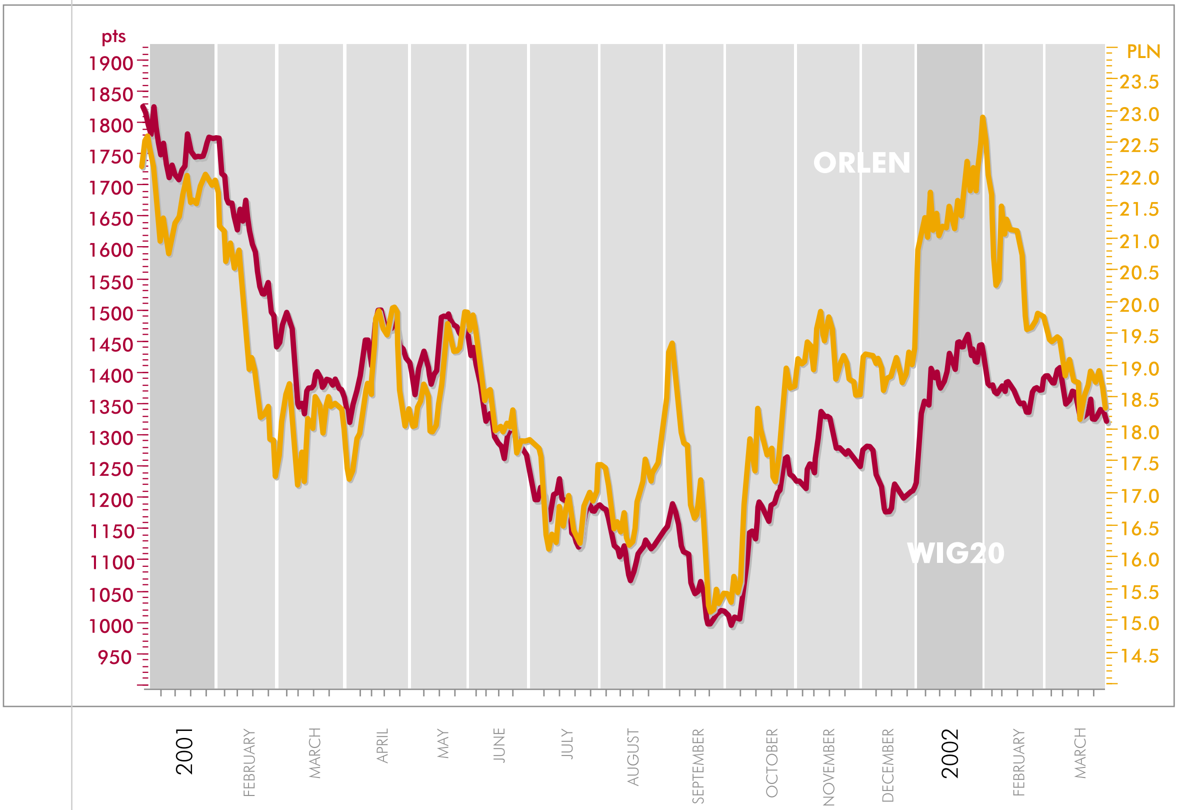
As part of the Management Stock Option Programme, 11,344,784 ordinary shares were registered in public trading and offered to the holders of PKN ORLEN convertible bonds. The shares are not listed, and none of the bondholders had converted the bonds into shares until December 31st 2001.

SHARE PERFORMANCE IN 2001

At the end of 2000 and into 2001, the Warsaw Stock Exchange was at the peak of a short-lived bull market which, on December 19th 2000, pushed the WIG20 blue-chip index to its local high. The beginning of 2001 witnessed a drop in stock prices on the WSE, with the bear market continuing until early October. Investor sentiment deteriorated as a result of Poland's economic slowdown and the growing public-finance deficit. The condition of foreign markets, particularly the NYSE and Nasdaq, also had a strong influence on shareholders' investment decisions.

The first signs of a rebound on the WSE came in mid-August, when the price of PKN ORLEN shares rose, considerably outperforming the WIG20 index. However, the terrorist attacks of September 11th stifled this, sending a strong wave of depreciation through stock exchanges worldwide, including the WSE. The bear market brought PKN ORLEN's share price to a historic low, which was not directly attributable to the Company's operating activities.

PERFORMANCE OF PKN ORLEN STOCK ON THE WSE



PKN ORLEN ON THE WARSAW STOCK EXCHANGE

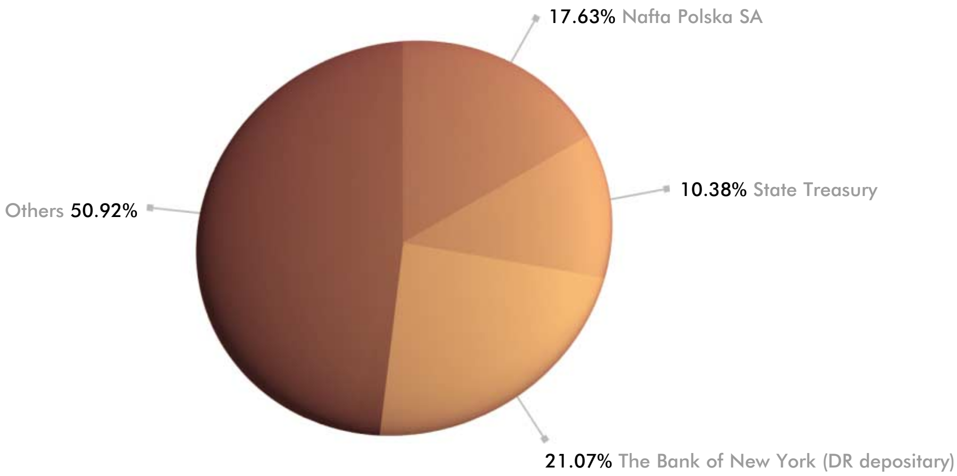
At the beginning of October, PKN ORLEN shares became the driving force on the WSE, and triggered a dynamic bull market, which continued until the end of January 2002.

Performance of PKN ORLEN shares on the WSE in 2001:

annual average	PLN 18.43
closing high	PLN 22.60
closing low	PLN 15.10
close on Jan 2nd 2001	PLN 22.60
close on Dec 31st 2001	PLN 19.00

Our shares are the most liquid stock on the WSE and this liquidity is further ensured by five market makers appointed by the WSE Board. Our shares accounted for the largest proportion of Polish pension funds' equity portfolios in 2001. As at December 31st 2001, pension funds held over 23.1m PKN ORLEN shares, representing 8.4% of the total voting rights at the Company's General Shareholders Meeting.

SHAREHOLDING STRUCTURE AS AT APRIL 23rd 2002



INVESTOR RELATIONS

The Management Board has made it one of its priorities to present information in a clear and fair manner, in line with market expectations.

We continuously strive to enhance the delivery of information on our performance and maintain transparency in our relations with our shareholders, investors and other capital market players.

In 2001, we held regular press events combined with the presentation of financial results, and a series of meetings with individuals from global financial institutions. The management team paid close attention to market expectations regarding the presentation of its activities, particularly operating and financial results. In response to these expectations, we publish the "FACTS and FIGURES QUARTERLY", which provides an insight into the most current data. The Quarterly is available in hard copy, or can be downloaded from the PKN ORLEN web site (www.orlen.pl). We believe that the publication will prove as popular and useful as last year's "Fact Book", attached to the annual report and containing financial and operating information.

Last year we disclosed operating activity by individual segments: refining, petrochemical and other. In addition, we will present estimated financial results with information on the impact of the LIFO stock valuation.

Aware of the importance that investors attach to the clear and uniform presentation of financial reports, we proposed our own amendments to disclosure regulations to the Association of Listed Securities Issuers (*Stowarzyszenie Emitentów Giełdowych*). One of the amendments provided for the abolition of the requirement to disclose preliminary financials submitted to the Polish Central Statistics Office. The proposal was subsequently incorporated into a Council of Ministers' directive.

In a competition organised by the Foundation for Accountancy Development in Poland (Fundacja Rozwoju Rachunkowości w Polsce), PKN ORLEN's "2000 Annual Report" won the first prize for the best financial statements of a public company. The competition board praised both the content of the Report and its attractive graphic design. Our applied accounting policies were also commended.

The Excellence in Corporate Governance Award from Institutional Shareholder Services, received by the Company at the beginning of 2001, has also been a strong incentive for us to strive even harder. We consider that such a prestigious distinction, awarded after our first year on the equity markets, marks the beginning of a process aimed at achieving the highest global standards in investor relations.

FINANCIAL CALENDAR FOR 2002

Quarterly Reports
Q1: May 13th 2002 (consolidated, with elements of unconsolidated accounts)
Q2: August 14th 2002 (consolidated, with elements of unconsolidated accounts)
Q3: November 14th 2002 (consolidated, with elements of unconsolidated accounts).

Semi-Annual Report
September 18th 2002 (consolidated, with elements of unconsolidated accounts).

Annual Reports
May 9th 2002 (unconsolidated)
May 10th 2002 (consolidated).

In 2002, we intend to disclose the IAS financial statements and the information on the impact of the LIFO stock valuation on our financial performance at the same time as the PAS consolidated financial statements.

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STRATEGY

Through mergers and capital alliances, PKN ORLEN plans to play a central role in any future cross-border oil consortium in Central and Eastern Europe.

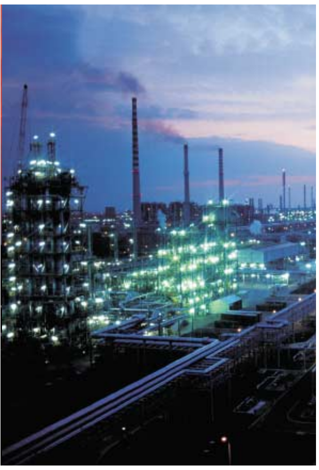
STRATEGY

The Management Board's activities are driven by the objective of creating shareholder value through the development and maintenance of competitive and structural advantages, and through the achievement of the highest standards in the Company's operations.

In the years to come, we want to remain a world-class producer and marketer with a dominant position on the domestic retail and wholesale fuels market, and to become a leader in production and distribution of quality petrochemical products on the Polish and foreign markets. Through alliances and mergers, we intend to become a major player within Central Europe's international oil consortium in the future. PKN ORLEN's market position and potential allows us to assume the leading position in consolidation processes in the fuel and energy sector in Central Europe.

We intend to achieve the objectives specified above through:

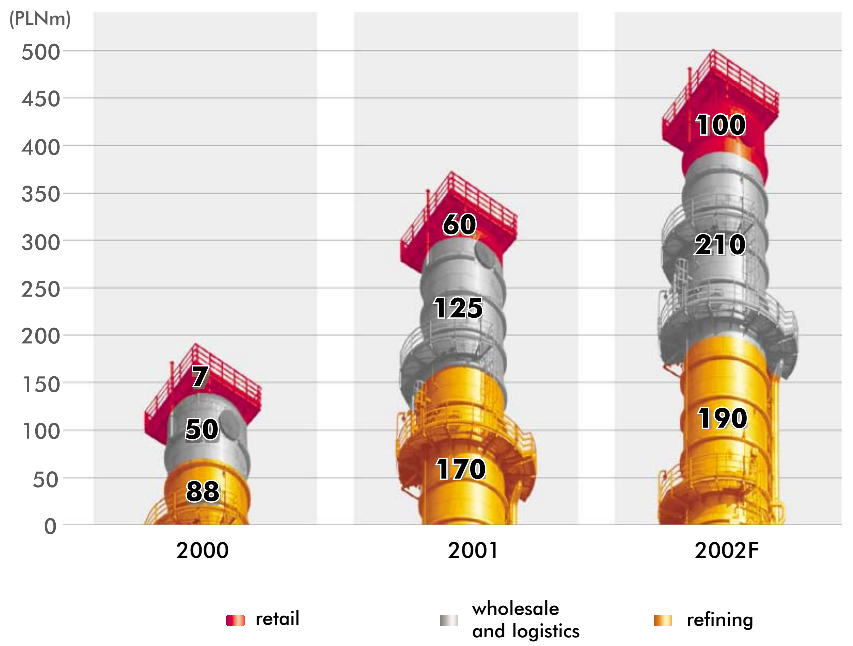
- participation in the further privatisation and consolidation of Poland's oil sector;
- capital and strategic alliances providing access to crude oil reserves;
- higher total retail margin;
- roll-out of the ORLEN brand in Company-owned stations throughout the retail network;
- substantial increase in the capacity of our petrochemical plant;
- continuation of the cost-reduction programme in all segments of our activities;
- introduction of centralised management of the mandatory fuel stocks, and reduction of the storage cost by 50%.



In 2002, we are introducing a fundamental change in the strategy of PKN ORLEN, consisting in shifting the focus from production to sales. From now on, the production volume will depend on market demand. Such an arrangement will allow us to harmonise the quantity and range of products with customers' needs and expectations.

The Management Board is aware of the importance of the commitments it has undertaken, and is carefully monitoring the implementation of the strategic plan. Each year, we will provide shareholders and investors with reliable information on the status of the work.

COST REDUCTION PROGRAMME
Savings over 1999

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RETAIL NETWORK

In our retail operations we put particular emphasis on competitiveness, innovation and, most importantly, guaranteed high quality of products and services.

RETAIL NETWORK

With Poland's largest network of service stations, we control 40% of the domestic retail fuel market and we will continue to strive to maintain this leading position and, where possible, increase our market share and profitability.

We intend to implement these marketing objectives through the modernisation of service stations and the introduction of the ORLEN brand in Company-owned stations. We will also change the principles of operation of our franchise stations by concluding new agreements with franchise operators. Our priority will be to further optimise costs.

PKN ORLEN's retail network offers our customers:

- products that meet customer needs;
- quick and friendly service;
- competitive prices;
- countrywide reach.

In 2001, we invested PLN 125m in the development of our service station network. Thirty-five new service stations were opened, and 140 were modernised. Eighty-six service stations were excluded from the network as they failed to meet profitability targets and service quality standards. Rapid introduction of the ORLEN brand and upgrading of the stations are possible due to the use of modular design. Thus, the amount of time needed to construct new stations was reduced by 23% and we expect to reduce this further, by 30% in total by the end of 2005. While maintaining uniform high functionality standards at the new stations, we were able to reduce development costs by 22% per station.

The VITAY loyalty-card programme proved extremely successful. As much as 50% of retail sales are transacted under this programme, with the number of its participants currently exceeding 2 million. Thus, the group of repeat retail customers is growing. Under the VITAY programme customers collect points, which may then be redeemed for gifts or fuel. The customers are registered, and transactions recorded, through microchip cards.

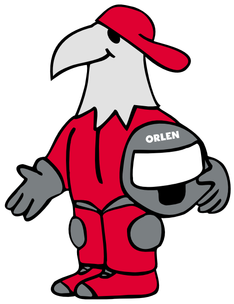
By the end of 2001, FLOTA POLSKA, a loyalty programme for corporate vehicle fleets, attracted over 1,000 companies and issued 50,000 cards. The scheme offers convenient forms of payment and discounts on fuel. The share of the FLOTA POLSKA programme in total retail fuel sales rose to 3.8%. The programme was awarded the 2001 European Medal for Services (*Medal Europejski dla Usług 2001*), and was recognised as the best system solution in the *KARTA 2001* ranking.

In the first quarter of 2002, we marketed fuel through our network of 1,952 service stations, 1,321 of which were owned by PKN ORLEN, with the remaining 631 being franchise outlets.

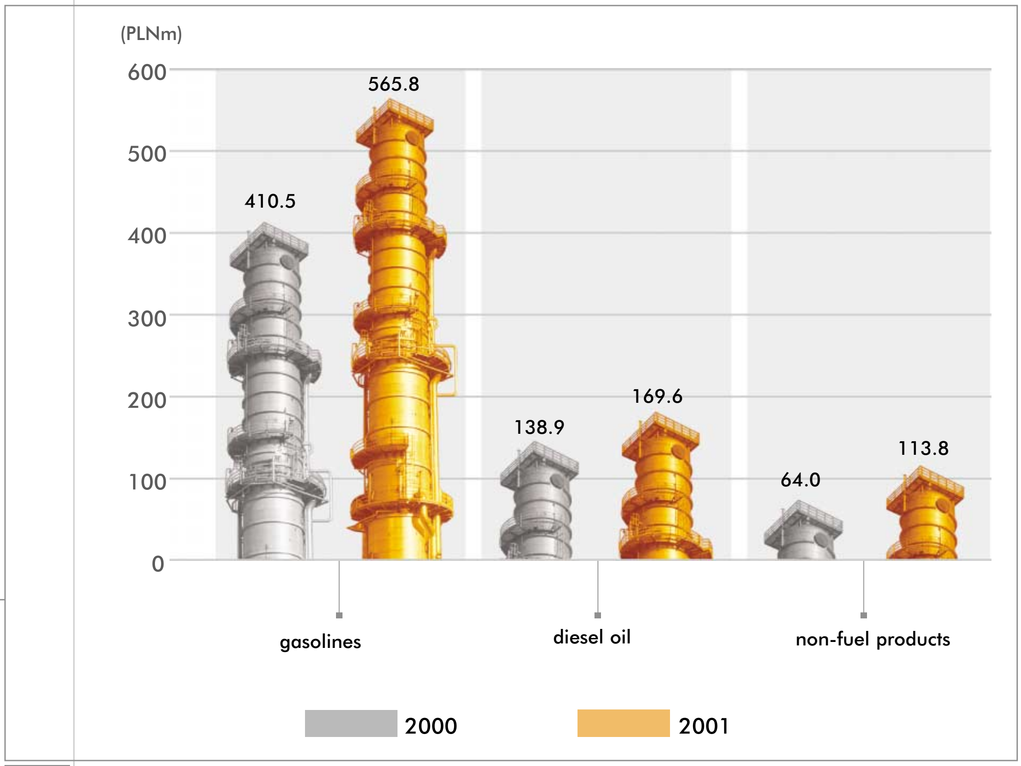
In 2001, despite the sharp slowdown of the national economy, which led to lower demand for fuel, we sold 2,628,885,000 litres of fuel through our own service stations and generated revenue amounting to PLN 6,291m (PAS).

The efficiency improvement achieved in 2001 is best demonstrated by the following measures:

increase in retail margin	40%
increase in fuel margin	31%
increase in non-fuel margin	78%
increase in unleaded gasoline sales	6%
increase in LPG sales	41%
increase in diesel oil sales	2%



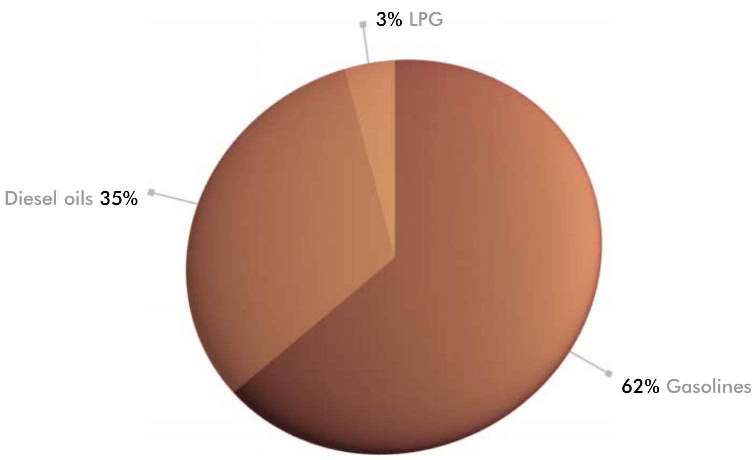
GROSS MARGIN



The share of the non-fuel margin in the total retail margin rose from 9% in 2000 to approximately 14% in 2001.

Our customers appreciated the changes in services introduced throughout the network of the PKN ORLEN-owned stations, as well as the VITAY programme and Eurosuper 95 gasoline advertising campaigns.

STRUCTURE OF RETAIL FUEL SALES IN 2001



WHOLESALE AND LOGISTICS

In response to less favourable conditions on the domestic fuel market in 2001, PKN ORLEN improved the efficiency of its wholesale and logistics operations.

WHOLESALE AND LOGISTICS

PKN ORLEN controls approximately 65% of Poland's fuel market. Such extensive operations require efficient management and logistics. We are therefore seeking optimal solutions to achieve significant cost savings and enhance efficiency in these two areas.

In the near future, we intend to focus on:

- reduction of logistics costs;
- optimisation and development of infrastructure;
- efficient storage of fuel stocks;
- improvement of the pricing system.

