POLSKI KONCERN NAFTOWY ORLEN S.A.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE 12 - AND 3 - MONTH PERIODS ENDED 31 DECEMBER 2002 AND 31 DECEMBER 2001 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED CONDENSED BALANCE SHEETS

as of 31 December 2002 and 31 December 2001

	31 December 2002	31 December 2001
	(unaudited)	
	(PLN million)	
ASSETS		
Non-current assets		
Property, plant and equipment	9,089	9,321
(Negative goodwill)	(236)	(264)
Intangible assets	107	108
Available for sale investments	601	584
Investments accounted for on an equity basis	199	186
Deferred tax assets	28	15
Other non-current assets	15	1
Total non-current assets	**9,803**	**9,951**
Current assets		
Inventories	2,868	2,199
Trade and other receivables	2,143	1,951
Short-term investments	5	11
Deferred costs	56	68
Cash and cash equivalents	218	203
Total current assets	**5,290**	**4,432**
Total assets	**15,093**	**14,383**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock	525	525
Capital reserve	1,174	1,174
Revaluation reserve	859	859
Retained earnings	5,778	5,400
Total shareholders' equity	**8,336**	**7,958**
Minority interests	**428**	**395**
Non-current liabilities		
Interest bearing borrowings	402	1,261
Provisions and accruals	576	601
Deferred tax liabilities	432	365
Total non-current liabilities	**1,410**	**2,227**
Current liabilities		
Trade, other payables and accrued expenses	2,743	2,291
Interest bearing borrowings	2,161	1,502
Deferred income	15	10
Total current liabilities	**4,919**	**3,803**
Total liabilities and shareholders' equity	**15,093**	**14,383**

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED CONDENSED INCOME STATEMENTS
for 12 - and 3 - month periods ended 31 December 2002 and 31 December 2001

	For 12 months ended 31 December 2002	For 3 months ended 31 December 2002	For 12 months ended 31 December 2001	For 3 months ended 31 December 2001
	(unaudited)	(unaudited)		(unaudited)
	(PLN million)			
Revenue	**16,828**	**4,703**	**17,038**	**4,297**
Cost of sales	(13,422)	(3,859)	(14,166)	(3,677)
Gross profit	**3,406**	**844**	**2,872**	**620**
Distribution expenses	(1,742)	(535)	(1,504)	(360)
Administrative expenses	(891)	(216)	(829)	(232)
Other operating income (expenses), net	(38)	(28)	78	20
Profit from operations	**735**	**65**	**617**	**48**
Financial income	273	158	333	92
Financial expenses	(280)	(23)	(431)	(84)
Income from associated companies accounted for on an equity basis	13	1	25	-
Profit before income tax and minority interests	**741**	**201**	**544**	**56**
Income tax	(283)	(126)	(153)	(23)
Minority interests	(30)	(4)	(15)	7
Net profit for the period	**428**	**71**	**376**	**40**
Basic and diluted earnings per share (PLN)	**1.02**	**0.17**	**0.89**	**0.10**

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONSOLIDATED CONDENSED CASH FLOW STATEMENTS
for 12 – month periods ended 31 December 2002 and 31 December 2001

	For 12 months ended 31 December 2002	For 12 months ended 31 December 2001
	(unaudited)	
	(PLN million)	
Cash flows from operating activities		
Net profit for the period	428	376
Adjustments for:		
Minority interests	30	15
Net income from investments accounted for on an equity basis	(13)	(25)
Depreciation and amortisation	1,130	1,089
Interest and dividend charges, net	128	209
Result on investing activities	(80)	(29)
Decrease / (increase) in receivables	(264)	222
Decrease / (increase) in inventories	(690)	651
Increase / (decrease) in accrued expenses and payables	498	(371)
Increase / (decrease) in provisions	96	(81)
Other	29	56
Net cash from operating activities	**1,292**	**2,112**
Cash flows used in investing activities		
Acquisition of property, plant and equipment and intangible assets	(966)	(1,533)
Proceeds from sales of property, plant and equipment	38	34
Proceeds from sales of available for sale investments	106	69
Acquisition of available for sale investments	(65)	(163)
Acquisition of subsidiary Ship Service S.A. (net of cash acquired)	(21)	-
Acquisition of subsidiary Anwil S.A. (net of cash acquired)	-	(72)
Acquisition of marketable securities	(227)	(201)
Proceeds from sales of marketable securities	235	216
Dividends and interests received	34	15
Loans granted	-	(98)
Other	(2)	(17)
Net cash flows used in investing activities	**(868)**	**(1,750)**
Cash flows used in financing activities		
Proceeds from long-term loans, short-term loans and other borrowings	1,686	2,306
Repayment of loans and other borrowings	(1,879)	(2,403)
Interest paid	(156)	(216)
Dividends paid to shareholders	(50)	(21)
Other	(10)	(1)
Net cash flows used in financing activities	**(409)**	**(335)**
Net increase in cash and cash equivalents	**15**	**27**
Cash and cash equivalents at beginning of period	**203**	**176**
Cash and cash equivalents at end of period	**218**	**203**