In order to reduce logistics and fuel storage costs, we have created a two-tier supply structure (producer → storage depot; storage depot → customer), whereby the utilisation of the raw material and product delivery channels is optimised within the proprietary and third-party infrastructure.

We continue to reduce the number of storage depots, which serve as an off-take base for the service stations. In addition, a fuel carrier for PKN ORLEN-owned stations is to be selected by way of a tender, and a centralised system for managing mandatory fuel stocks is to be developed, with a view to reducing operating expenses.

Another initiative is enhancement of the system for co-ordinating pricing-policy and product-supply decisions. This new solution will come as a tool for demand-driven price optimisation in specific product groups.

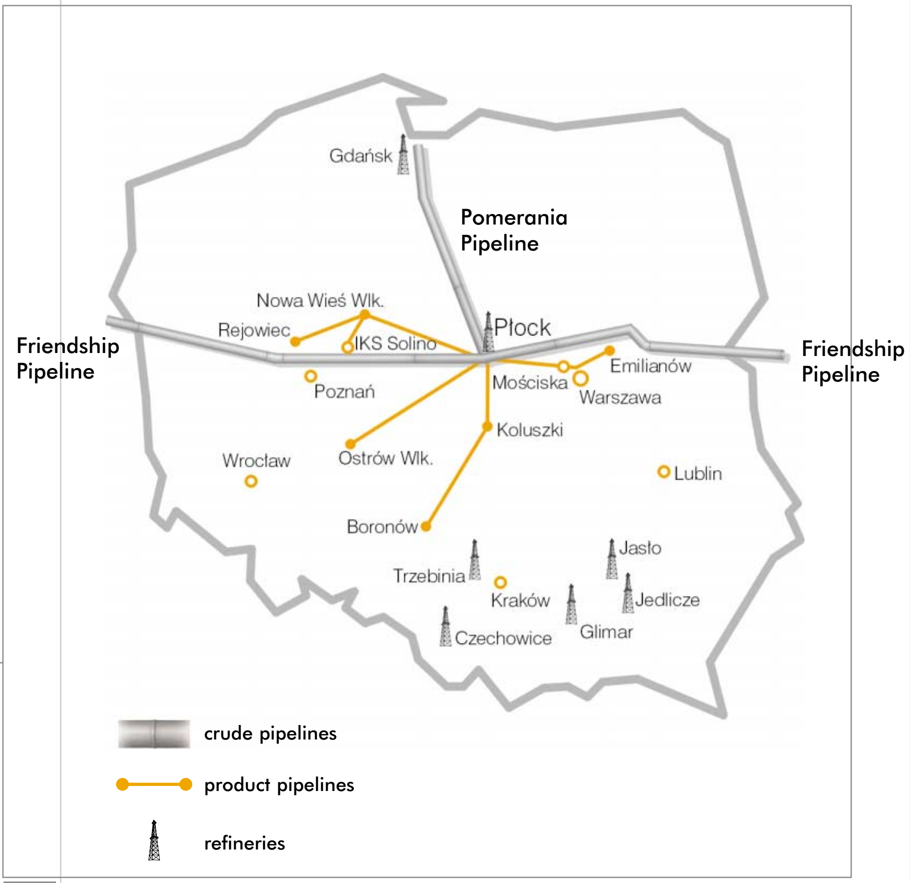
We will continue efforts aimed at improving the economies of scale in cooperation with our logistics partners (PERN, DEC, PKP, Naftobazy, forwarders).

We estimate that proceeds and savings obtained from the deployment of non-core assets intended for sale in 2000-2002 will exceed PLN 258m. By the end of 2001, such savings and proceeds amounted to PLN 125m.

In the second quarter of 2002, a product pipeline from Płock to the Ostrów Wielkopolski storage depot will become operational. This pipeline will facilitate the fast and relatively inexpensive transport of fuels to south-western Poland. The depot of 55,000 m^3 will be connected to Płock with a 214 km pipeline. Depending on market conditions, we may also consider extending the pipeline to Wrocław. We are also planning to put into operation mandatory crude oil and fuel stocks storage facilities in the caverns of the IKS Solino salt mine, thus reducing our storage costs by 50%.

The underground crude oil and fuel storage facility will be used for storage of stocks for strategic, commercial and operational purposes. By the end of 2003, PKN ORLEN will have two crude oil caverns, each with the capacity of 580,000 m^3, and three fuel caverns, each with the capacity of 145,000 m^3. Along with the use of salt deposits, we will manage further storage capacities for crude oil and other products including gasolines. PLN 200m was allocated to finance these investment projects.

PRODUCT AND FEEDSTOCK PIPELINES IN POLAND



Less favourable conditions on the domestic fuel market in 2001 compelled us to enhance the efficiency of our wholesale and logistics operations. To this end, we:

- entered into one-year fuel-supply contracts with a number of customers, including BP, Statoil and Shell;
- executed an agreement with the Gdańsk Refinery on mutual sales of fuel;
- launched fuel exports to Slovakia, the Czech Republic, and Hungary;
- entered into 73 agreements with authorised distributors of heating oil.

In 2001, wholesale of liquid fuels (gasolines, diesel oil, Ekoterm, JET A-1) stood at 6,231,000 tonnes.

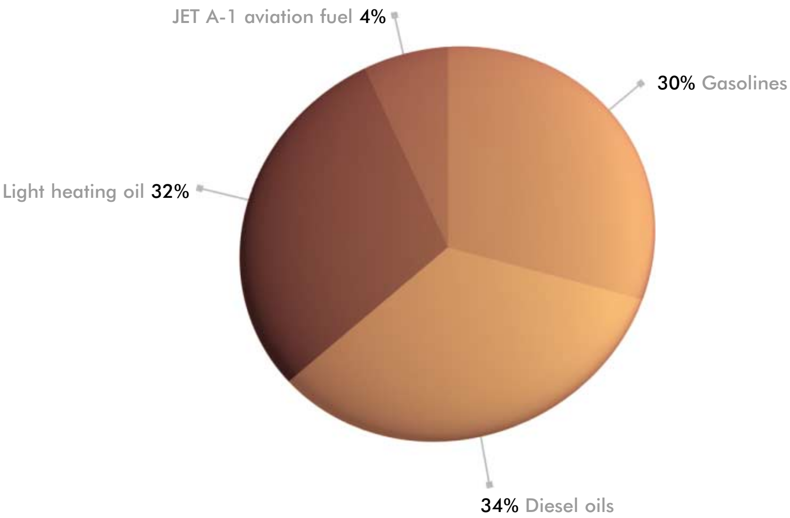
Revenue on fuel wholesale amounted to PLN 13,021,063,000 (PAS).

Comparison of the above sales data with operating profit indicates a strong drop in refining margins in 2001.

In 2001, PKN ORLEN sold a total of 10,918,500 tonnes of products and goods, of which 8,912,500 tonnes were wholesale. In 2001, total sales showed a 2.96% decrease on 2000 sales, however fuel sales (all shown below + LPG) in 2001 increased by 2.1%.

PKN ORLEN's share in the Polish fuel market was: gasoline – 65%; diesel – 58%; light heating oil (Ekoterm) – 69%, and approximately 95% for JET A-1 aviation fuel.

STRUCTURE OF FUEL WHOLESALE IN 2001



REFINING ACTIVITY

The advanced technology of the Płock refinery will enable us to efficiently deploy our processing potential in line with market requirements.

REFINING ACTIVITY

In refining, we focused on technological development with a view to improving the quality of our fuels, reducing production costs and enabling us to process various types of crude oil. We used a number of tools to try and achieve this, including a Profit Improvement Programme, and investments in production assets designed to align our product parameters with EU standards.

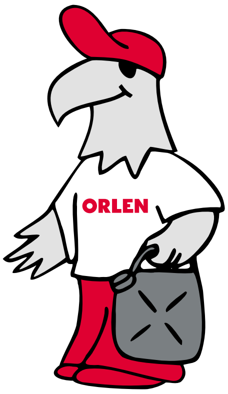
During 2001, the production processes at PKN ORLEN's main plant in Płock were adversely affected by the slowdown of the Polish economy, and the attendant reduced demand for liquid fuels and petrochemicals.

Russian export blend crude oil accounted for the largest share of throughput, while the proportion of the more expensive low-sulphur crude oil, mainly from the Baltic Sea, fell to 10.5%. This compares with 15.1% in 2000.

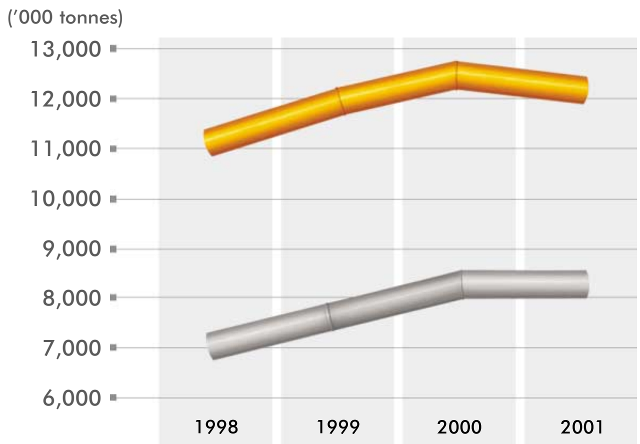
The basic yardstick used to estimate the general standing, technological advancement, and capacity utilisation of individual installations is the white product yield (LPG, gasoline and diesel fractions) from the processed crude oil. In 2001, despite the reduced crude oil throughput (by 1.7%) and reduced share of low-sulphur crude, our white product and fuel yields increased on average by approximately 2%, to 79.72% and 68.26%, respectively, in proportion to the amount of processed crude.

We significantly improved the qualitative and quantitative structure of fuel production and in 2001 we produced only unleaded gasolines and diesel oil with a sulphur content below 50 ppm, in line with the EU 2005 quality standards. The Ekoterm light fuel oil, produced in Płock, contained less than 0.2% of sulphur and also met EU quality standards. In response to the growing market demand for this type of fuel, we increased our output by nearly 0.5m tonnes to almost 2m tonnes.

We produced more than 280,000 tonnes of JET A-1 aviation fuel, an increase of 8.4% over 2000.



FUEL PRODUCTION

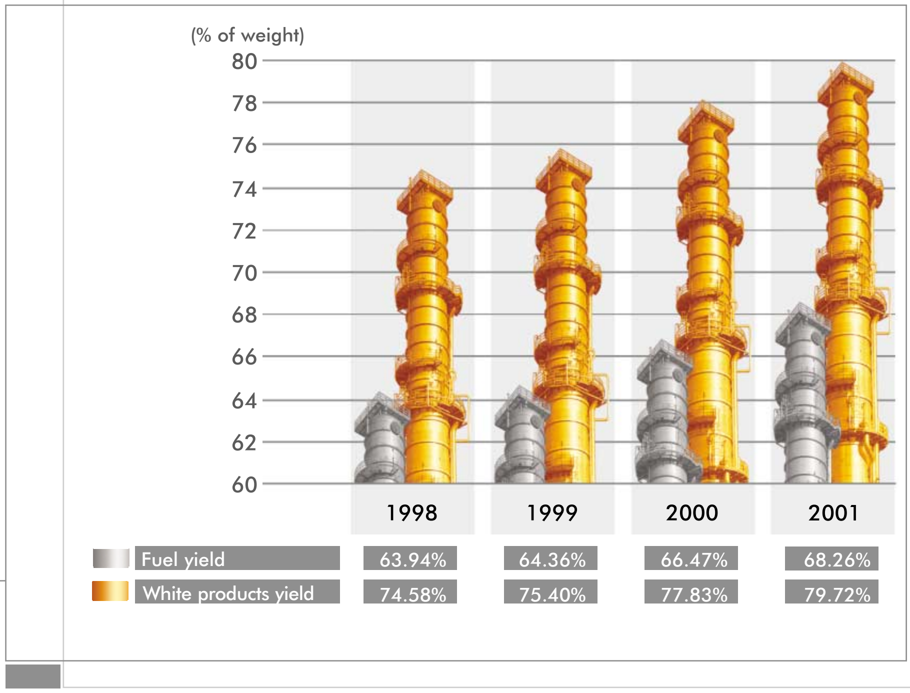


	1998	1999	2000	2001
Crude throughput	11,236.2	12,001.6	12,536.6	12,318.5
Fuel output	7,194.6	7,729.7	8,368.7	8,408.6

In 2001, we commissioned a new LPG desulphurisation plant, with an annual capacity of 318,000 tonnes. With an increased throughput of crude oil, the plant will allow us to handle larger amounts of LPG. We also launched the production of ethyl tert-butyl ether (ETBE), to replace the methyl tert-butyl ether (MTBE) used to date. We added 3% ETBE to the total volume of our gasolines, thus utilising over 31,000 tonnes of ethanol.

In the second quarter of 2002, following modernisation and upgrade, we will launch a Crude Distillation Unit DRW III, which, depending on the type of crude oil processed, will increase the refinery's annual throughput to 16–17.8m tonnes of crude oil.

PRODUCTION YIELDS



The technological advancement of the Płock refinery and the operational flexibility of the production installations will enable us to efficiently deploy our increased processing potential in line with market requirements and the planned expansion on the Polish and European petrochemical markets.

In 2001, Rafineria Nafty Jedlicze SA launched the first used-oil hydrofinishing installation in Poland, which is fully compliant with EU requirements. The facility processes used oil distillates to extract highly desulphurised components for diesel oil, light heating oil and base oils of the same quality as the base oils obtained from crude oil processing.

PRODUCTION VOLUMES BY PRODUCT CATEGORY

('000 tonnes)	2000	2001
Crude throughput	12,536.6	12,318.5
Product volume by category		
Motor gasoline*	3,182.1	3,175.8
Diesel oils	3,147.3	2,759.0
Ekoterm light heating oil	1,525.9	1,973.6
LPG	252.2	217.0
JET A-1 fuel	261.2	283.2
Heavy heating oil "3"	1,180.0	938.6
Lubricting oils	158.7	126.5
Bitumens and binders	507.5	424.9

* excluding FCC naphta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PETROCHEMICAL ACTIVITY

We plan to be a leading supplier of high quality petrochemicals to both Polish and international markets.

PETROCHEMICAL ACTIVITY

In our petrochemical activities we strive to leverage the market potential and the economies of scale, and to ensure offtake of our petrochemical products through cooperation with an external partner.
To this end, we have decided to upgrade the Ethylene Cracker II and establish a joint venture for the construction of new polyolefin units (Polyethylene III and Polypropylene III).

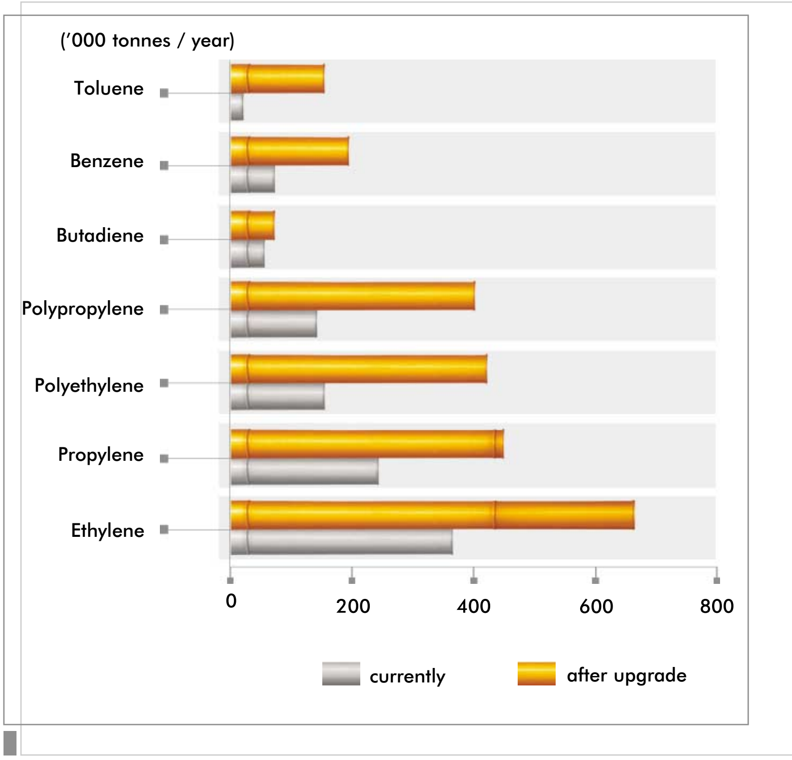
In 2001, we fully synchronised capacity utilisation with market needs. At the end of the third quarter of 2001, the ethylene plant was shut down for an overhaul and this materially affected petrochemical operations. This shutdown resulted in a 10.1% decrease in petrochemical production but, when compared with 1999 (when the plant was also overhauled), the 2001 performance was still 4.8% higher.

In response to the growing deficit of polypropylene on the Polish market, in 2001 we commenced the upgrade of our Polypropylene II Unit, with a view to increasing the production volume by approximately 27,000 tonnes within a year.

Towards the end of 2001, we commenced the implementation of a plan to increase production capacities at our petrochemical installations. During the temporary shutdown of the Ethylene Cracker II, we took the first steps on the path towards an increase in ethylene and propylene outputs (obtained from Ethylene Cracker II and FCC II), from the current annual values of 360,000 tonnes and 240,000 tonnes to 660,000 tonnes and 445,000 tonnes, respectively. These petrochemicals are used as feedstock for a number of products, including polymers.

In early January 2002, we concluded an agreement with ABB Lumus Global GmbH for the comprehensive upgrading of the Ethylene Cracker II in Płock.

PETROCHEMICALS PRODUCTION CAPACITY



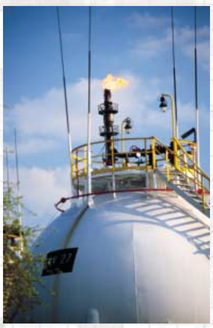
PETROCHEMICALS PRODUCTION

('000 tonnes)	2000	2001
Ethylene	143.0	92.3
Propylene	88.1	70.4
Butadiene	45.9	37.8
Ethylene oxide	14.8	13.8
Acetone	32.8	31.7
Phenol	52.8	51.3
Sulphur	91.7	101.5
Aromatics	126.1	125.1
Solvents	51.2	49.6
Glycols	110.6	91.2
Coolants	13.8	15.6
LDPE polyethylene	129.4	137.8
Polypropylene	124.5	122.0

In 2001, we advanced preparatory work in cooperation with Basell to develop a programme for the production of polyethylene and polypropylene, and enhance the offering of petrochemical products from Płock, which should reinforce our position as the leading supplier of petrochemicals to the Polish market, and strengthen our petrochemical presence in European markets.

October 2001 witnessed the completion of work under a two-year contract with KBC for the implementation of the Profit Improvement Programme (PIP). The implemented improvements enabled us to reduce production costs by approximately USD 0.40 per barrel of processed crude oil. This added some USD 44m to the year's net profit.

The Profit Improvement Programme's key feature was that the changes required no capital expenditure, but only an appropriate reduction of production costs. We were able to achieve this by optimising the refining and petrochemical activities, enhancing planning and balancing processes, and limiting process losses.



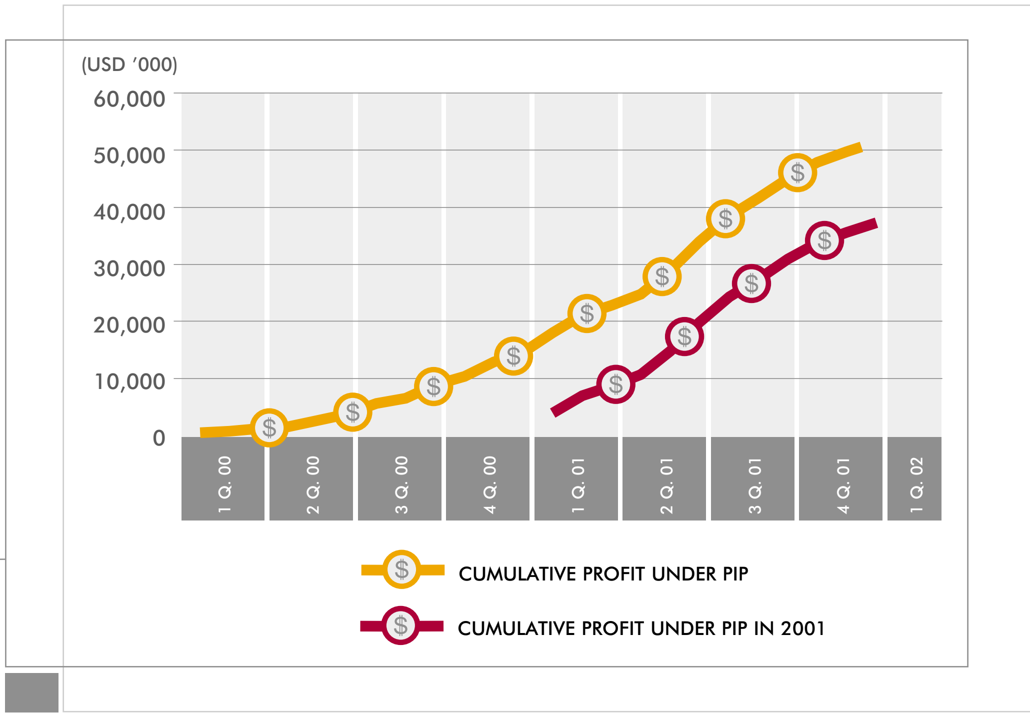
In early January 2002, we concluded a twelve-month maintenance agreement for the third phase of the Profit Improvement Programme with KBC. We expect to reduce our production costs by another USD 0.10 to USD 0.15 per barrel of processed crude oil following completion of this phase.

In cooperation with Shell Global Solutions, in 2002 we also plan to further optimise maintenance costs and plant availability. We estimate that over the next three years the plan should yield annual savings in the order of PLN 100m. Total capex in refinery and petrochemical area exceeded PLN 400 m in 2001.

The most important improvements implemented as part of the Profit Improvement Programme include:

- enhanced energy efficiency;
- maximum utilisation of the deep throughput units' capacity;
- optimisation of the product yield structure in response to the market situation.

CUMULATIVE PROFIT UNDER PROFIT IMPROVEMENT PROGRAMME



EMPLOYEES

Our employees' passion, openness and knowledge
are the drivers for our success.

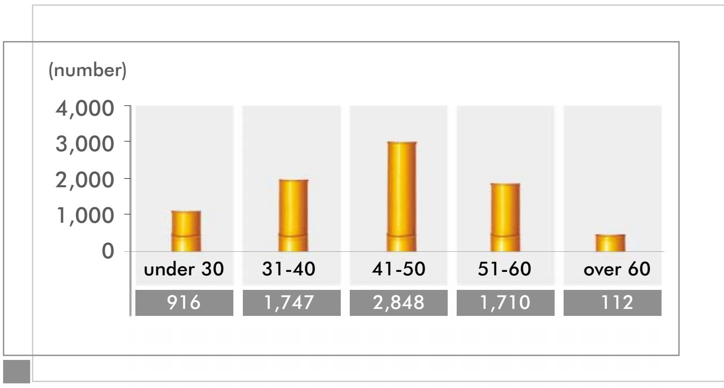
EMPLOYEES

At the end of 2001, our workforce totalled 7,333 employees – 272 fewer than at the beginning of the year.

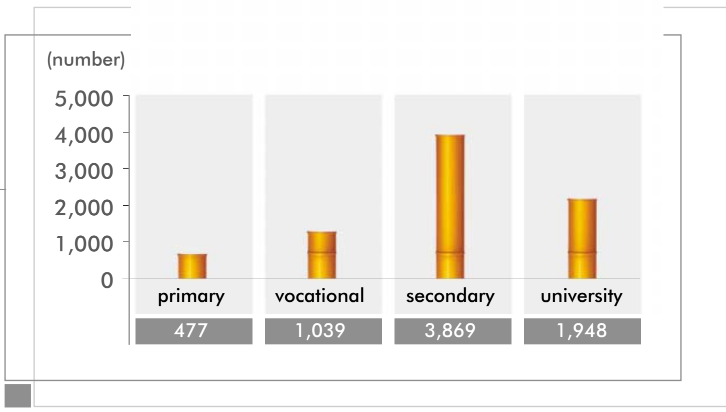
Promoting work efficiency is part of our employment policy and we are focusing on employees with outstanding professional skills. In 2001, the number of university graduates rose from 23% of total staff in 2000 to 27%. The employment structure is gradually changing, with employees aged 51–60 being replaced by persons under the age of 30.

In 2001, we continued the implementation of the new pay programme based on the HayGroup methodology. The programme is a convenient tool for shaping the renumeration policy based on actual work efficiency and, as salaries are referenced to certain market indicators, rationalising the pay structure.

EMPLOYMENT STRUCTURE BY AGE



EMPLOYMENT STRUCTURE BY EDUCATION



TRAINING PROGRAMME

An efficient employee-training programme is a key element of our human resource management policy. Our most vital objective within the adopted training strategy is to have highly-qualified, highly-motivated employees who identify themselves with the Company and continually upgrade their professional qualifications.

In 2001, 6,370 employees participated in the training programme, of which 5,848 attended various training courses, and 522 upgraded their qualifications through academic studies. A post-graduate executive programme, called "Enterprise Value Management", played a significant role in the training process through which 120 employees were trained.

On average, each employee was trained for approximately 12 hours.


We move heaven
and ear

PROMOTIONAL ACTIVITIES

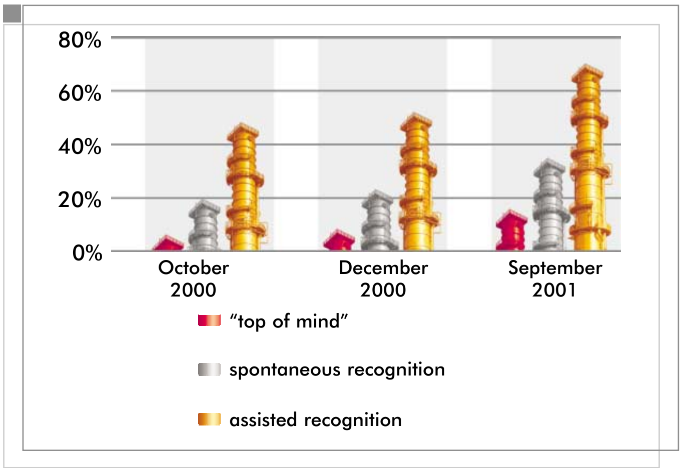
Thanks to intense promotional efforts,
brand recognition was boosted in a very short time.

PROMOTIONAL ACTIVITIES

SUCCESS OF THE ORLEN BRAND

2001 was the second year of the ORLEN brand. Since its launch, the ORLEN brand has become synonymous with both the Company and our products. Thanks to intense promotional efforts, brand recognition was boosted in a very short time.

CHANGE IN RECOGNITION OF ORLEN BRAND



PKN ORLEN – BRAND MANAGEMENT

Another stage in the ORLEN brand development was the creation of a new design for our service stations, as this was the main element in the creation of our overall corporate image. The project required a large amount of research, as well as conceptual and design work. As a result, we established uniform design standards for ORLEN brand service stations, which were then included in the manual used as a basic tool in any implementation process.

To establish a coherent system for presenting the ORLEN Capital Group, we developed ORLEN-brand identity rules for newly-established and restructured companies.

CORPORATE IMAGE

As in 2000, the promotion of our corporate image was based on five key strategic programmes: *economic leadership*, *motorist's friend*, *sector expert*, *friends of the environment* and *local partner*.

As part of the *economic leadership* programme, we lent support for important national cultural events and projects related to Poland's EU accession.

As part of the implementation of the *motorist's friend* programme, we cooperated with the Teddy-Bears Rescue Children Association (*Stowarzyszenie "Misie Ratują Dzieci"*) in the areas of education, prevention and alleviating the effects of road accidents, as well as with other organisations dealing with the issue of road safety.

As a *sector expert*, we sponsored motor sports and the ORLEN team participated in the Paris-Dakar Rally for the third time. Jacek Czachor and Marek Dabrowski, members of our team, came 20th and 21st, respectively – these are the highest ever positions achieved by Polish teams in the Rally. Our participation proved to be both sporting and promotional success.

We were also present at the qualifications to the Individual Motor Speedway World Championship (*Indywidualne Mistrzostwa Świata na Żużlu*), the Polish Motor Rally Championship (*Rajdowe Samochodowe Mistrzostwa Polski*), and the Speed Boat World Championship (*Motorowodne Mistrzostwa Świata*). The most popular events we sponsored included the Goraszka International Aviation Picnic (*Międzynarodowy Piknik Lotniczy Góraszka*) attended by 40 thousand spectators, and the Radom Air Show.

The *friends of the environment* programme fostered the promotion of the Company's environmental-protection initiatives.

The idea behind the launch of the *local partner* programme was to build up the Company's close relations with regional populations. One of the most important events under this programme was the celebration of Chemist's Day, organised in the form of a picnic for the citizens of Płock and Company employees. We also provided active support for numerous local initiatives, among them New Year's Eve at the Old Market Square in Płock, Płock History Festival (*Dni Historii Płocka*), European Picnic (*Piknik Europejski*), the International Festival of Organ Music (*Międzynarodowy Festiwal Muzyki Organowej*) and the 11th Płock Biennale of Photo Posters (*Płockie Biennale Plakatu Fotograficznego*).

WE HELP THOSE IN NEED

PKN ORLEN's intention is to be a company sensitive to social needs.

On August 20th 2001, Fundacja ORLEN – Dar Serca, a charitable foundation established by PKN ORLEN, was registered. The foundation's goals are to undertake and support charitable initiatives related to health care, recreation and rehabilitation of the disabled, propagation of the national tradition, and development of education. Fundacja ORLEN – Dar Serca inaugurated its activity at a meeting with children and custodians of child care facilities from all over Poland, held on the last day of the 2001 summer holidays.

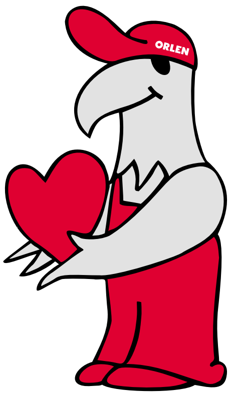
The foundation provides continued financial support to hospice facilities for the terminally ill. This assistance helps the hospices purchase the necessary nursing equipment and drugs. We were one of the first companies to provide assistance to flood victims in the summer of 2001. In total, the ORLEN Capital Group transferred over PLN 2.5m in financial aid for this purpose. Children from inundated areas were hosted at our recreation and children's holiday centres. Furthermore, we made financial contributions to local governments for road and bridge repair, as well as for the reconstruction of houses for families who lost all their property in the flood.

We donated PLN 0.5 m to a volunteer charity foundation – the Great Christmas Aid Foundation (*Fundacja Wielkiej Orkiestry Świątecznej Pomocy*). This money was used to purchase an ambulance with state-of-the-art medical equipment.

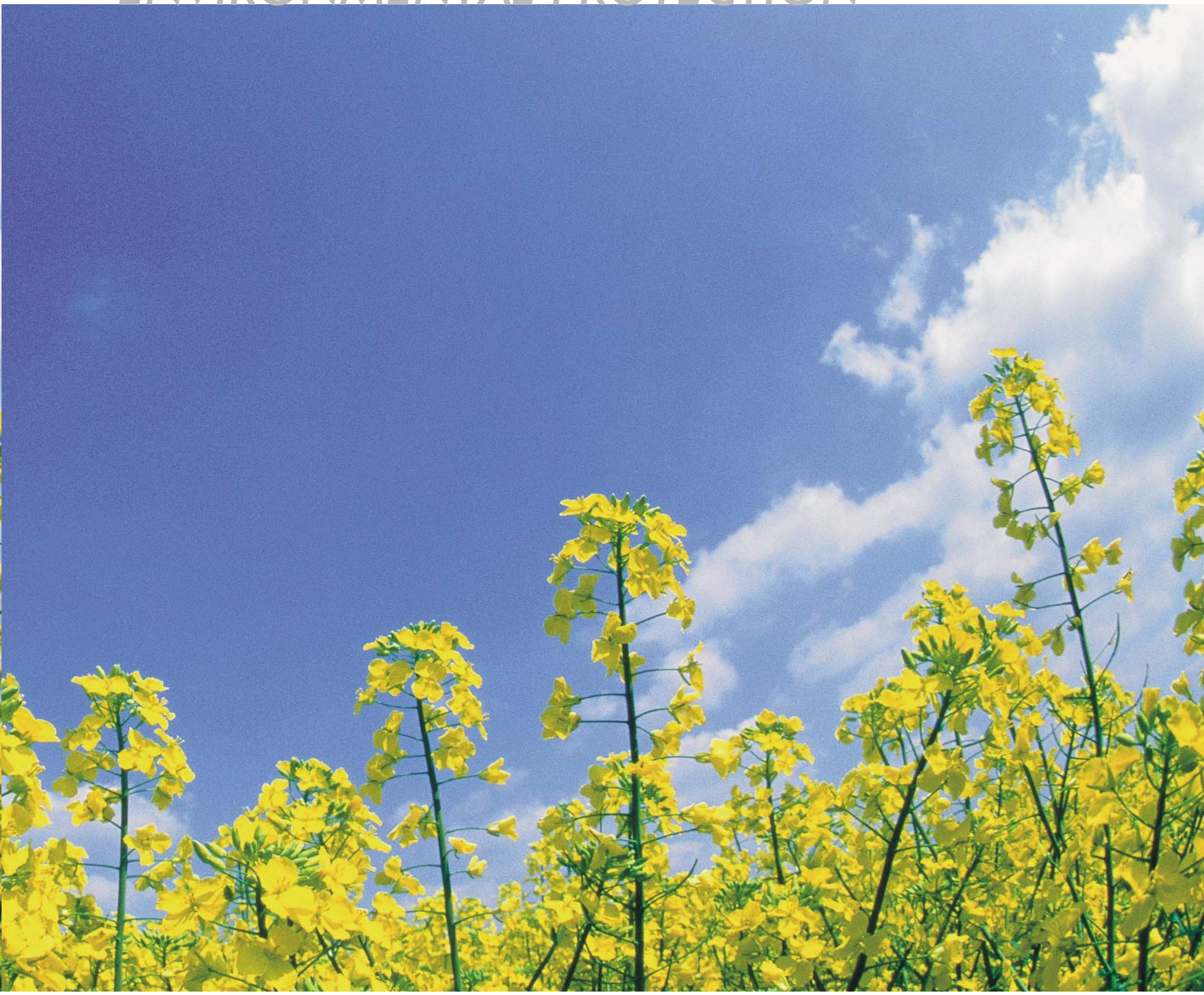
The Company supported Polish communities in the former republics of the Soviet Union, as well as the victims of the 2001 flood in Siberia. We also provided aid to the citizens of the Serbian Loznica – victims of the war in the former Yugoslavia.

In 2001, we sponsored the 7th International Wheelchair Tennis Championship in Poland. Owing to its nature and high-quality organisation, it has been a highly successful event, which attracts increasing numbers of participants and fans every year.

A considerable amount of funding was channelled through non-government organisations to achieve two key objectives: the purchase of rehabilitation equipment, and recreation and rehabilitation of disabled children and young adults.



ENVIRONMENTAL PROTECTION



Our achievements in the field of environmental protection were appreciated by the Board of the Third "Friends of the Environment" Ecological Contest, organised under the auspices of the President of the Republic of Poland.

2001 was a very important time for environmental protection in Poland. Key developments in this area included amending the relevant legislation, and the closing of negotiations with the European Union on issues relating to the protection of the environment.

Throughout the year, we worked intensively to identify new environmental protection tasks. The work was organised in line with the Environmental Management System (in compliance with the international ISO 14001 standard), and with the adopted environmental policy.

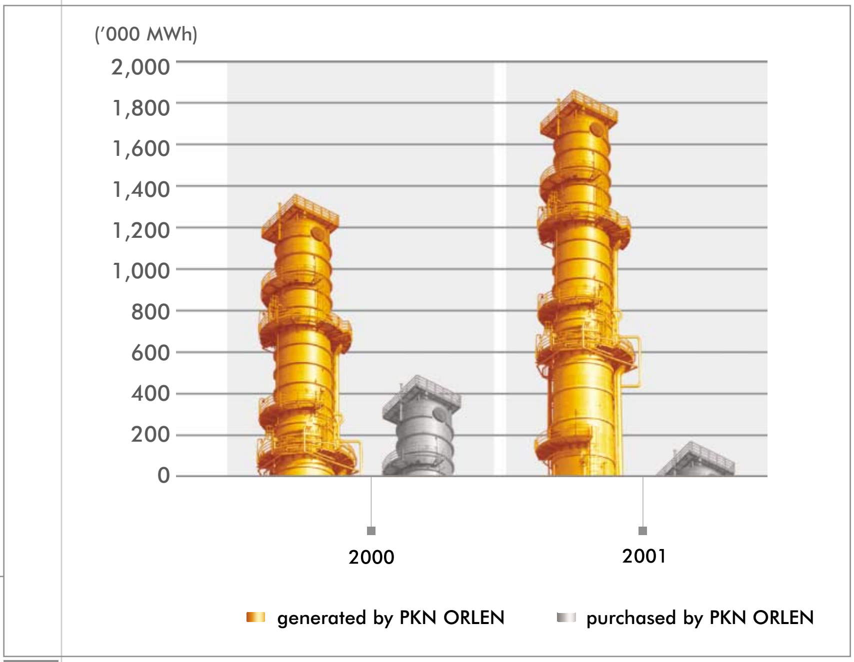
Our achievements in the field of environmental protection were appreciated by the Board of the Third "Friends of the Environment" Ecological Contest ("Przyjaźni Środowisku"), organised under the auspices of the President of the Republic of Poland. We were awarded the title of "Environment Friendly Company". The Board singled out the positive effect of the Hydrodesulphurisation of the Heavy Vacuum Residue installation on the natural environment.

In 2001, spending on environmental protection at the Płock main plant exceeded PLN 225,700,000, accounting for 32.26% of the total capital expenditure on investment and modernisation projects. At our service stations, storage depots, and individual plants we implemented a total of 351 environmental protection projects, which consumed a total of PLN 32,055,000 (including PLN 25,457,000 in capital expenditure).

Throughout 2001, we continued the Pro-Environmental Adaptation Programme voluntarily accepted by the Company four years earlier. Auditors representing competent environmental protection authorities confirmed our successful achievement of twenty tasks. The remainder of the stipulated 28 Programme targets should be accomplished in 2003. The complete Programme is to reduce our impact on the natural environment.

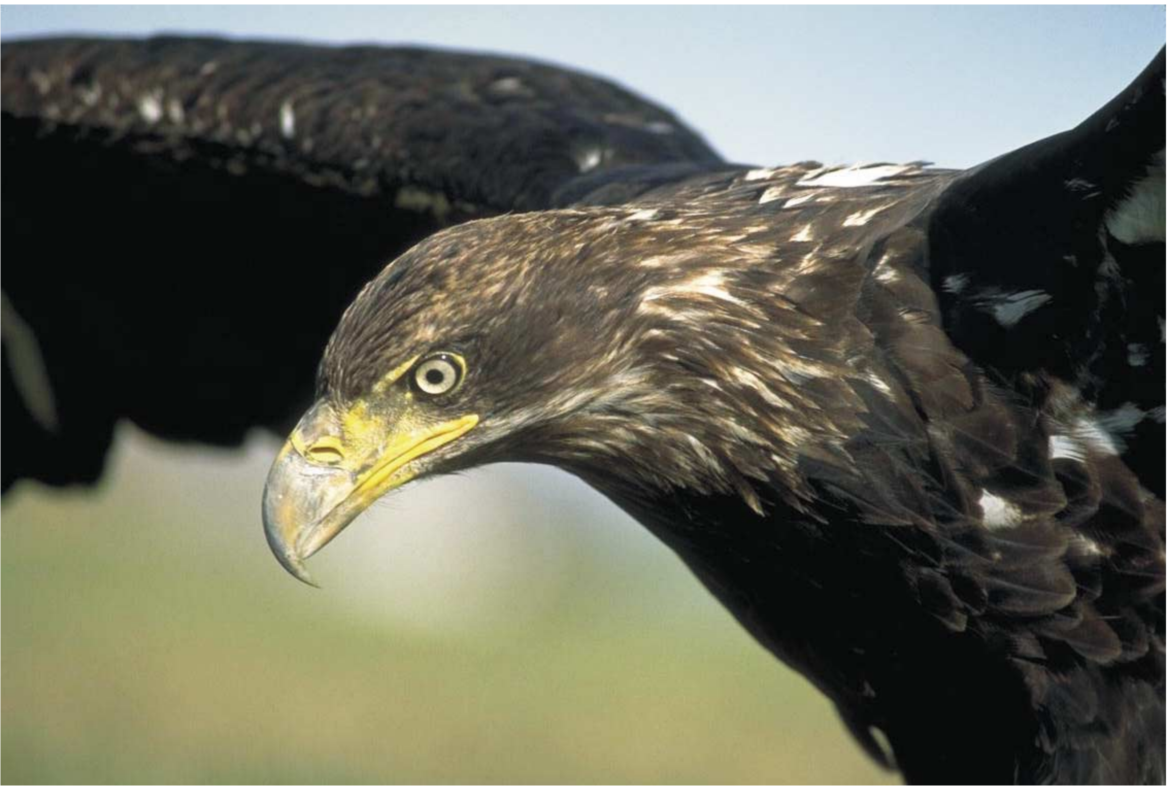
The assembly and commissioning of the pass-out condensing turbine increased the volume of electricity we generate, allowing us to reduce electricity purchases from the national grid. This has made us less dependent on external suppliers and increased energy security. The investment also contributed to the increased production of "clean" energy, as the cogeneration efficiency of our heat-and-power plant is 80%, while that of utility power plants is only 36%.