POLSKI KONCERN NAFTOWY ORLEN S.A.
CONDENSED STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
for 12 – month periods ended 31 December 2002 and 31 December 2001
(PLN million)

	Common stock	Capital reserve	Revaluation reserve	Retained earnings	Total shareholders' equity
1 January 2001	**525**	**1,174**	**859**	**5,038**	**7,596**
IAS 39 adoption	-	-	-	7	7
Dividend (PLN 0.05 per share)	-	-	-	(21)	(21)
Net profit	-	-	-	376	376
31 December 2001	**525**	**1,174**	**859**	**5,400**	**7,958**

	Common stock	Capital reserve	Revaluation reserve	Retained earnings	Total shareholders' equity
1 January 2002	**525**	**1,174**	**859**	**5,400**	**7,958**
Dividend (PLN 0.12 per share)	-	-	-	(50)	(50)
Net profit	-	-	-	428	428
31 December 2002 (unaudited)	**525**	**1,174**	**859**	**5,778**	**8,336**

POLSKI KONCERN NAFTOWY ORLEN S.A.
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
for 12 - and 3 - month periods ended 31 December 2002 and 31 December 2001
(PLN million)

1. Principal activities

The principal company of the capital group of Polski Koncern Naftowy ORLEN (further referred to as the "Group") is Polski Koncern Naftowy ORLEN Spolka Akcyjna (further referred to as the "Company" or "PKN ORLEN") located in Plock, Poland at Chemikow Str. 7. PKN ORLEN was established in 1993 as a State Treasury owned joint stock company Mazowieckie Zaklady Rafineryjne i Petrochemiczne "Petrochemia Plock" S.A. Effective from 20 May 1999 the Company changed its name to Polski Koncern Naftowy S.A. Effective from 12 April 2000 the Company changed its name to Polski Koncern Naftowy ORLEN S.A.

The Company is engaged in processing of crude oil into a broad range of petroleum products and petrochemicals and in transportation, 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.

2. Basis of presentation

The Company applied for these consolidated condensed financial statements International Financial Reporting Standards (IFRS) effective for respective accounting periods except for accounting for hyperinflation under International Accounting Standard No 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29). The measurement and the reporting currency of these consolidated condensed financial statements is Polish Zloty ("PLN").

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS have been condensed or omitted pursuant to International Accounting Standard No 34, "Interim Financial Reporting" (IAS 34). The accompanying consolidated condensed financial statements reflect all adjustments, except for adjustments required by IAS 29, of a recurring nature which are necessary for a fair statement of the Company's consolidated results of operations and cash flow for the periods ended on 31 December 2002 and 31 December 2001 and the Company's consolidated financial position as of 31 December 2002 and as of 31 December 2001. The accompanying consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year 2001 and consolidated financial statements and the notes thereto for the six months ended 30 June 2002.
Company will publish consolidated financial statements and the notes thereto for the years ended 31 December 2002 and 31 December 2001 together with the auditors report.

3. Selected explanatory notes

3.1. Accounting policies

The Company followed substantially the same accounting policies and methods of computation in these consolidated condensed financial statements as compared with the consolidated financial statements prepared in accordance with IFRS for the year 2001.

3.2. Unusual items affecting the amounts presented in these financial statements

During 12 - month period ended 31 December 2002, there were no unusual events affecting the amounts presented in these financial statements.