VOLUME OF ELECTRICITY GENERATED AND PURCHASED



In 2001, we recorded reduced volumes of produced waste and temporarily stored waste (soil and oiled soil), which is appropriately managed and biodegraded.

Similarly, in comparison to 2000, the amount of water drawn and wastewater discharged fell, although crude oil throughput remained practically unchanged, and the basic installations were in continuous operation throughout 2001.



We implemented the "Responsible Care" Programme, adopted in 1997, as part of our environmental policy. Under the Programme, we continued cooperation with the Regional Centre for Ecological Education (RCEE) in Płock. The cooperation included monetary contributions and participation in environmental protection events.

Since 2000, we have been cooperating with the Council for the Restitution of the Peregrine Falcon.

We are also involved in initiatives to expand the ISO 14001-compliant Environmental Management System throughout our Regional Organisational Units. Bureau Veritas Polska performed the zero audit of the Environmental Management System at selected storage depots. Environmental Protection Experts from individual Prevention Teams were involved in the audit.


C-502
C-502

PKN ORLEN AND THE EUROPEAN UNION

Application of EU regulations will contribute
to the further improvement of PKN ORLEN's market position.

PKN ORLEN AND THE EUROPEAN UNION

The most important task facing us is to prepare our operations to work effectively following Poland's accession to the European Union. Poland's full integration with the EU will help us achieve our strategic objectives.

We currently operate in an open market environment with free competition, as there are no legal, procedural, logistic or economic restrictions on fuel imports from EU countries.

Major European oil companies have been present in Poland for over a decade, and their retail networks have grown and expanded dramatically. As a result, the present shape of the Polish liquid fuel market is similar to that of other European countries.

We have responded to these new challenges by introducing structural and organisational changes in retail, wholesale and logistics operations. These changes will help us to achieve ever-increasing efficiency and quality in the areas of product distribution and comprehensive customer service.

We have already developed appropriate mechanisms to ensure efficiency in a free-market environment. Furthermore, implementation of regulations based on the EU legislation is expected to improve our market position and ensure equal, stable conditions to conduct business activity and limit unfair competition.

Since the mid-1990s, we have been pursuing an investment programme geared to providing us with the technical capabilities for the production and distribution of fuel in compliance with the EU standards. Today, we rank among the top ten most technologically-advanced refineries in Europe.

Investment projects completed at the main plant to date have enabled us to launch engine fuels in line with EU standards. All diesel oils currently produced by the Company comply with the EU standards which will become effective in 2005. Our light heating oil is also in line with EU requirements, while the average sulphur content in the heavy fuel oil produced in Płock (used for our in-house needs) does not exceed 1%.

Our strong focus on the environmental impact of fuel is one of the ways through which we contribute to the process of building a European environmental safety system. We are also involved in intensive implementation of other important elements of the system defined in the European Community's legislation regulating the environmental impact of industrial installations. The legislation includes the 94/63/EC Directive on emissions of light hydrocarbons during storage, transport and reloading of engine gasoline from terminals to service stations. Since 1999 we have worked to achieve compliance with these requirements by undertaking the necessary modernisation projects throughout our logistics and retail networks.

It is our priority to comply with EU requirements, assuring the country's environmental safety and energy security, regardless of the date of Poland's accession to the EU. As a result, many of our completed and ongoing pro-EU investments, particularly environmental protection projects and investments curbing the adverse impact on the natural environment, are more advanced than the National Programme of Preparation for Membership, or the pre-accession alignment of Polish legislation with EU law, would require. As a result of these investments, our fuel is of high quality.

According to the 98/93/EC Directive, which corresponds to the Act on State Reserves and Mandatory Fuel Stocks of May 30th 1996, the producers and importers of fuel are obliged to accumulate and maintain mandatory stocks of liquid fuels. Since 1999, we have accumulated and maintained mandatory stocks of fuels and liquid oils (partially in the form of crude oil). We have been increasing these stocks by 2% of the total annual output.

We actively participate in Poland's preparations for European Union accession. As part of its participation in the transposition of EU laws, the Company cooperates with the public administration and actively supports the initiatives and organisations in this field. Our Proxy for European Union Accession was appointed in the fourth quarter of 2001. His agenda encompasses initiatives and coordination efforts as part of our preparations to conduct business within the European Union.

MANDATORY FUEL STOCKS IN 2001

('000 tonnes)	Q 1	Q 2	Q 3	Q 4
Gasolines	191.7	199.2	206.4	230.0
Diesel oils	157.6	167.7	174.9	189.8
JET A-1	10.9	10.9	13.5	12.9
Crude oil	223.9	242.9	261.8	280.8

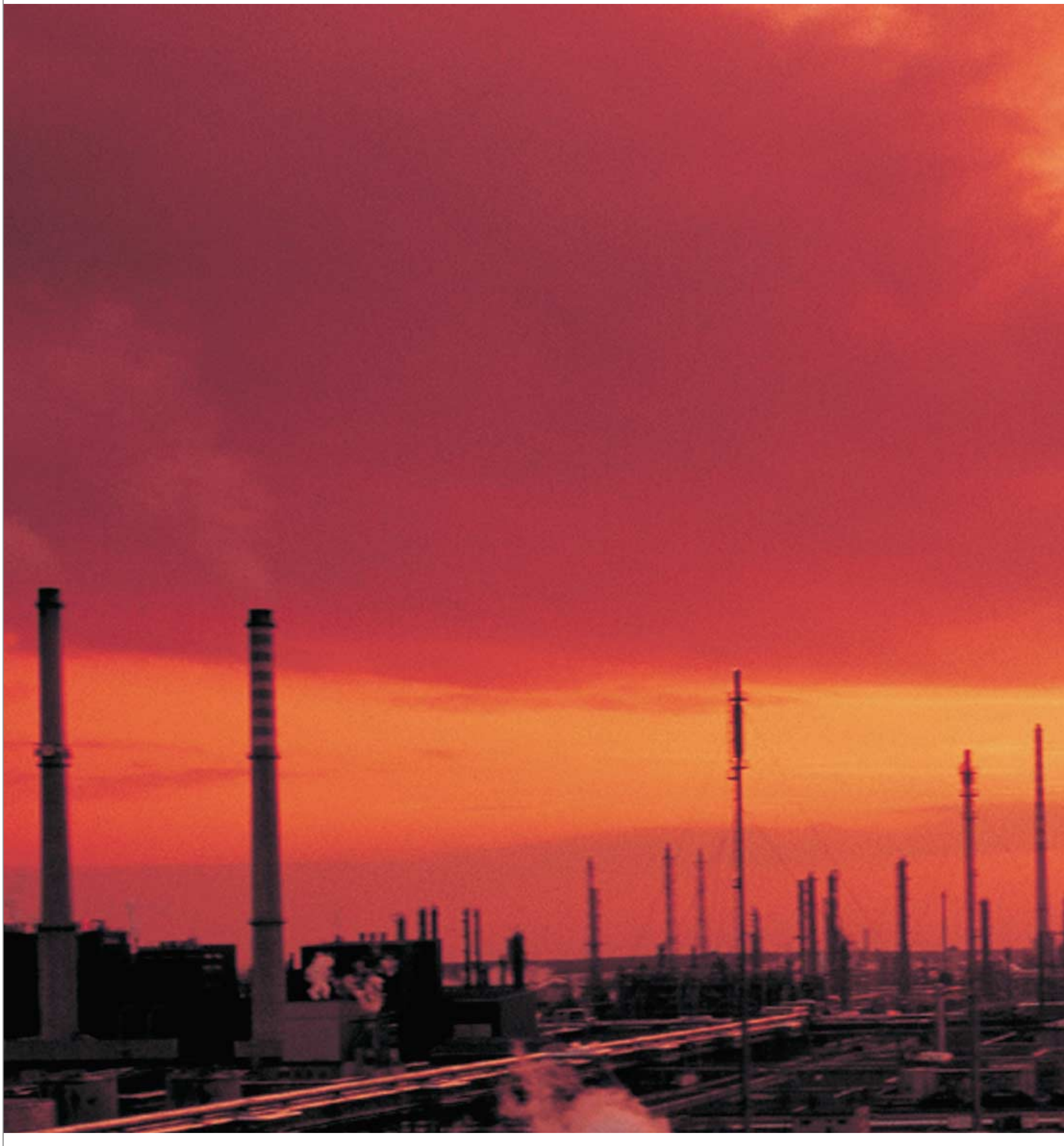
QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEMS

At the end of 2000, we established a sound structure for the Quality and Environmental Management Systems. The Company's uniform Quality Management System, which has replaced the quality management systems of the former Petrochemia Płock SA and CPN SA, was submitted for certification to Bureau Veritas Quality International (BVQI). The certificate, covering all our activities, was granted following the positive re-certification audit conducted in June 2001.

In the fourth quarter of 2001, the scope of the system was extended to cover franchise service stations, which were included in the fuel quality control system.

The Environmental Management System was implemented and certified at the main plant in Płock. BVQI's control audit conducted in March and September 2001 confirmed the System's full compliance with the requirements of the ISO 14001 standard. The work on implementation of the Environmental Management System in the Regional Organisational Units is underway.

We have commenced implementation of the Quality System compliant with the AQAP 120 standard at the Main Plant. The system is required to meet NATO standards.



ORLEN CAPITAL GROUP

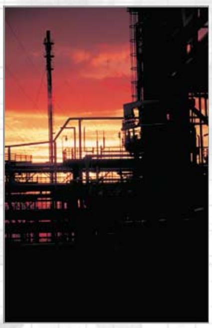
It is our intention to build a strong Capital Group
focused on maintaining direct links with the core business.

As at the end of December 2001, the ORLEN Capital Group comprised 203 companies and the Company had direct or indirect holdings in:

- 114 subsidiary companies – over 50%;
- 29 associated companies – between 20% and 50%;
- 60 companies – a minority interest below 20%.

CHANGE IN PKN ORLEN'S EQUITY INVOLVEMENT

(PLN '000)	2000	2001
Equity involvement	947,072.0	1,268,641.0
Change in equity involvement		321,569.0



PKN ORLEN'S STRATEGY FOR EQUITY INVESTMENTS

It is our intention to build a strong Capital Group focused on maintaining direct links with the core business, and securing PKN ORLEN's logistics. In other areas not directly related to refining and petrochemical activities, we intend to restructure our assets and to secure trade investors. We also focus on seeking highly profitable investment opportunities, whose disposal will provide financing for our core business and boost its future efficiency.

We intend to achieve the abovementioned goals through:

- creation of new companies with external investors and the consolidation of operational functions – in **distribution companies**;
- maintenance of majority interests, strengthening of controlling interests, closer cooperation related to individual types of activity – in **production companies**;
- business consolidation in selected trade areas through the sale of assets – in **companies established as a result of restructuring**;
- sale of minority interests **acquired by PKN ORLEN as a result of debt-equity swap**.

MATERIAL CHANGES TO THE OWNERSHIP STRUCTURE OF THE ORLEN CAPITAL GROUP IN 2001

Changes to PKN ORLEN's equity holdings compared to 2000 included an increase in ZA Anwil SA's share capital (from 38.35% to 74.97%) valued at PLN 115,331,200. Other significant equity investments in 2001 were: the acquisition of a new series of Polkomtel SA shares, valued at PLN 107,855,000, purchase from CIECH SA of 4 shares in Naftoport Sp. z o.o. valued at PLN 12,060,000, and a capital increase for NOM Sp. z o.o. by PLN 35,000,000.

2001 also witnessed the completion of the consolidation of the following gas companies: Petrogaz Hrubieszow Sp. z o.o., Petrogaz Jaworzno Sp. z o.o., Petrogaz Redaki Sp. z o.o. and Petrogaz Inowrocław Sp. z o.o. with ORLEN Petrogaz Płock Sp. z o.o. As a result, the share capital of ORLEN Petrogaz Płock Sp. z o.o. rose to PLN 15,803,000, and after contribution of two (Ugoszcz, Dzierżoniów) LPG re-loading facilities to ORLEN Petrogaz Płock Sp. z o.o. its share capital rose to PLN 21,823,000 as at December 31st 2001.

The establishment of ORLEN Morena Sp. z o.o. as a Regional Market Operator engaged in the retail and wholesale trade in PKN ORLEN's products will enable us to fill market niches in northern Poland. PKN ORLEN acquired 50.48% of the company's shares.

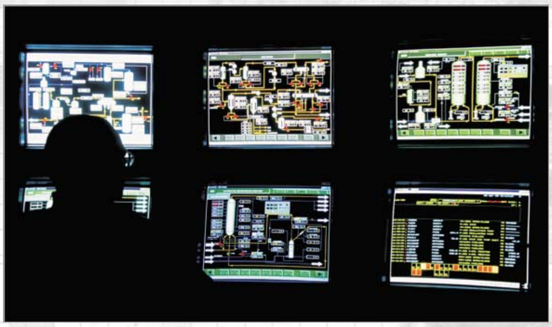
CAPITAL GROUP PERFORMANCE

In 2001, total revenues of the ORLEN Capital Group amounted to PLN 17,038,000,000. Net profit in 2001 stood at PLN 376,000,000. ORLEN Capital Group had a workforce of 17,828 employees.

This consolidation will trigger several positive effects:

- elimination of inter-company competition;
- increase in the profitability of gas assets held by PKN ORLEN;
- strengthening of the market position of ORLEN Petrogaz Plock Sp. z o.o.;

We aim at achieving similar effects in the consolidation of other companies.



Rafineria Trzebinia SA

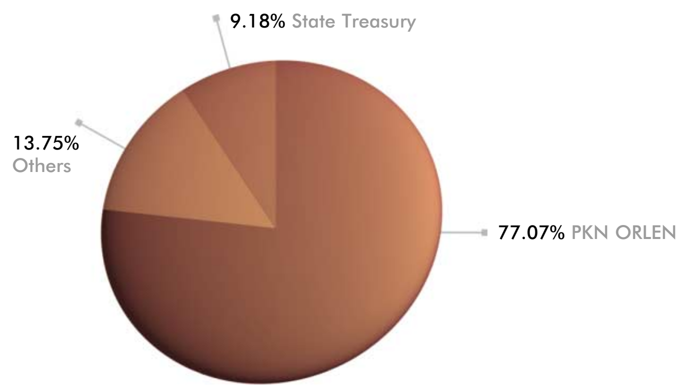
Rafineria Trzebinia SA is located in the south of Poland, between Katowice and Kraków, and is one of the oldest refineries in the country. It ranks fourth in terms of crude oil distillation capacity, after the refineries in Płock, Gdańsk and Czechowice.

Rafineria Trzebinia SA 's business is concentrated on the production of specialised high-value products, such as lubricating and industrial oils (hydraulic and tempering oils) and a range of paraffin products.

The company's business comprises:

- crude oil distillation;
- production and sales of fuel (including gasolines, diesel oils, and heating oils);
- blending and packaging of lubricating oils;
- processing of paraffin slack waxes;
- production of bitumens and bitumen products.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001



PAS, CONSOLIDATED

Rafineria Trzebinia SA	
Share capital	PLN 43,042,000
Number of employees as at December 31st 2001	913
Net profit	PLN 2,570,400
Sales revenue	PLN 1,397,621,200
Equity at the end of 2001	PLN 199,127,700
Interests in subsidiary and associated companies	10

Rafineria Nafty Jedlicze SA

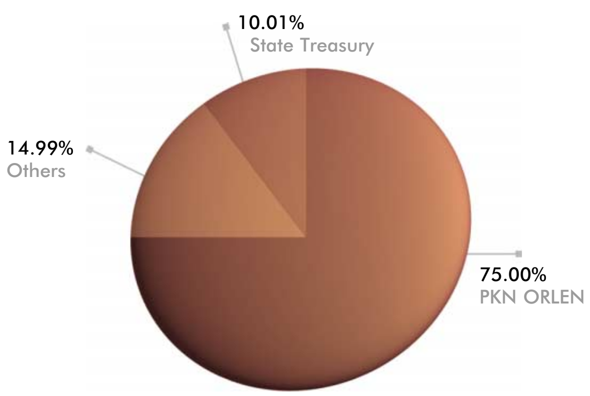
Rafineria Nafty Jedlicze SA is located near Krosno, in the southeast of Poland. The company ranks second in Poland in terms of the production of lubricating oils.

Rafineria Nafty Jedlicze SA also produces limited quantities of engine fuels and heating oils. In addition, it regenerates used oil in facilities with an annual capacity of 80,000 tonnes. The collection of used oils is carried out by a network of companies with capital links to Rafineria Nafty Jedlicze SA.

The company's business comprises:

- transport, processing, storage and trade in crude oil and oil derivatives, as well as used oils and other types of waste;
- collection of used oils;
- blending of lubricating oils and other industrial fluids;
- production of oil solvents and fuels;
- production of lubricants and bitumens;
- production of containers and packaging of oils and other industrial fluids.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001



PAS, CONSOLIDATED

Rafineria Nafty Jedlicze SA	
Share capital	PLN 78,000,000
Number of employees as at December 31st 2001	1,027
Net profit	PLN 14,005,600
Sales revenue	PLN 1,014,468,600
Equity at the end of 2001	PLN 161,472,400
Interests in subsidiary and associated companies	35

SELECTED COMPANIES OF THE ORLEN CAPITAL GROUP

Naftoport Sp. z o.o.

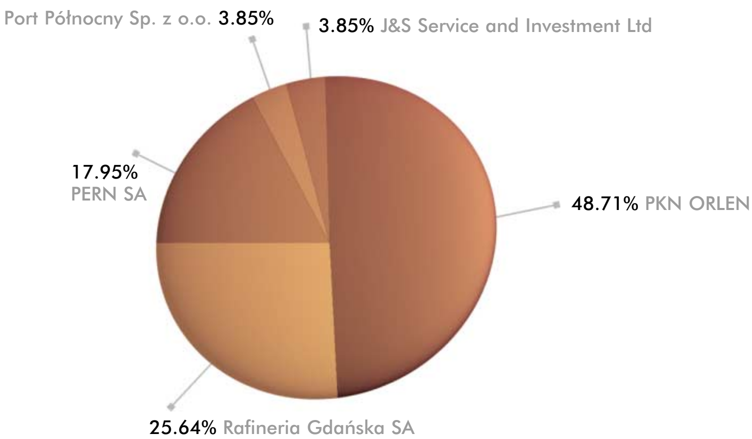
Naftoport Sp. z o.o. was established on July 17th 1991. The company is the largest operator of imported crude oil reloading facilities for ships in Poland.

The company's core business consists in the reloading of oil and oil products for Polish refineries.

Naftoport's annual reloading capacity is 23m tonnes of crude oil.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001

Naftoport Sp. z o.o.	
Share capital	PLN 45,942,000
Number of employees as at December 31st 2001	21
Net profit	PLN 20,974,300
Sales revenue	PLN 48,385,800
Equity at the end of 2001	PLN 104,560,400



Inowrocławskie Kopalnie Soli Solino SA

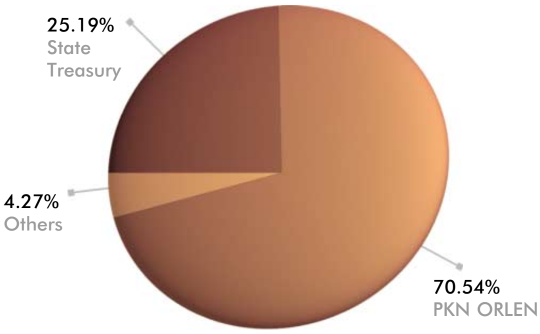
The company mines and processes salt, and produces industrial brine. The brine is supplied to such companies as Z.A. Anwil SA in Włocławek, a member of the ORLEN Capital Group.

Requirements concerning the maintenance of fuel stocks under the Act on State Reserves and Mandatory Fuel Stocks have been instrumental in the development of a concept for the utilisation of disused salt-mine workings as storage facilities for oil and fuel. The first phase of the investment project was completed on January 31st 2002.

The company's business comprises:

- production of industrial brine;
- processing and packaging of vacuum salt;
- trade in the company's own products on domestic and foreign markets;
- trade in mining, mechanical, electrical, construction and transport assets.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001



Inowrocławskie Kopalnie Soli SOLINO SA	
Share capital	PLN 19,145,600
Number of employees as at December 31st 2001	371
Net profit	PLN 4,530,300
Sales revenue	PLN 63,469,800
Equity at the end of 2001	PLN 66,095,700

Zakłady Azotowe Anwil SA

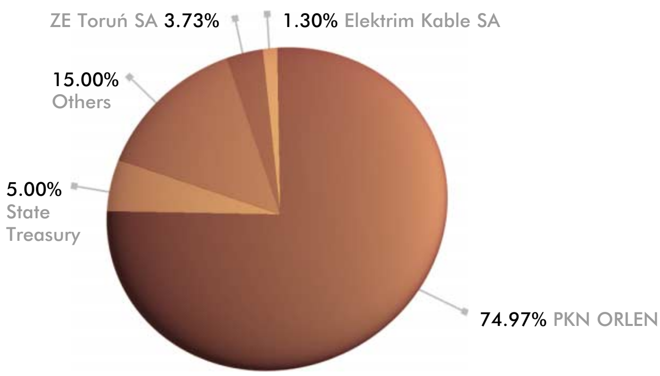
Zakłady Azotowe Anwil SA is one of the largest enterprises in the Bydgoszcz Province, and is also the leading chemical industrial enterprise in Poland.

The company is Poland's largest manufacturer of polyvinyl chloride (PVC) and a major producer of nitrogen fertilisers. Ethylene, the principal raw material used in the production of polyvinyl chloride, is purchased from PKN ORLEN. Zakłady Azotowe Anwil SA owes its position on the domestic and international markets mainly to the high quality of its products, certified by ISO 9001 and 9002 quality certificates, as well as to the Polish Q quality sign granted to its ammonium nitrate.

The company's business comprises:

- production of nitrogen fertilisers, semi-products and other related products;
- production of PVC and other related products;
- production of polyethylene packaging;
- trading and service activities based on the company's production capabilities.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001



PAS, CONSOLIDATED

Zakłady Azotowe Anwil SA	
Share capital	PLN 150,000,000
Number of employees as at December 31st 2001	2,637
Net profit	PLN 22,932,100
Sales revenue	PLN 1,103,236,300
Equity at the end of 2001	PLN 793,351,500
Interests in subsidiary companies	17

SELECTED COMPANIES OF THE ORLEN CAPITAL GROUP

Petro-Oil Sp. z o.o.

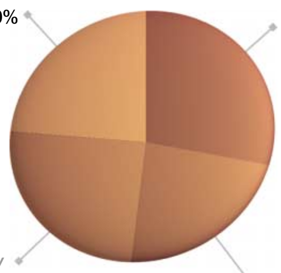
Petro-Oil Sp. z o.o. commenced its business activity on August 31st 1998.

The company's business comprises:

- production and sales of lubricating and base oils, and chemical products;
- domestic and international trade in chemical, refinery, and petrochemical products;
- provision of storage and transport services.

Petro-Oil Sp. z o.o. is a producer of lubricating oils and car-care products marketed under the ORLEN brand.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001



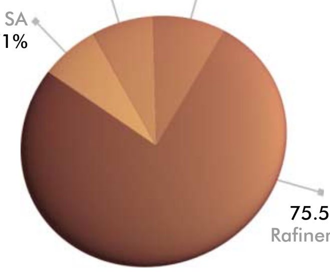
At the end of 2001, the company's share capital was increased pursuant to a resolution by the Shareholders Meeting. Rafineria Trzebinia SA acquired 29,558 new shares valued at PLN 29,558,000:

- 23,719 shares in exchange for contribution in kind;
- 5,839 shares in exchange for cash.

PAS, CONSOLIDATED

Petro-Oil Sp. z o.o.	
Share capital	PLN 14,000,000
Number of employees as at December 31st 2001	174
Net profit	PLN 83,200
Sales revenue	PLN 444,679,700
Equity at the end of 2001	PLN 20,811,100
Interests in associated companies	12

SHAREHOLDING STRUCTURE AFTER REGISTRATION OF THE INCREASE



SELECTED COMPANIES OF THE ORLEN CAPITAL GROUP

Polkomtel SA

Polkomtel SA is one of the three Polish mobile telephony operators using the GSM 900 and DCS 1800 systems. At present, it is the second largest mobile telephony operator in Poland in terms of the number of subscribers.

PKN ORLEN was one of the founders of Polkomtel SA, established on December 19th 1995. On February 23rd 1996, the company received a licence to construct a GSM mobile telephony network. Polkomtel SA commenced its business activities on October 1st 1996, under the trade name of "Plus GSM". Since December 20th 2000, the company has held a licence for the provision of 3G UMTS services.

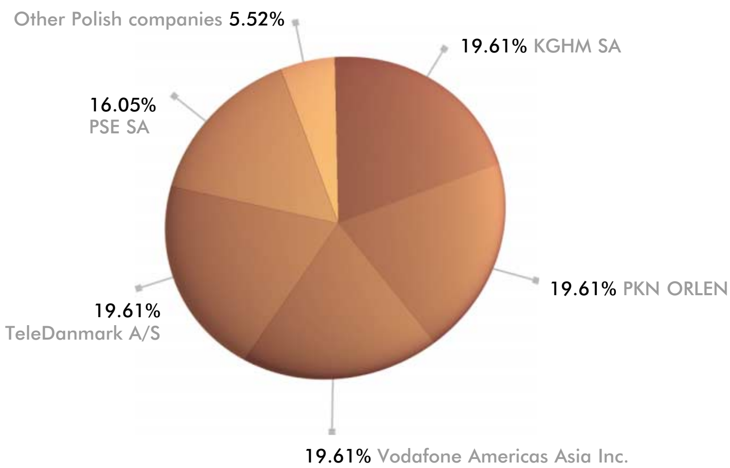
Polkomtel SA is an important member of the ORLEN Capital Group, even though it is not included in the Group's consolidated financial statements.

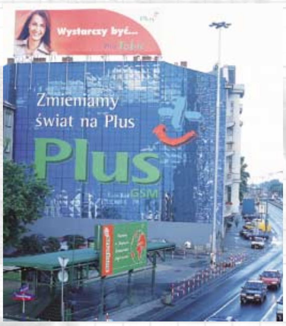
The company's business comprises:

- design, installation, operation, and management of the GSM system;
- provision of mobile telephony services;
- sale of GSM-related products and services.

SHAREHOLDING STRUCTURE AS AT DECEMBER 31st 2001

Polkomtel SA	
Share capital	PLN 2,050,000,000
Sales revenue	PLN 4,291,100,000
Net profit	PLN 590,900,000
Equity at the end of 2001	PLN 2,514,400,000





Core Business Companies

Fuel companies

- ORLEN PetroCentrum Sp. z o.o. 100.00%
- ORLEN PetroProfit Sp. z o.o. 85.00%
- ORLEN PetroTank Sp. z o.o. 60.00%
- ORLEN PetroZachód Sp. z o.o. 51.83%
- Petromor Sp. z o.o. 51.31%
- Petrolot Sp. z o.o. 51.00%
- ORLEN Morena Sp. z o.o. 50.48%
- Ship-Service SA 30.43%

Gas distribution companies

- ORLEN Petrogaz Płock Sp. z o.o. 100.00%
- [1]ORLEN Petrogaz N.Brzeź Sp. z o.o. 52.00%

Sector companies

- Rafineria Trzebinia SA 77.07%
- Zakłady Azotowe "Anwil" SA 74.97%
- Rafineria Nafty Jedlicze SA 75.00%
- IKS SOLINO SA 70.54%
- Naftoport Sp. z o.o. 48.71%
- Chemiepetrol Sp. z o.o. 20.00%
- Petro-Oil Sp. z o.o. 9.00%

Other

- ORLEN Budonaft Sp. z o.o. 100.00%
- ORLEN Medica Sp. z o.o. 100.00%
- ORLEN Ochrona Sp. z o.o. 100.00%
- ORLEN Polimer Sp. z o.o. 100.00%
- ORLEN Powiernik Sp. z o.o. 100.00%
- ORLEN S.SA 100.00%
- Z.W. MAZOWSZE Sp. z o.o. 100.00%
- ZAWITAJ Świnoujście Sp. z o.o. 100.00%
- SAMRELAKS Mąchocice Sp. z o.o. 100.00%
- Petromot Sp. z o.o. 97.56%
- Zakład Budowy Aparatury SA 96.56%
- Petrotel Sp. z o.o. 88.80%
- D.W. Mazowsze Sp. z o.o. 86.0%
- [2]BHT Dromech SA 81.15%
- CPN Marine Service Sp. z o.o. 70.0%
- Centrum Edukacji Sp. z o.o. 69.43%
- ORLEN Projekt SA 51.0%
- Flexpol Sp. z o.o. 40.0%
- Motell Sp. z o.o. 35.0%

ORLEN CAPITAL GROUP AS AT MARCH 31st 2002

[1] in liquidation
[2] in bankruptcy

Non-core Business Companies

Maintenance and support

- ORLEN WodKan Sp. z o.o. 82.28%
- ORLEN Mechanika Sp. z o.o. 68.17%
- ORLEN Automatyka Sp. z o.o. 52.63%
- ORLEN Remont Sp. z o.o. 51.23%
- ORLEN Eltech Sp. z o.o. 51.00%
- ORLEN EnergoRem Sp. z o.o. 51.00%
- ORLEN Wir Sp. z o.o. 51.00%

Service companies

- Serwis Gdańsk Sp. z o.o. 100.00%
- Serwis Kielce Sp. z o.o. 100.00%
- ZUD Sp. z o.o. 99.89%
- Serwis Słupsk Sp. z o.o. 99.76%
- Serwis N.Wieś Wlk. Sp. z o.o. 99.32%
- Serwis Łodź Sp. z o.o. 97.25%
- Serwis Rzeszów Sp. z o.o. 97.26%
- Serwis Podlasie Sp. z o.o. 89.67%
- Serwis Mazowsze Sp. zo.o. 88.50%
- Serwis Kraków Sp. z o.o. 83.35%
- Serwis Wrocław Sp. z o.o. 83.31%
- Serwis Kędz.Koźle Sp. z o.o. 80.00%
- Serwis Szczecin Sp. z o.o. 78.09%
- Serwis Zachód Sp. z o.o. 74.31%
- Serwis Katowice Sp. z o.o. 55.0%
- Serwis Sp. z o.o. Poznań 51.0%

Transportation companies

- ORLEN KolTrans Sp. z o.o. 99.85%
- ORLEN Transport Szczecin Sp. z o.o. 99.56%
- ORLEN Transport Kraków Sp. z o.o. 98.15%
- ORLEN Transport Płock Sp. z o.o. 97.58%
- ORLEN Transport Lublin Sp. z o.o. 97.53%
- ORLEN Transport Nowa Sól Sp. z o.o. 96.72%
- ORLEN Transport Poznań Sp. z o.o. 96.39%
- ORLEN Transport Słupsk Sp. z o.o. 96.18%
- ORLEN Transport Warszawa Sp. z o.o. 94.49%
- ORLEN Transport Olsztyn Sp. z o.o. 91.97%
- ORLEN Transport Kęd. Koźle Sp. z o.o. 87.88%

Equity investments

- NOM Sp. z o.o. 35.00%
- LG Petro Bank SA 19.99%
- Polkomtel SA 19.61%
- Telewizja Familijna SA 11.96%

below 20%

- 41 companies below 20%

Ladies and Gentlemen,

Another year of operations is behind PKN ORLEN. In 2001, the Company and its Capital Group had to work hard to mitigate the adverse effects of external factors on our economic and financial performance. The Management Board faced a combination of the deteriorating economic conditions in Poland, disadvantageous relations between prices of crude oil and refining products on the world markets, and the lifting of protective tariffs. All this prompted the management team to embark upon initiatives enhancing the efficiency of the Company's operations. Great emphasis was placed on cost-savings programmes and on optimised utilisation of production assets. We retained the highest product quality and achieved a positive financial result. We took a stronger grip on the wholesale fuel segment through the implementation of new terms for contract sales correlating price levels to off-take volumes. The lifting of protective tariffs pushed the Company to leverage its own assets in order to have a competitive edge over fuel importers. PKN ORLEN concentrated on optimising the logistics and fuel storage costs, taking advantage of the potential of its existing and newly-constructed pipelines and storage depots. As a result, the Company was able to work out an inland premium, whose value in 2001 was the highest since the liberalisation of fuel prices. The premium had also a sizeable effect on the Company's financial results measured with the LIFO method of stock valuation. Rise in profits (according to LIFO) in relation to the 2000 figure attests to the efficient management of the operating activities. The achievement of the above objectives allowed PKN ORLEN to maintain its position among Poland's largest enterprises in terms of turnover and the investment potential. The investment grade assigned to the Company – at the highest level ever attained by a Polish producer – is a reflection of our achievements. In 2001, we sought an independent body to evaluate the Company's credit worthiness. As a result, Fitch Ratings Limited assigned PKN ORLEN a BBB credit rating for long-term liabilities and an F3 rating for short-term liabilities. These ratings mirror our strong market position, the relatively low indebtedness and good debt-servicing ratios. This is where the modernisation of the refining complex and the high valuation of the Polkomtel SA holding proved material.

In an effort to respond to the expectations of the capital market participants, in 2001 we began to disclose the Company's financial results by segments. The Capital Group's operations are divided into two core segments: refining and petrochemicals. In addition, auxiliary operations were grouped under other activity.

In 2001, the refining segment generated PLN 14,359m in revenue and PLN 680m in operating profit. Petrochemicals recorded PLN 188m in operating profit on PLN 2,317m in revenue. Revenues of PLN 362m and a PLN 36m operating profit were derived from other activities.

It was the refining that suffered most from the fluctuations in crude oil prices and the drop in refining margins on global markets. The refining producer price index stood at 97.9%, while in petrochemicals it was recorded at 96.4%.

The distribution of results by individual segments stemmed chiefly from the stock revaluation forced by the decrease in crude oil prices on the markets worldwide. In the refining segment this revaluation was reflected in the value of the mandatory and trade reserves of fuel stocks. With the weighted average stock valuation, the drop in crude oil prices led to the transfer of a portion of the stock value onto the cost of processed crude, which meant a better profit performance in the petrochemicals segment.

The overall sales volume was down but the change in its structure helped reduce the adverse impact of external factors.

The sales of light products (gasolines, diesel, JET A-1 and light heating oil) grew by 2.6%, from 8.0m tonnes to 8.2m tonnes. Polyolefin sales (polyethylene, polypropylene) were also on the rise increasing by 2.8%, from 255,000 tonnes to 262,000 tonnes.

Crude oil processing, though lower than in the previous year, was more efficient and oriented at higher yields in light products. Share of oils with low sulphur content went down in the production process, with the concurrent rise in the quality of produced motor fuels. In 2001, we produced only unleaded gasolines, with ethyl tert-butyl ether (ETBE), while diesel oils had sulphur content below 50ppm.

For the retail network, the second half of 2001 proved to be a time of dynamic growth in sales of fuels and other products. The introduction of promotion programmes and the fact that the Company took over the operation of stores, catering facilities and hotels previously leased to third parties blossomed into a higher retail margin. For the whole year, fuel sales stood at a level close to the 2000 figure, despite the drop in total national consumption of fuel products, representing a growth in the Company's share on the retail fuel market.

In comparison to the previous year, the consolidated sales revenue (net of excise tax) was down. This led to the products being sold at lower prices as a result of lower levels of commodity prices worldwide, rise in the PLN/USD exchange rate, and the lifting of protective import tariffs. In order to eliminate the risk of insufficient correlation in the pricing mechanism, we implemented pricing formulas based on market benchmarks. Correlating the Company's pricing policy with global economic conditions is the best way to compete. Our growing market share provides ample proof.

The Capital Group's operating profit calculated with the application of the statutory stock valuation method was down. The net profit calculated with the use of the LIFO stock valuation – which provides accurate information on operating profitability while reflecting the most up-to-date conditions on feedstock markets – grew by 5.5%.

The profit realised on other operating activity equalled PLN 78m (while in 2000 other operating activities yielded a negative result). This is the effect of environmental protection efforts and our activities in the area of low-efficiency assets. The result on financing activities rose by PLN 88m – chiefly due to the disposal of financial assets.

The Company's financial liquidity remained stable. Longer payment terms for accounts payable and the short collection period allow the Capital Group to settle its liabilities in a timely manner by using the working cash flow.

The Capital Group's debt/equity ratio improved, decreasing at the end of 2001 to 32.0%, from 33.5% in 2000. Shareholders' equity grew by PLN 362m, to PLN 7,958m.

It is the objective of the Management Board of PKN ORLEN to create an integrated system of managing pricing, financing and credit risks. To this end, assisted by our advisors, we have developed relevant recommendations and conducted employee-training programmes. The completed analyses helped us correctly identify the types of risks PKN ORLEN faces in the refining and sales, as well as the risks' effect on the generated financial results and cash flows.

We are also implementing new information packages, utilising data from the SAP R3 system, to prepare tools for monitoring and active management of the risk portfolio. PKN ORLEN plans to ground its risk analysis in the VAR (value-at-risk) methodology, implemented in line with the highest world standards in this field, through:

— Separation of the processes of decision making, execution and settlement of transactions;
— Establishment of a close link between transactions in derivative instruments with core activities;
— Daily monitoring of risk management transactions;
— Integration of risk management with planning and evaluation of the Company's results.

The upcoming year and future years will see the continuation and further development of processes begun in 2001, which will involve the broadly-understood cost-savings programme whose scope encompasses the PKN ORLEN Capital Group as a whole. The Management Board of PKN ORLEN has identified a number of strategic objectives, including the reduction of current operating costs and the increase in the operating efficiency of all Capital Group members. Altering the approach to Capital Group management, restructuring of the held assets and instilling more efficient incentive scheme for the management staff of the Capital Group member companies, allowing for the performance-driven remuneration systems, will enable us to create a strong organisation and greater value for the Capital Group. The adopted system of pooling funds within the Capital Group ("System koncentracji środków finansowych w ramach Grupy Kapitałowej") makes way for effective management

of the Capital Group's finances and the selection of the best options for cash placements, based on analyses of profitability and extent of possible risks.
In terms of sales, the Company plans to differentiate wholesale fuel prices by regions, linking price levels to factors directly affecting demand. Through this we hope to stabilise and curtail imports which – considering the national economic growth forecasts for the second half of the year and subsequent years – may lead to higher sales with the concurrent increase in our share in the wholesale fuel market.

Dear Ladies and Gentlemen,
I believe that the ORLEN Capital Group will follow the restructuring path it has chosen. In implementing its strategy it will continue to have success in generating measurable benefits – growing shareholder value and rising customer satisfaction.

Krzysztof Cetnar
Vice-President of the Management Board
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Supervisory Board of Polski Koncern Naftowy ORLEN

We have audited the accompanying consolidated financial statements of PKN ORLEN (the "Company") for the years ended December 31st 2001 and December 31st 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) requires that the carrying amounts of assets and liabilities reported in a period of hyperinflation should be expressed in the measuring unit current at the end of the hyperinflationary period and constitute the basis for the carrying amounts in the subsequent financial statements. The Polish economy was hyperinflationary until the end of 1996 and ceased to be hyperinflationary in 1997. The Company last revalued its fixed assets as of January 1st 1995 to reflect the effects of inflation by applying price indices determined by the Central Statistical Office for individual groups of assets. This revaluation was not performed in accordance with the provisions of IAS 29 since the Company did not use a general price index and did not subsequently revalue its fixed assets as of December 31st 1996. As a result, the cumulative balances of property, plants and equipment as at December 31st 2001 and December 31st 2000, which existed prior to December 31st 1996, have not been expressed in the measuring unit current at the end of 1996.

The segment data included in the accompanying consolidated financial statements has been prepared in accordance with International Accounting Standard No. 14 "Segment Reporting", except for not presenting comparable data for the year ended December 31st 2000. The Company was not obliged to prepare and did not prepare segment data for the year ended December 31st 2000 in the past. In the Management Board's view, preparation of such data as required by International Financial Reporting Standards is not practical and the cost of preparation would exceed benefits derived from preparation of such data.

In our opinion, except for the matters referred to in paragraphs above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PKN ORLEN as at December 31st 2001 and December 31st 2000, and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Arthur Andersen Sp. z o.o.
Warsaw, Poland
May 6th 2002

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31ST 2001 AND DECEMBER 31ST 2000 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED BALANCE SHEETS
as at December 31st 2001 and December 31st 2000

	Note	Dec 31 2001	Dec 31 2000
			(in PLN m)
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,321	8,147
(Negative goodwill)/ Goodwill	6	(264)	89
Intangible assets	7	108	80
Available for sale investments	8	584	426
Investments accounted for on an equity basis	9	186	363
Deferred tax assets	24	15	18
Other non-current assets		1	2
Total non-current assets		**9,951**	**9,125**
Current assets			
Inventories	10	2,199	2,705
Trade and other receivables	11	1,951	2,013
Short-term investments	12	11	14
Deferred costs	13	68	54
Cash and cash equivalents	14	203	176
Total current assets		**4,432**	**4,962**
Total assets		**14,383**	**14,087**

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

	Note	Dec 31 2001	Dec 31 2000
			(in PLN m)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	20		
Share capital		525	525
Capital reserve		1,174	1,174
Revaluation reserve		859	859
Retained earnings		5,400	5,038
Total shareholders' equity		**7,958**	**7,596**
Minority interests	15	**395**	**170**
Non-current liabilities			
Interest bearing borrowings	16	1,261	1,236
Provisions and accruals	17	601	714
Deferred tax liabilities	24	365	282
Total non-current liabilities		**2,227**	**2,232**
Current liabilities			
Trade and other payables and accrued expenses	18	2,291	2,590
Interest bearing borrowings	16	1,502	1,496
Deferred income	19	10	3
Total current liabilities		**3,803**	**4,089**
Total liabilities and shareholders' equity		**14,383**	**14,087**

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

CONSOLIDATED INCOME STATEMENT
for the years ended December 31st 2001 and December 31st 2000

For the year ended	Note	Dec 31 2001	Dec 31 2000
			(in PLN m)
Revenue		17,038	18,602
Cost of sales	22	(14,166)	(15,042)
Gross profit		2,872	3,560
Distribution costs	22	(1,504)	(1,458)
Administrative expenses	22	(829)	(619)
Other operating income/(expenses), net	22	78	(58)
Profit from operations		617	1,425
Financial income	23	333	255
Financial expenses	23	(431)	(441)
Income from associated companies accounted for under the equity method	25	48	
Profit before income tax and minority interests		544	1,287
Income tax	24	(153)	(362)
Minority interests		(15)	(23)
Net profit for the year		376	902
Basic and diluted earnings per share for the year (in zloty per share)		0.89	2.15

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

CONSOLIDATED CASH FLOW STATEMENTS
For the years ended December 31st 2001 and December 31st 2000

For the year ended	Dec 31 2001	Dec 31 2000
		(in PLN m)
Cash flows from operating activities		
Net profit for the year	376	902
Adjustments for:		
Minority interests	15	23
Net profit from investments accounted for under the equity method	(25)	(48)
Depreciation and amortisation	1,089	910
Interest and dividend charges, net	209	203
Result on investing activities	(29)	9
Income tax on current period profit	153	362
Net income tax paid	(105)	(313)
(Increase) /decrease in receivables	209	(520)
(Increase)/ decrease in inventories	651	(663)
Increase / (decrease) in accrued expenses and payables	(366)	264
Increase / (decrease) in provisions	(121)	(1)
Increase / (decrease) in deferred income	5	(8)
Other	51	(47)
Net cash flows from operating activities	2,112	1,073
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,482)	(1,423)
Acquisition of intangible assets	(51)	(36)
Proceeds from sales of property, plant and equipment	34	9
Proceeds from sales of available for sale investments	69	-
Acquisition of available for sale investments	(163)	(155)
Acquisition of subsidiary Anwil SA (Note 26), net of cash acquired	(72)	-
Acquisition of marketable securities	(201)	(99)
Proceeds from sales of marketable securities	216	83
Dividends and interest received	15	10
Loans granted	(98)	-
Other	(17)	5
Net cash flows used in investing activities	(1,750)	(1,606)

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

CONSOLIDATED CASH FLOW STATEMENTS (continued)

For the year ended	Dec 31 2001	Dec 31 2000
		(in PLN m)
Cash flows from financing activities		
Proceeds from long-term loans and other borrowings	305	1,188
Proceeds from short-term loans and other borrowings	2,001	1,946
Repayment of long-term loans and other borrowings	(250)	(862)
Repayment of short-term loans and other borrowings	(2,153)	(1,466)
Interest paid	(216)	(199)
Dividends paid to shareholders	(21)	(21)
Other	(1)	(54)
Net cash flows from / (used in) financing activities	(335)	532
Net increase / (decrease) in cash and cash equivalents	27	(1)
Cash and cash equivalents at beginning of year	176	177
Cash and cash equivalents at end of year	203	176

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
For the years ended December 31st 2001 and December 31st 2000 (in PLN m)

	Share capital	Capital reserve	Revaluation reserve	Retained earnings	Total sharehold-ers' equity
Jan 1 2000	525	1,174	859	4,157	6,715
Cash dividends (PLN 0.05 per share)	-	-	-	(21)	(21)
Net profit for 2000	-	-	-	902	902
Dec 31 2000	525	1,174	859	5,038	7,596
Jan 1 2001	525	1,174	859	5,038	7,596
IAS 39 adoption	-	-	-	7	7
Cash dividends (PLN 0.05 per share)	-	-	-	(21)	(21)
Net profit for 2001	-	-	-	376	376
Dec 31 2001	525	1,174	859	5,400	7,958

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

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

Principal Activities

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

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

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

Until the secondary public offering completed in July 2000, the Company was primarily owned, directly and indirectly, by the Polish State Treasury. The employees and others had a minority shareholding. The State Treasury supervised the Company through its control of the Company's majority shareholder, and ultimate parent company Nafta Polska S.A. As at December 31st 2001 the Polish State Treasury owned directly and indirectly 28% of the Company shares, Bank of New York (depositary) – 26% shares and other shareholders (less than 5% each) owned 46% of the Company shares.

1. Basis of Presentation

a. Accounting Standards

The Group applied for these financial statements International Financial Reporting Standards that were operative as at December 31st 2001, except in respect of accounting for hyperinflation referred to in Note 3. In particular, the Group adopted IAS 39 "Financial Instruments: Recognition and Measurement".

The Group entities maintain their books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish Accounting Standards ("PAS") as defined by the Accounting Act dated September 29th 1994 (as amended). These financial statements include certain adjustments not reflected in the Company's or other Group entities books to present these statements in accordance with Standards and Interpretations issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC", formerly Standing Interpretations Committee ("SIC"), except with respect to accounting for hyperinflation referred to in Note 3. The adjustments to the Company's books and their effect on net profit and net assets resulting from adopting International Accounting Standards are presented in Note 34.

b. Reorganisation of the Group

In connection with the Polish Government's restructuring and privatisation programme for the Polish oil sector companies, the Polish State Treasury, through its holding in Nafta Polska SA reorganised the Polish oil sector in

(in PLN m)

the years 1997 through 1999. The existing Group is a result of this reorganisation of several significant operating companies, which were all under the common control of Nafta Polska SA and the Polish State Treasury. In particular, this reorganisation included the following transactions performed by the Company:
— incorporation of Centrala Produktów Naftowych "CPN" SA – major Polish fuel retailer,
— acquisition of Rafineria Trzebinia SA and Rafineria Nafty Jedlicze SA – refineries,
— disposal of Dyrekcja Eksploatacji Cystern Sp. z o.o. – Polish operator of rolling stock for rail transport of refined products,
— disposal of Naftobazy Sp. z o.o. – major Polish fuel storage farms operator.

To the extent of the Polish State Treasury's common control, this reorganisation was accounted for as a transaction under common control using the uniting of interests' method of accounting.

These consolidated financial statements for the years ended December 31st 2001 and 2000 include the following subsidiaries:

	Dec 31 2001	Dec 31 2000
PKN ORLEN	100%	100%
ORLEN Petrogaz Płock Sp. z o.o.	100%	100%
ORLEN PetroCentrum Sp. z o.o.	100%	100%
Petrogaz Inowrocław Sp. z o.o.	100%	100%
ORLEN Medica Sp. z o.o.	100%	100%
ORLEN Budonaft Sp. z o.o.	100%	100%
ORLEN KolTrans Sp. z o.o.	100%	100%
ORLEN Powiernik Sp. z o.o.	100%	100%
ORLEN Transport Szczecin Sp. z o.o.	100%	100%
ORLEN Polimer Sp. z o.o.**	100%	-
ORLEN Transport Płock Sp. z o.o.	98%	98%
ORLEN Transport Kraków Sp. z o.o.	98%	98%
ORLEN Transport Lublin Sp. z o.o.	98%	98%
Zakład Budowy Aparatury SA	97%	97%
ORLEN Transport Nowa Sól Sp. z o.o.	97%	97%
ORLEN Transport Poznań Sp. z o.o.	96%	96%
ORLEN Transport Słupsk Sp. z o.o.	96%	96%
ORLEN Transport Warszawa Sp. z o.o.	94%	95%
Petrotel Sp. z o.o.	93%	93%
ORLEN Transport Olsztyn Sp. z o.o.	92%	93%
Petrogaz Łapy Sp. z o.o.	90%	90%
ORLEN Transport Kędzierzyn-Koźle Sp. z o.o.	88%	88%
ORLEN Petroprofit Sp. z o.o.	85%	85%
ORLEN WodKan Sp. z o.o.**	82%	-
Rafineria Trzebinia SA	77%	77%
Petro – Oil Sp. z o.o.	76%	76%
Rafineria Nafty Jedlicze SA	75%	75%
Z.A. Anwil SA***	75%	-
Inowrocławskie Kopalnie Soli SOLINO SA	71%	71%
ORLEN Mechanika Sp. z o.o.**	68%	-
ORLEN Petro – Tank Sp. z o.o.	60%	60%

ORLEN Automatyka Sp. z o.o.**	53%	-
ORLEN PetroZachód Sp. z o.o.	52%	52%
Petrogaz Wrocław Sp. z o.o.	52%	52%
Petrolot Sp. z o.o.	51%	51%
Petroprojekt Sp. z o.o.	51%	51%
ORLEN Remont Sp. z o.o.**	51%	-
ORLEN Eltech Sp. z o.o.**	51%	-
ORLEN EnergoRem Sp. z o.o.**	51%	-
ORLEN Wir Sp. z o.o.**	51%	-
Petrogaz Jaworzno Sp. z o.o. *	-	100%
Petrogaz Redaki Sp. z o.o. *	-	100%
Petrogaz Hrubieszów Sp. z o.o. *	-	100%
Petrogaz Nowa Brzeźnica Sp. z o.o.****	-	100%

* Merged into Orlen Petrogaz Plock Sp. z o.o.

** Full consolidation from 2001.

*** Full consolidation from 2Q 2001, following acquisition of controlling interest (accounted for on equity basis until 1Q 2001).

**** Entity being liquidated as at 31.12.2001.

3. Measurement and Reporting Currency

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

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

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

4. Statement of Principal Accounting Policies

a. Principles of Consolidation

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

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

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

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

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

b. Property, Plant and Equipment

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

As a result of this revaluation both the carrying amount and tax base of the assets subject to revaluation have been increased with a resulting increase in the revaluation reserve line item in shareholders' equity. The Group has not revalued its property, plant and equipment as at December 31st 1996, which is a departure from IAS 29, which requires that assets are restated to a measurement unit current as of the end of hyperinflationary period. Since inception of the Group companies, the revaluations increased net book value of property, plant and equipment by a total of PLN 859. The amount equal to the difference between the depreciation on a revalued asset and the depreciation based on the cost of that asset is not transferred from revaluation reserve to retained earnings. Construction-in-progress was not subject to revaluations. Depreciation is based on the revalued amounts. Unless Poland is again subject to a period of hyperinflation, the Group does not intend to include effects of any further revaluations in its consolidated financial statements prepared under IFRS.

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

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

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

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

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

c. Goodwill and Negative Goodwill

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

d. Intangible Assets

Intangible assets are stated at cost less accumulated amortisation provided on a straight-line basis and any accumulated impairment losses. The amortisation rates applied in relation to intangible fixed assets range from 7% to 50%.

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

e. Inventories

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

f. Receivables

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

g. Cash and Cash Equivalents

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

h. Revenue Recognition

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

i. Operating Expenses

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

j. Borrowings

Borrowing costs are recognised as an expense in the period in which they are incurred, except for those which are directly attributable to the acquisition, construction or production of a qualifying asset and therefore capitalised. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowings are initially recognised at the proceeds received, net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the net profit or loss for the period over the life of the borrowings.

k. Jubilee and Retirement Bonuses

Certain Group companies provide defined jubilee and retirement benefits plans for their employees. Jubilee bonuses are paid to employees upon completion of a certain number of years in service whereas retirement allowances as one–off payments paid on retirement, both depending on employee's average remuneration and length of service. The jubilee and retirement benefits are not funded. The jubilee and retirement bonus obligations are accounted for on an accrual basis. Jubilee benefits are other long-term employee benefits, while retirement bonuses are post-employment defined benefit plans according to IAS 19. An independent actuary has determined the net present value of these obligations. Accrued obligations are those future discounted payments, adjusted by employee attrition rates, which were earned by the employees prior to the balance sheet dates. Demographic and attrition profiles are based on the historical data. Valuation of obligations was made on the assumption of no effective increase in the salary level and an effective discount rate of 4% per annum. During the years ended December 31st 2001 and 2000 the Group paid PLN 22 and PLN 17 jubilee and retirement bonuses combined, respectively.

l. Foreign Exchange Transactions

Transactions denominated in foreign currencies are translated in measurement currency (Polish Zloty) at actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the end of the period. Any gain or loss arising from

a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement, except for amounts capitalised in accordance with 4 (j).

m. Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

n. Income Tax

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

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

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

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse.
Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet.

o. Earnings per Share

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

p. Environmental Provisions

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

q. Equity Compensation Plans

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

r. Management Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates. During 2001 the Group has changed the estimate of environmental clean-up and remediation costs further presented in Note 17.

5.Property, Plant and Equipment

	Dec 31 2001	Dec 31 2000
Land	121	95
Buildings and constructions	4,719	3,305
Machinery and equipment	3,283	3,508
Vehicles and other	294	296
Construction in progress	904	943
Total	9,321	8,147

The movements in each year were as follows:

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Cost						
Jan 1 2000	88	4,772	7,048	631	1,233	13,772
Additions at cost	11	638	1,045	159	1,423	3,276
Consolidation of subsidiaries	-	22	11	6	7	46
Disposals for other groups of PPE	(3)	(67)	(105)	(44)	(6)	(225)
Transfers	-	-	-	-	(1,714)	(1,714)
Dec 31 2000	96	5,365	7,999	752	943	15,155
Jan 1 2001	96	5,365	7,999	752	943	15,155
Additions at cost	7	701	680	120	1,279	2,787
Consolidation of subsidiaries	18	877	1,063	53	155	2,166
Reclassifications	-	1,077	(1,077)	-	-	-
Disposals	-	(94)	(85)	(25)	(10)	(214)
Transfers for other groups of PPE	-	-	-	-	(1,436)	(1,436)
Impairment	-	-	-	-	(27)	(27)
Dec 31 2001	121	7,926	8,580	900	904	18,431
Accumulated depreciation						
Jan 1 2000	-	1,837	4,006	410	-	6,253
Charge	-	201	574	82	-	857
Impairments and other charges	1	40	6	1	-	48
Consolidation of subsidiaries	-	7	3	4	-	14
Disposals	-	(25)	(98)	(41)	-	(164)
Dec 31 2000	1	2,060	4,491	456	-	7,008
Jan 1 2001	1	2,060	4,491	456	-	7,008
Charge	-	316	623	129	-	1,068
Impairments and other charges		11	1	1	-	13

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

Consolidation of subsidiaries	-	419	749	41	-	1,209
Reclassifications	-	487	(487)	-	-	-
Disposals	(1)	(86)	(80)	(21)	-	(188)
Dec 31 2001	-	**3,207**	**5,297**	**606**	-	**9,110**
Net book value						
Dec 31 2000	**95**	**3,305**	**3,508**	**296**	**943**	**8,147**
Dec 31 2001	**121**	**4,719**	**3,283**	**294**	**904**	**9,321**

As at December 31st 2001 and 2000 the carrying amounts of property, plant and equipment held for disposal were PLN 8 and PLN 7, respectively.

As at December 31st 2001 and 2000 the carrying amount of property, plant and equipment pledged as security for liabilities were PLN 320 and PLN 191, respectively.

Impairment losses presented in the movements of property, plant and equipment are the amounts by which the carrying amounts of the assets exceeded their recoverable amounts. The impairment losses are charged to other operating expenses. Impairment losses recognised during the years 2000-2001 resulted from the restructuring process of the Company - the integration process of former CPN branches, and mainly relate to idle liquid fuel storage facilities and service stations.

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

As at December 31st 2001 and 2000 Construction in progress included:

	Dec 31 2001	Dec 31 2000
Crude Oil distillation Unit DRW III	279	164
Płock – Ostrów Wielkopolski pipeline	143	43
Construction of underground crude oil and fuel storage facility	142	41
Modernisation of FKK II	24	18
Construction of tank farms	21	-
Construction and modernisation of office and social buildings	19	-
Modernisation of ZPN in Mościska	15	12
Construction of fuel storage depot in Ostrów Wielkopolski	13	84
Construction of service stations	12	-
Other construction in progress	236	581
Total	904	943

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

The amounts of borrowing costs capitalised for the years ended December 31st 2001 and 2000 were PLN 138 and PLN 125, respectively. The average capitalisation rates were 5% in 2000 and 2001.

6. Goodwill and Negative Goodwill

	Dec 31 2001	Dec 31 2000
Centrala Produktow Naftowych "CPN" SA	83	94
Anwil SA*	(345)	-
Other	(2)	(5)
Total	(264)	89

* As at December 31st 2000 Anwil SA was accounted for using equity method; in March 2001 the Company has acquired the majority stake in Anwil SA

Goodwill and negative goodwill changes in the years ended December 31 st 2001 and 2000 were as follows:

	Dec 31 2001	Dec 31 2000
Gross amount		
Beginning of year	99	107
Negative goodwill on acquisition of Anwil SA shares	(305)	-
Reclassification from associates to subsidiaries	(128)	-
Other	-	(8)
End of year	(334)	99
Accumulated amortisation		
Beginning of period	(10)	(2)
Charge for the year, net	25*	(8)
Reclassification from associates to subsidiaries	55	-
End of year	70	(10)
Net book value at the end of the year	(264)	89

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

* PLN 11 relates to goodwill and PLN 36 relates to negative goodwill.

7. Intangible Assets

	Dec 31 2001	Dec 31 2000
Software	4	4
Patents and trademarks	86	61
Other	18	15
Total	108	80

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

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

	Software	Patents and trademarks	Other	Total
Cost				
Jan 1 2000	15	60	15	90
Additions at cost	4	28	8	40
Consolidation of subsidiaries	3	-	-	3
Disposals	(1)	-	(1)	(2)
Transfers	(7)	7	-	-
Dec 31 2000	**14**	**95**	**22**	**131**
Jan 1 2001	14	95	22	131
Additions at cost	2	43	7	52
Consolidation of subsidiaries	2	9	2	13
Disposals	(2)	(1)	(1)	(4)
Dec 31 2001	**16**	**146**	**30**	**192**
Accumulated depreciation				
Jan 1 2000	6	18	6	30
Charge	5	16	1	22
Consolidation of subsidiaries	1	-	-	1
Disposals	(1)	(1)	-	(2)
Transfers	(1)	1	-	-
Dec 31 2000	**10**	**34**	**7**	**51**
Jan 1 2001	10	34	7	51
Charge	2	25	5	32
Consolidation of subsidiaries	1	2	-	3
Disposals	(1)	(1)	-	(2)
Dec 31 2001	**12**	**60**	**12**	**84**
Net book value				
Dec 31 2000	**4**	**61**	**15**	**80**
Dec 31 2001	**4**	**86**	**18**	**108**

8. Available for sale investments

	Dec 31 2001	Dec 31 2000	Group interest in capital as at Dec 31 2001	Group voting rights	Principal activity
At cost					
Polkomtel SA	534*	329	19.61%	19.61%	GSM mobile operator
Telewizja Familijna SA	52**	26	11.96%	9.61%	Television operator
LG Petro Bank SA	35	35	19.99%	19.99%	Bank
NFI Piast SA	9	9	4.88%	4.88%	Investment fund
Deutsche Bank 24 SA (former BWR SA)	8	8	0.82%	0.82%	Bank
Other	26	30			
Total	664	437			
Impairment	(80)	(11)			
Net value	584	426			

*The amount comprises: registered shares – PLN 436, granted loan – PLN 98

**The amount comprises: registered shares – PLN 26 and bonds – PLN 26

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

Shares of Polkomtel SA, a Polish GSM mobile operator, are presented at historical cost of PLN 436 (19.61% of interest) as at December 31st 2001. There are three other shareholders in Polkomtel with approximately 19% ownership interest and several other minority shareholders.

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

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

As at December 31st 2001 PKN ORLEN owned 220,000 shares of Telewizja Familijna SA which represents 11.96% of share capital and 9.61% votes on General shareholders meeting. The company's activities include: radio and television activity, activity connected with movie and video industry, reproduction and recording, telecommunication, advertising and agency activity. The value of capital investment of PKN ORLEN in Telewizja

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

Familijna SA amounts to PLN 26. The Company set up an impairment provision for full value. On July 18th 2001 PKN ORLEN acquired 260 bonds of Telewizja Familijna SA amounting to PLN 26. Repurchase of bonds is due to take place on March 12th 2005. The above bonds were fully provided for.

9. Investments Accounted for on an Equity Basis

As at December 31st 2001 and 2000 the Group's investments accounted for on an equity basis were as follows:

	Recorded value on equity basis as at Dec 31		Group Interest in Capital as at Dec 31 2001	Principal activity
	2001	2000		
Anwil Group*	-	216	-	Manufacturing of chemicals
Niezależny Operator Miedzystrefowy Sp. z o.o.	82	48	35%	Telecommunication services
Naftoport Sp. z o.o.	51	44	49**%	Construction, operation and maintenance of reloading facilities for liquid fuel
Other	53	55		
Total	186	363		

*Anwil SA Group is fully consolidated since 2Q 2001, as a result of acquisition of the majority stake; share as at December 31st 2001 amounted to 75%.

**share as at December 31st 2000 accounted for 44%

10. Inventories

	Dec 31 2001	Dec 31 2000
Finished goods	958	1,138
Work in progress (semi-products)	234	253
Goods for resale	81	47
Materials and production supplies	926	1,267
Net inventories	2,199	2,705

The inventory write-offs to net realisable value amounted to PLN 7 and PLN 21 respectively, for the year 2001 and 2000.

As at December 31st 2001 and 2000 the carrying amounts of inventories valued at net realisable value were PLN 82 and PLN 851, respectively.

As at December 31st 2001 and 2000 the carrying amounts of inventories pledged as security for liabilities were PLN 26 and PLN 36, respectively.

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

11. Trade and Other Receivables

	Dec 31 2001	Dec 31 2000
Trade receivables	1,580	1,466
Value added and other taxes recoverable	463	522
Prepayments	23	12
Other receivables	111	120
Gross receivables	2,177	2,120
Less allowance for doubtful accounts	(226)	(107)
Net receivables	1,951	2,013

Total receivables include PLN 74 and PLN 27 of amounts denominated in foreign currencies as at December 31st 2001 and 2000, respectively. Trade receivables relate primarily to the sales of finished goods and sales of goods bought for resale.

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

(in PLN m)

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

The allowance for doubtful accounts and changes therein for the years ended December 31st 2001 and 2000 were as follows:

For the year ended	Dec 31 2001	Dec 31 2000
Allowance, beginning of year	107	73
Charged	189	88
Released	(60)	(42)
Written off	(10)	(12)
Allowance, end of year	226	107

12. Short-Term Investments

Short-term investments as at December 31st 2001 and 2000 included commercial papers which are classified as held for trading.

13. Deferred Costs

	Dec 31 2001	Dec 31 2000
Prepayments	29	37
Other	39	17
	68	54

14. Cash and Cash Equivalents

	Dec 31 2001	Dec 31 2000
Polish zloty	186	174
Other currencies	17	2
	203	176

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

15. Minority Interests

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

	Dec 31 2001	Dec 31 2000
Beginning of year	170	147
Change in the composition of shareholders	(2)	(11)
Increase in the companies' equities	15	23
Inclusion of new companies in consolidated financial statements	212	11
End of year	395	170

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

	Dec 31 2001	Dec 31 2000
Anwil SA*	200	-
Rafineria Trzebinia SA	46	45
Rafineria Nafty Jedlicze SA	40	37
Inowroclawskie Kopalnie Soli SOLINO SA	19	20
Other	90	68
	395	170

*Anwil SA Group was accounted for using equity method as at December 31st 2000.

16. Interest Bearing Borrowings

		Dec 31 2001	Dec 31 2000
Bank loans	(a)	2,276	2,444
Other loans and credits	(b)	132	102
Commercial papers	(c)	355	185
Other		-	1
Subtotal		2,763	2,732
Less: short-term portion		(1,502)	(1,496)
Long-term portion		1,261	1,236

As at December 31st 2001 principal repayments fall due on:

	Dec 31 2001
12 months ended Dec 31 2002	1,502
Jan 1 2003 - Dec 31 2004	1,080
Thereafter	181
	2,763

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

he Company's interest bearing borrowings have increased by PLN 31 during the year ended December 31st 2001. Changes were mostly a result of additional issue of commercial papers. On the other hand the Company repaid loans granted by Bank Handlowy SA and PeKaO SA

a. Bank loans analysed by currency are as follows:

		Dec 31 2001	Dec 31 2000
Polish Zloty	(1)	1,352	1,553
Deutsche Mark	(2)	2	21
U.S. Dollar	(3)	797	835
Swiss Franc	(4)	22	35
EURO	(5)	103	-
		2,276	2,444

(1) as at December 31st 2001 loans in Polish zloty that bore fixed rates of 10.7%–20% amounted to PLN 4 and loans that bore floating rates of T/N WIBOR – T/N WIBOR + 1.1%, 1T WIBOR + 0.5% – 1T WIBOR + 1.1%, 1M WIBOR – 1M WIBOR + 3%, 3M WIBOR + 0.25% – 3M WIBOR + 1.5%, 6M WIBOR + 0.95%, 1M WIBID + 0.5%, 0.30 – 1.30 of the NBP discount rate and 0.65 of the NBP refinance loan amounted to PLN 1,348;
as at December 31st 2000 loans in Polish Zloty that bore fixed rates of 20%–20.5% (15.6% for preferential loans) amounted to PLN 63 and loans that bore floating rates of T/N WIBOR + 0.18% – T/N WIBOR + 3%, 1M WIBOR + 0.05% – 1M WIBOR + 2.5%, 3M WIBOR + 0.2% – 3M WIBOR + 1.5%, 0.30 – 0.75 of the NBP discount rate amounted to PLN 1,490;

(2) as at December 31st 2001 loans in Deutsche Mark that bore floating rates of 3M LIBOR+ 1% amounted to PLN 2;
as at December 31st 2000 loans in Deutsche Mark that bore floating rates of 1M LIBOR+1% - 1M LIBOR+1.5% and 6M LIBOR+1.5% amounted to PLN 21;

(3) as at December 31st 2001 loans in U.S. Dollar that bore floating rates of 3M LIBOR+ 0.35% and 1W LIBOR+ 0.6% amounted to PLN 797;
as at December 31st 2000 loans in U.S. Dollar that bore floating rates of 3M LIBOR+0.35% and 6M LIBOR+1.5% amounted to PLN 835;

(4) as at December 31st 2001 and 2000 loans in Swiss Franc that bore a floating rate of 3M LIBOR+ 1% amounted to PLN 22 and PLN 35, respectively;

(5) as at December 31st 2001 loans in EURO that bore floating rates of 3M LIBOR+ 0.35%, 1M LIBOR + 1.7%, 6M EURIBOR + 1.5% - 6M EURIBOR + 0.3% amounted to PLN 103.

The one-month WIBOR rates as at December 31st 2001 and 2000 were 12.08% and 19.54%, respectively. NBP discount rates as at December 31st 2001 and 2000 were 14.00% and 21.50%, respectively.

As of December 31st 2001 and 2000 the Group had loans from related company: LG Petrobank SA amounting to PLN 61 and PLN 14.

As of December 31st 2001 and 2000 loans amounting to PLN 783 and PLN 752 respectively, are secured on specific assets of the Group.

b. Other Loans and Credits

	Dec 31 2001	Dec 31 2000
Wojewódzki Fundusz Ochrony Srodowiska i Gospodarki Wodnej (Voivodship Fund for Environmental Care)	13	18
Narodowy Fundusz Ochrony Srodowiska (National Fund for Environmental Care)	119	84
Total	132	102

As at December 31st 2001 other loans and credits are subject to floating interest rates at 8.4%-10.9%. which are below market rates.

c. Commercial Papers Issued

Commercial papers issued by PKN ORLEN are denominated in Polish zloty and they are subject to interest rates at 11.05% - 13.83% and are repayable in the first quarter 2002.

The Group uses various methodologies to assess and manage financial risk:

(1) To reduce the interest rate risk of the loan portfolio, the proportion of the fixed and floating rates is determined by management based on historical trends and future predictions. The majority of Polish zloty loans have floating interest rates.

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

Based on arrangements made with their banks the Group had unused loan facilities of PLN 696 as at December 31st 2001.

17. Provisions for Liabilities and Charges

	Dec 31 2001	Dec 31 2000
Environmental provisions	412	543
Jubilee awards and retirement bonuses	135	102
Penalties and compensation	20	51
Other provisions	34	18
	601	714

The Group companies have a legal or constructive obligation to restore a significant number of contaminated service stations and stoage depots. An evaluation of the sites and an estimation of remediation costs were

(in PLN m)

performed by independent professional consultants in 2000-2002. The amount of environmental provision was determined by the Management on the basis of independent professional consultants' reports and represents Management's best estimate of future costs assuming average level of parameters influencing estimated costs.

The movements in each year were as follows:

	Environmental provision	Jubilee awards and retirement bonuses	Penalties and compensations*	Other provisions	Total
Jan 1 2000	574	110	9	22	715
Charge	-	9	42	7	58
Use of provision	(31)	(17)	-	(11)	(59)
Reversal	-	-	-	-	-
Dec 31 2000	543	102	51	18	714
Charge	9	55	16	16	96
Use of provision	(33)	(22)	-	-	(55)
Reversal	(107)**	-	(47)*	-	(154)
Dec 31 2001	**412**	**135**	**20**	**34**	**601**

* In 2000, the Company set up a provision in amount of PLN 40 for liability concerning the penalty imposed by the Office for Protection of Competition and Consumer with regard to "Petrygo" and monoethylene glycols. As a result of positive outcome of the dispute for the Company, the provision was released in the year ended December 31st 2001.

** PLN 57 million represents change of estimate of future environmental costs, PLN 50 represents provision related to sites, which were disposed in 2001 with transfer of potential future liabilities to the acquirer. The total effect of PLN 107 is included in other operating income in income statement.

18. Trade, Other Payables and Accrued Expenses

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

	Dec 31 2001	Dec 31 2000
Trade payables	1,271	1,603
Taxes and social security	835	849
Social funds	51	56
Holiday pay accrual	19	15
Wages and salaries	35	25
Accrued expenses and other payables	80	42
	2.291	2.590

The social fund, classified as a short-term employee benefit, is an employer's obligation based on the govern-

ment mandated calculation based on the number of employees and the monthly minimum wage in Poland. The amounts calculated under this formula must be used for the benefits of the employees.

Trade and other payables and accrued expenses include PLN 706 and PLN 1,078, respectively, of amounts denominated in foreign currencies as at December 31st 2001 and 2000.

19. Deferred Income

	Dec 31 2001	Dec 31 2000
Grants	9	2
Other	1	1
	10	3

20. Shareholders' Equity

The share capital as at December 31st 2001 represented by the parent company's share capital was PLN 525, divided into 420,177,137 shares with nominal value of 1.25 Polish zloty each.

The share capital consist of the following share series for 2000 and 2001:

	Number of shares issued at		Number of shares authorised at	
Share series	Dec 31 2001	Dec 31 2000	Dec 31 2001	Dec 31 2000
A series	336,000,000	336,000,000	336,000,000	336,000,000
B series	6,971,496	6,971,496	6,971,496	6,971,496
C series	77,205,641	77,205,641	77,205,641	77,205,641
D series	-	-	11,344,784	11,344,784
	420,177,137	420,177,137	431,521,921	431,521,921

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

In order to implement a motivation program for the top and medium level management on May 15th 2000 General shareholders meeting authorised issuance of Series D shares and Series A convertible bonds. Due to the limitations of Polish Commercial Code, Series A bonds convertible to Series D shares are to be offered instead of options to purchase shares. The exercise price of 1 bond is PLN 20.30 and each bond is convertible to one Series D share with nominal value of 1.25 PLN each. Series D shares are to be issued in years 2001-2003. In June 2001 the Supervisory Board of PKN ORLEN approved the list of employees authorized to purchase Series A bonds convertible to Series D shares. Members of the Management Board of PKN ORLEN were awarded with the rights to purchase 2,200,000 convertible bonds while members of the middle management of PKN ORLEN were awarded with the rights to purchase 2,337,914 convertible bonds. Until the date of preparation of these consolidated financial statements the awarded bonds were not acquired.

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

As at December 31st 2001, the fair value of the convertible bonds approved by the Supervisory Board amounted to PLN 19 and was recognised as salary expense and liability.

Revaluation reserves result from obligatory revaluation of fixed assets performed as of January 1st 1995. Revaluations of property, plant and equipment were performed in Poland as mandated by the Central Statistics Office ("GUS") and were designed to reflect the level of inflation. These amounts are not distributable.

Reserves available for distribution, according to Polish law as at December 31st 2001 and December 31st 2000 amounted to: PLN 2,062 and 2,280 respectively. PKN ORLEN is authorised to pay the dividends to the extent of distributable reserves available under Polish Accounting Standards for the Company on a stand-alone reported basis.

During the years ended on December 31st 2001 and 2000 the Company has paid dividends in the amount of PLN 21 in each year, respectively.

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

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

	For the year ended	
	Dec 31 2001	Dec 31 2000
Basic and diluted earnings per share (PLN)		
Weighted average common stock outstanding	420,177,137	420,177,137
For the year per share (in zloty per share)	0.89	2.15

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

21. Segment Reporting

Business Segments

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

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

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

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

Segment reporting for the year ended December 31st 2001:

	Refining and Marketing	Chemicals	Other Operations	Eliminations	Consolidated
Revenue					
External sales	14,359	2,317	362	-	17,038
Inter-segment sales	3,764	1,111	1,271	(6,146)	-
Total revenue	**18,123**	**3,428**	**1,633**	**(6,146)**	**17,038**
Result					
Segment result	680	188	36	-	904
Unallocated corporate expenses					(287)
Profit from operations					**617**
Financial income					333
Financial costs					(431)
Share of net profits of associates	-	12	13	-	25
Profit before income tax					**544**
Income taxes					(153)
Minority interests					(15)
Net profit					**376**

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

	Refining and Marketing	Chemicals	Other Operations	Eliminations	Consolidated
Other Information					
Segment assets	9,711	1,873	1,677	(104)	**13,157**
Investments in associates	10	7	169	-	186
Unallocated corporate assets					1,040
Total assets					**14.383**
Segment liabilities	2,283	221	397	(104)	2,797
Unallocated corporate liabilities					3,233
Total liabilities					**6,030**
Property, plant, equipment and intangible assets expenditure	955	294	115	-	1,364
Property, plant, equipment and intangible assets expenditure unallocated to segments					60
Total property, plant, equipment and intangible assets expenditure					**1,424**
Segment depreciation	757	145	158	-	1,060
Unallocated assets depreciation					26
Total depreciation					**1,086**
Non-cash expenses other than depreciation	**107**	**44**	**17**	-	**168**

Geographical Segments

The Group operates mainly in Poland. The following table shows the distribution of the Company's consolidated sales by geographical market.

Segment reporting for the year ended December 31st 2001:

	Refining and Marketing	Chemicals	Other Operations	Conso-lidated
Export sales	627	537	8	1,172
Domestic sales	13,732	1,780	354	15,866
Total external revenue	**14,359**	**2,317**	**362**	**17,038**

All Group's assets as at December 31st 2001 were located in Poland, where also the capital expenditures were incurred during the twelve months period ended December 31st 2001.

The segment data presented above has been prepared in accordance with International Accounting Standard No. 14 "Segment Reporting", except for not presenting comparable data for the year ended December 31st 2000.

The Company was not obliged to prepare and did not prepare segment data for the year ended December 31st 2000 in the past. In the Management Board's view, preparation of such data as required by IFRS is not practical and the cost of preparation would exceed benefits derived from preparation of such data.

22. Operating Costs

	For the year ended	
	Dec 31 2001	Dec 31 2000
Raw materials and energy	10,549	12,722
Cost of goods bought for resale	1,754	1,746
External services	1,405	1,365
Payroll and benefits (staff costs)	1,011	788
Depreciation and amortisation	1,086	867
Taxes and charges	252	185
Other	120	205
	16,177	17,878
Adjusted by:		
Change in inventories, deferred and accrued costs	294	(615)
Internal costs capitalised	(50)	(86)
Operating costs	16,421	17,177

23. Net Interest and Other Financial Income and Expenses

	For the year ended	
	Dec 31 2001	Dec 31 2000
Interest expense	(227)	(210)
Foreign exchange losses	(71)	(164)
Interest income	94	54
Foreign exchange gains	112	166
Profit from sale of shares, securities	47	-
Other	(53)	(32)
	(98)	(186)

24. Income Tax

	For the year ended	
	Dec 31 2001	Dec 31 2000
Current income tax charge	113	284
Deferred tax charge (benefit)	40	78
	153	362

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

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

According to the Polish tax regulations, the tax rates in effect in 2001 and 2000 were 28% and 30%, respectively. The tax rate is regulated to be 28%, 24%, 22% in 2002, 2003, 2004 and thereafter, respectively.
The reconciliation between the reported income tax expense and the theoretical amount arising by applying the statutory income tax rates is as follows:

	For the year ended	
	Dec 31 2001	Dec 31 2000
Profit before income tax	544	1,287
Income tax calculated at statutory rate	152	386
Effect of investment tax allowance bonus	(14)	(23)
Non tax deductible costs/income not subject to income tax	(2)	6
IFRS adjustments	7	(6)
Other (including effect of tax rate changes)	10	(1)
Income tax expense for the year	153	362

The net deferred tax liability as at December 31st 2001 and 2000 consists of the following:

	Dec 31 2001	Dec 31 2000
Deferred tax assets:		
Deferred tax on environmental charges	96	121
Investment tax allowance bonus	14	23
Difference between tax and accounting amortisation and depreciation	-	19
Jubilee and retirement costs provisions	27	24
Other	65	24
	202	211
Deferred tax liabilities:		
Investment tax allowance	(348)	(343)
Capitalisation of borrowing costs	(124)	(113)
Unrealised foreign exchange profits	(26)	(19)
Difference between tax and accounting amortisation and depreciation	(14)	-
Revaluation of assets to fair value relating to acquisition of majority stake of Anwil SA	(32)	-
Valuation of financial instruments	(8)	-
	(552)	(475)
Net deferred tax liabilities	(350)	(264)

As the companies in the Group are not subject to group taxation and relief, the deferred tax assets and liabilities in the individual companies must be evaluated on a standalone basis. As a result, the consolidated balance sheets reflect deferred tax assets of PLN 15 and PLN 18 and deferred tax liabilities of PLN 365 and PLN 282 as at December 31st 2001 and 2000, respectively.

Under Polish tax regulations, taxpayers may reduce the taxable income by the costs of purchasing qualifying fixed assets acquired in a given tax year (investment tax allowance deduction). In addition, the taxable income may be further reduced in the following year by 50% of the previous year deduction (investment tax allowance bonus). Both the initial deduction and the additional deduction are subject to limits prescribed in the Corporate Income Tax Act dated February 15th 1992. The opportunity to claim a deduction that is not used in a given year due to lower pre-tax profit is forfeited and cannot be carried over into the next year.

Following to recent changes in income tax law, the above described tax incentives have been only available in year 2001 in relation to the continued investment projects from previous periods. In all other cases, the investment incentives are no longer available.

25. Operating Leases

Operating lease agreements are mainly in respect of the lease of buildings, computer equipment and vehicles. The lease expenses for the years ended December 31st 2001 and 2000 were PLN 15 and PLN 13, respectively.

Future minimum lease payments under non-cancellable operating leases as at December 31st 2001 were as follows:

	Dec 31 2001
2002	12
2003	11
2004	7
2005 and thereafter	7
Total minimum lease payments	37

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

26. Supplementary Cash Flow Information

Purchase of a Subsidiary

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

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

Cash and cash equivalents	43
Inventories	114
Trade and other receivables	128
Property, plant and equipment	1.239
Other assets	86
Liabilities	(467)
Fair value of net assets of Anwil SA	1.143
Share in equity of Anwil SA, not purchased in this transaction	(723)
Share in equity of Anwil SA, purchased in the transaction from March 2001	420
Negative goodwill resulting from this transaction	(305)
Purchase price	115
Acquired cash and cash equivalents	(43)
Acquisition of Anwil SA presented in cash flow statement	72

27. Commitments Resulting From Capital Expenditures

As of December 31st 2001, capital and other expenditures amounting to PLN 740 had been committed and authorised under contractual arrangements and PLN 6,909 had been authorised by Management Board and not contracted yet.

28. Related Party Transactions

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

Transactions with members of the Management Board and Supervisory Board are described in Note 30.
As at December 31st 2001 there were no borrowings granted by the Company to managing and supervising persons and their relatives.
In the year 2001 members of Management Board, Supervisory Board, their spouses, siblings, descendants and their other relatives have not entered into any significant transactions with the Company.

b. Transactions with major shareholders

Third stage of privatisation of PKN ORLEN.

On August 1st 2001, BNP Paribas, the financial advisor to Nafta Polska SA, and CAIB Investment Bank and Lehman Brothers, the advisors to the Company, sent out invitations to selected enterprises in the oil sector to submit bids for the acquisition of 17.58% of the Company shares, the stake currently held by Nafta Polska SA; the addressees were also requested to outline proposed structure of integration with the Company. On August 14th 2001, the Company received copies of proposals submitted in response to the invitation.

On August 13th 2001, PKN ORLEN entered into an agreement with Nafta Polska SA on cooperation in the execution of the third stage of the Company's privatisation as well as in the contemplated process of PKN ORLEN's integration with a selected bidder operating in the oil industry.

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

	Entities accounted for using equity method
Sales	
2000	526
2001	122
Purchases	
2000	228
2001	161
Trade debtors	
Dec 31 2000	59
Dec 31 2001	18
Trade creditors	
Dec 31 2000	26
Dec 31 2001	20

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

29. Contingencies and Risks

a. Guarantees and Other Contingent Liabilities

The Group granted guarantees and sureties to other entities. The amounts of such guarantees and other contingent liabilities were PLN 100 and PLN 56 as at December 31st 2001 and 2000, respectively.

b. Litigation

The following claims or lawsuits may materially affect the Group:

(i) The claim of Enerco- Industrie amounting to PLN 23, which includes the amount of Enerco's share capital called but not paid in (PLN 5) plus interest due (PLN 18)

(ii) The claims of individuals amounting to PLN 23, which includes the amount of fee for an inventive project (PLN 22) and the family member's accident compensation (PLN 1).

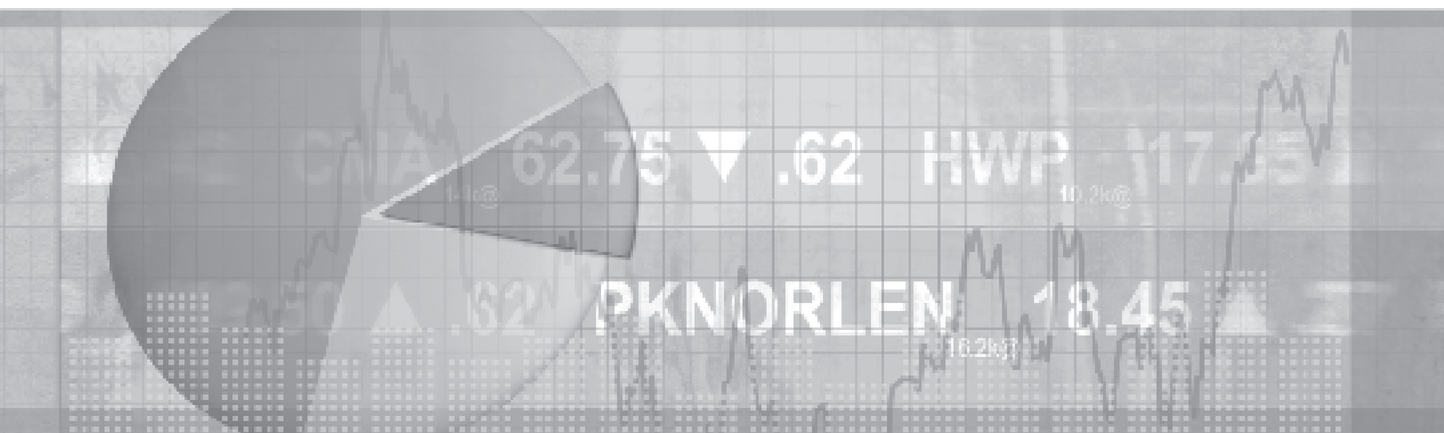
c. Tax Regulations in Poland

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

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

d.Excise Tax – Contingent Liability of Rafineria Trzebinia SA

On January 9th 2002 after a tax audit in Rafineria Trzebinia SA (the Company's consolidated subsidiary), the Fiscal Control Inspector issued a decision denoting the amount of liabilities concerning excise and VAT for the period from June to December 1998, of total value of PLN 55 and liabilities resulting from interest charge of total value PLN 58. The decision was subject to an appeal to Fiscal Chamber and a request to suspend the execution of the decision. On February 7th 2002 Fiscal Office in Chrzanów suspended execution of the above decision. At the same time the Fiscal Office set pledge on shares constituting financial fixed assets of Rafineria Trzebinia SA and on plant and equipment owned by Rafineria Trzebinia SA of a total value equal to the tax liability. The right annotation was made in Fiscal Pledge Register. On February 12th 2002 Fiscal Office in Chrzanów submitted to Mortgage Department of Regional Court a request for an annotation on enforced mortgage on real estates owned by Rafineria Trzebinia SA. In case the qualifications are sustained, and further proceedings are continued there is a risk of increase in the above value of liabilities by amounts referring to other periods than this already audited. As of the date of preparation of these consolidated financial statements the result of the appeal proceedings in this case is not known. Management of the Company believes that taking into consideration the merits of the appeal, a negative outcome is possible but not probable.



e. Antimonopoly Proceedings

The Company is subject to four anti-trust proceedings.In two proceedings Office for Protection of Competition and Consumer (“OPCC”) issued a decision setting cash penalty. These proceedings concern:

1. Prices of fuels – the Company appealed to Anti-Trust Court against the negative decision of OPCC setting a penalty of PLN 5. Anti-Trust Court repealed the decision of OPCC concerning monopolistic practice of PKN ORLEN and therefore the cash penalty was cancelled. The provision of PLN 5, created in 1999, was released in 2000. On February 21st 2001 OPCC applied to the Supreme Court to annul the positive verdict for the 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 Company appealed to Anti-Trust Court against the negative decision of OPCC setting penalty of PLN 40. On August 13th 2001 the Anti-Trust annulled fully the decision of OPCC, which accused PKN ORLEN of applying monopolistic practice, annulling at the same time the cash penalty. This resulted in the release of the provision in PKN ORLEN in 2001. OPCC applied to the Supreme Court to annul the verdict. As of the date of preparation of this statement the Supreme Court has not appointed any date for the annulling lawsuit.

Until the date of preparation of these financial statements two other proceedings have still been pending.

3. Refusal fosell fuels to certain group of customers – the Company appealed to the Supreme Court against the negative verdict of the Anti-trust Court, concerning cessation of monopolistic management practice.

4. Practices limiting competition – on October 10th 2001 the President of OPCC commenced legal proceedings to command the companies: PKN ORLEN, BP EXPRESS Sp. z o.o., KAPBROL-Bis Sp. z o.o. and Klemens Imiola Firma KI to cease monopolistic practices, limiting competition by concluding agreements concerning prices for fuels at service stations that belong to these firms in Koszalin.

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

On 7 February 2002 the Supreme Court issued a verdict (published on February 12th 2002) in which it dismissed the annulling request submitted by OPCC and Polish Chamber of Liquid Fuels (“PCLF”) concerning the verdict of Anti-Trust Court from June 23rd 1999.

In the verdict to which OPCC and PCLF submitted annulling request.,the Anti-Trust Court dismissed the decision of OPCC of December 11th 1998, issued at the request of PCLF ordering PKN ORLEN to cease practice of selling liquid fuels at the same price in Płock and regional trade offices of PKN ORLEN.The Court underlined that although PKN ORLEN dominates on the liquid fuels market and acts on both wholesale and retail market, the way of setting wholesale prices does not interfere with the anti-trust act.

PKN ORLEN – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31st 2001 AND DECEMBER 31st 2000 (in PLN m)

f. Litigation Relating to CPN and the Merger with CPN

The Company is subject to three court proceedings pursuant to which the claimants are seeking to have declared as invalid the resolutions of the general shareholders meeting of CPN.One of them concerns the resolution taken on October 29th 1998 and relates to decrease of CPN's share capital and transfer of shares in Naftobazy S.A. to Nafta Polska S.A. The Court did not set a date for the trial.Two proceedings concern declaring as invalid the resolution of May 19th 1999 relating to the merger of CPN with the Company. In both cases the claimants withdrew their claims. It is believed that lawsuits will be discontinued in the near future.

g. Employees Compensation Plans

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

h. Power Transfer Fee – ZEP SA

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

i. Tax Allowances – Investment Incentives

In the period 1996-2001 the Group companies took advantage of the investment tax allowances described earlier in Note 24. Under the terms of this scheme, the Group companies have taken current deductions equal to PLN 2,326 in respect of investments in qualifying assets. In the period 1996-2001 the Group companies have also utilised additional investment tax bonuses relating to these capital investments. These deductions and bonuses have reduced the tax charges of the Group by PLN 565 and PLN 259, respectively, during the period 1996-2001 as follows:

Financial Year	Tax allowance	Tax bonus
1996	101	52
1997	168	48
1998	111	63
1999	95	46
2000	62	38
2001	28	12
Total	565	259

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

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

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

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

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

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

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

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

j. Fixed Assets Located on the Land With Unsettled Ownership Issues

The Group owns several service stations and other properties on which the ownership of the underlying land is unclear. The book value of the fixed assets located on plots of land with unsettled ownership issues were PLN 24 and PLN 30 as at December 31st 2001 and 2000, respectively.

k. Termination Benefits for Key Management Personnel

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

30. Short-Term Employee Benefits Paid to Management Board and Supervisory Board

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

Short-term employee benefits for the year ended December 31st 2001 (in PLN '000):

Management Board	6,359
Supervisory Board	755

Additionally, as at December 31st 2001 the fair value of the rights granted to the Management Board to purchase Series A convertible bonds was estimated at PLN 9.

31. Employment Structure

Average employment by category during the year ended on December 31st 2001 was as follows:

Blue collar workers	10,253
White collar workers	7,575
	17,828

Employment level as at December 31st 2001 totalled 17,582 persons.

32. Post-Balance Sheet Events

a. Changes in Shareholders' Structure

PKN ORLEN was informed that as of February th 2002 The Bank of New York held 97,077,976 shares of the Company, which gives right to 97,077,976 votes on the General shareholders meeting, that represents 23.10% of share capital and the same share in votes at the General shareholders meeting.

b.Changes in the Management Board

The Supervisory Board of PKN ORLEN on the meetings held on February 8th 2002 and March 7th 2002 changed the composition of the Management Board of the Company.

The Management Board consists presently of 5 persons:

Zbigniew Wróbel – President and CEO
Krzysztof Cetnar – Vice-President and CFO
Sławomir Golonka – Vice-President, Sales
Andrzej Macenowicz – Vice-President, Human Resources and Management Systems
Janusz Wiśniewski – Vice-President, Development and Production

c. Changes in the Supervisory Board

On February 21st 2002 the Extraordinary Shareholders Meeting of PKN ORLEN changed the composition of the Supervisory Board of the Company.
The Supervisory Board consists presently of:

Andrzej Herman – Chairman
Jan Waga – Deputy-Chairman
Grzegorz Mroczkowski – Secretary
Maciej Gierej – Member
Edward Grzywa – Member
Andrzej Kratiuk – Member
Krzysztof Kluzek – Member
Ryszard Lawniczak – Member
Krzysztof Szlubowski – Member

d. Planned Joint Venture with Basell Europe Holdings B.V.

On February 13th 2002, the Supervisory Board of PKN ORLEN approved the plans for establishment of a joint-venture company with Basell Europe Holdings BV, whereby PKN ORLEN would acquire its stake in the new company in exchange for a contribution in kind.
On February 21st 2002, the Extraordinary Shareholders Meeting of PKN ORLEN, acting on the basis of applicable regulations and the Company's Articles of Association, resolved to agree to the establishment of the joint-venture company with Basell Europe Holdings BV and to PKN ORLEN's contribution in-kind to the joint venture in the form of Polymer Blocks and adjacent real property. The shareholders also approved the disposal of the real property (i.e. ownership or perpetual usufruct rights to the land and property located thereon) as the contribution in kind to the joint-venture company.
If the Company fails to conclude relevant joint-venture incorporation agreements by June 30th 2002 under the terms approved by the Management Board, the resolutions of the Extraordinary Shareholders Meetings will become null and void. The shareholders extended their approval for the establishment of the joint-venture company under the proviso that the Supervisory Board approves terms and conditions of relevant joint-venture incorporation agreements.

e. Dismissal of the Verdict Annulling Request Submitted by the Office for Protection of Competition and Consumer and Polish Chamber of Liquid Fuels

For information on Dismissal of the verdict annulling request submitted by the Office for Protection of Competition and Consumer and Polish Chamber of Liquid Fuels see Note 29 (e).

f. Increase in Share Capital in Petro-Oil Sp. z o. o.

On 25 March 2002 the Regional Court for Kraków-Śródmieście in Kraków, XI Commercial Department of National Court Register, registered increase in share capital of Petro-Oil Sp. z o. o.
Before capital injection the share capital of Petro-Oil Sp. z o. o. amounted to PLN 14 and was increased by 29,558 stakes of PLN 1,000 each, to the value of PLN 44. The share in the increased capital was fully covered by Rafineria Trzebinia SA in form of contribution in kind worth PLN 24 and PLN 6 in cash. After the increase in share capital of Petro-Oil Sp. z o. o. the shareholders' structure is following:

(in PLN m)

Rafineria Trzebinia SA – 75.58%
Rafineria Nafty Jedlicze SA – 7.71%
Rafineria Czechowice SA – 7.71%
PKN ORLEN – 9.00%

Each share gives right to one vote on the Shareholders' Meeting.
Before the increase in share capital PKN ORLEN owned directly 28% and indirectly through its subsidiaries (Rafineria Nafty Jedlicze SA, Rafineria Trzebinia SA) total 76% stakes in Petro-Oil.

g. Extraordinary Event in Rafineria Trzebinia SA

On May 5th 2002, ignition of crude oil in a storage tank occurred at Rafineria Trzebinia SA, member of the ORLEN Capital Group. The accident did not interrupt the regular operation of the refinery. The situation was brought under control, with no further threat inflicted since the extinguishing of the fire. No environmental pollution has been detected at the adjacent area. A specially-appointed team of inspectors investigates into the cause of the fire. Damage was initially estimated at PLN 8m.

As with other similar facilities within the Group, the storage tank at Rafineria Trzebinia SA was fully insured. The damage will be covered by the insurance policy and will not affect PKN ORLEN's financial position. The fire did not impact production and commercial operations of Rafineria Trzebinia SA.

33. Transformation for IFRS Purposes

The Group companies maintain their accounts in accordance with the accounting principles and practices employed by enterprises in Poland as is required by the Accountancy Act dated September 29th 1994. The financial statements set out above reflect certain adjustments not reflected in the companies statutory books to present these financial statements in accordance with IFRS, except for non-compliance with IAS 29 "Financial Reporting in Hyperinflationary Economies" as specified in Note 3.

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

Net profit for the year	2001	2000
PAS basis consolidated	343	805
Distributions from profit	(3)	(3)
Foreign exchange gains, net	28	79
Borrowing costs capitalisation, net	62	44
IFRS consolidation of additional entities	1	6
Amortisation of CPN goodwill	(11)	(11)
IFRS treatment of negative goodwill	(17)	12
Fair value of shares convertible bonds	(19)	-
Valuation of embedded financial instruments	18	-
Deferred tax on the above	(18)	(27)
Other	(8)	(3)
IFRS Consolidated	376	902

	Net assets as at Dec 31	
	2001	2000
PAS basis consolidated	7,419	7,086
Distributions from profit	-	-
Foreign exchange gains, net	116	81
Borrowing costs capitalisation	551	489
IFRS consolidation of additional entities	3	16
Goodwill on CPN employee shares acquisition, net	83	94
IFRS treatment of negative goodwill	(79)	(62)
Fair value of shares convertible bonds- fair value adjustment	(19)	-
Valuation of embedded financial instruments	27	-
Deferred tax on the above	(153)	(133)
Other	10	25
IFRS Consolidated	7,958	7,596

a. Distribution from Profit

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

b. Foreign Exchange Gains

In accordance with PAS unrealised foreign exchange gains are deferred until realised in the statutory financial statements. In these financial statements these gains are accounted for as income.

c. Capitalisation of Borrowing Costs

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

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

d. Consolidation of Additional Entities

According to PAS associates and subsidiaries may be excluded from consolidation, if their total assets and total revenues do not exceed 10% of assets and revenues of parent company and total assets and revenues of entities

excluded from consolidation do not exceed 20% of total assets and revenues of consolidated financial statements. For the purpose of IFRS financial statements, entities excluded from consolidation under PAS, were consolidated.

e. Goodwill on Shares Purchased from Former CPN Employees

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

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

f. IFRS Treatment of Negative Goodwill

According to PAS the Company releases negative goodwill to income during two to five years period subsequent to acquisition. In the IFRS financial statements negative goodwill is recognised in a manner presented in Note 4(c)

g. Fair Value of Options for Convertible Bonds

In financial statements prepared in accordance with IFRS the right to acquire convertible bonds was recognized at fair value as salary expense in 2001 and as liability as at December 31st 2001 in manner presented in Note 4(q). In financial statements prepared in accordance with PAS the fair values are not recorded.

h. Embedded Derivatives

As the result of adoption of IAS 39 "Financial Instruments: Recognition and Measurement" in financial statements prepared in accordance with IFRS the embedded derivatives were introduced in manner described in Note 11. For PAS purposes embedded derivatives are not recognised.

i. Deferred Tax Effects

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

j. IFRS Treatment of Revenues

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

For the purpose of these consolidated financial statements prepared under IFRS revenues and selling expenses had been presented net of excise tax of 8,841 and 8,258 for the years ended December 31st 2001 and 2000, respectively.

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HISTORICAL OVERVIEW

1945	establishment of Centrala Produktow Naftowych
1961	establishment of Mazowieckie Zakłady Rafineryjne i Petrochemiczne of Plock, the legal predecessor of Petrochemia Płock SA
1993	transformation of Mazowieckie Zaklady Rafineryjne i Petrochemiczne of Płock into Petrochemia Płock SA
1997	incorporation of Nafta Polska SA, the government holding company responsible for the restructuring of the Polish oil industry
1999	establishment of Polski Koncern Naftowy following merger of Petrochemia Płock SA with Centrala Produktow Naftowych SA
1999, November	initial public offering on the Warsaw and London stock exchanges
2000, April	launch of the ORLEN brand
2000, June	secondary offering on the Warsaw and London stock exchanges

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