3.3. Changes in estimates

In 2002 the Group has changed the estimate of the closing rate used for reporting of foreign currency monetary items. Until 2001 the closing rate was approximated by the average National Bank of Poland exchange rate at the end of an accounting period ("NBP average"). Since 2002 foreign currency monetary assets are reported at lower of commercial bank's buy rate and NBP average while foreign currency monetary liabilities are reported at higher of commercial bank's sell rate and NBP average. The total impact of the change of estimate on the net profit for four quarters of 2002 amounts to PLN 11 (decrease in net profit).

3.4. Dividends

During 2002 the Company has paid dividends from net profit for 2001 in the amount of PLN 50 (0.12 per share).

3.5. Interest bearing borrowings

	31 December 2002 (unaudited)	31 December 2001
Bank loans	2,158	2,276
Other loans and credits	65	132
Short terms bonds	340	355
Total	2,563	2,763
including:		
short-term portion	2,161	1,502
long-term portion	402	1,261

Total interest bearing borrowings undertaken by the Company decreased by net 200 PLN in the 12 month period ended 31 December 2002. The significant reduction of long - term portion, results form presentation of consortium loan of 200 USD undertaken by the Company in 2002, as short-term as of 31 December 2002. The loan is due in 4 Q 2003.

3.6. Segment revenue and segment result for business segments

Segment:	Refining and Marketing				Chemicals				Other operations				Eliminations				Consolidated			
	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001
Revenue																				
External sales	13.561	3.776	14.359	3.712	2.870	795	2.317	470	397	132	362	115					16.828	4.703	17.038	4.297
Inter-segment sales	2.627	783	2.428	762	1.296	376	1.111	298	1.242	329	1.271	345	(5.165)	(1.488)	(4.810)	(1.405)	-	-	-	-
Total revenue	16.188	4.559	16.787	4.474	4.166	1.171	3.428	768	1.639	461	1.633	460	(5.165)	(1.488)	(4.810)	(1.405)	16.828	4.703	17.038	4.297
Result																				
Segment result	797	107	680	229	200	57	188	(56)	45	(11)	36	(49)	-	1	-	-	1.042	154	904	124
Unallocated corporate expenses																	(307)	(89)	(287)	(76)
Profit from operations																	735	65	617	48
Financial income																	273	158	333	92
Financial expenses																	(280)	(23)	(431)	(84)
Share in profit of subordinated entities accounted for on an equity basis	-	-	-	-	2	-	12	-	11	1	13	-	-	-	-	-	13	1	25	-
Profit before income tax																	741	201	544	56
Income taxes																	(283)	(126)	(153)	(23)
Minority interests																	(30)	(4)	(15)	7
Net profit																	428	71	376	40

POLSKI KONCERN NAFTOWY ORLEN S.A.
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
for 12 - and 3 - month periods ended 31 December 2002 and 31 December 2001
(PLN million)

	Refining and Marketing				Chemicals				Other operations				Elimanations		Total			
	For 12 month period ended 31 December 2002	For 3 month period ended 31 December 2002	For 12 month period ended 31 December 2001	For 3 month period ended 31 December 2001	For 12 month period ended 31 December *2001*	For 3 month period ended 31 December 2001	For 12 month period ended 31 December 2001	For 3 month period ended 31 December 2001	For 12 month period ended 31 December 2002	For 3 month period ended 31 December 2002	For 12 month period ended 31 December 2001	For 3 month period ended 31 December 2001	For 12 month period ended 31 December 2002	For 12 month period ended 31 December 2001	For 12 month period ended 31 December *2001*	For 3 month period ended 31 December 2001	For 12 month period ended 31 December 2001	For 3 month period ended 31 December 2001
Property, plant, equipment and intangible assets expenditure	554	155	955	216	920	325	1.364	398	183	93	294	143			920	325	1.364	398
Property, plant, equipment and intangible assets expenditure unallocated to segments					28	2	60	16							28	2	60	16
Total property, plant, equipment and intangible assets expenditure					948	327	1.424	414							948	327	1.424	414
Segment depreciation	754	195	757	187	1.127	293	1.060	271	208	60	145	43			1.127	293	1.060	271
Unallocated assets depreciation					33	8	26	7							33	8	26	7
Total depreciation					1.160	301	1.086	278							1.160	301	1.086	278
Non-cash expenses other than depreciation	150	62	107	61	192	68	168	89	16	1	44	18			192	68	168	89

Geographical segments

The Group operates mainly in Poland. The following table shows the distribution of the Group's consolidated sales by geographical market segmental reporting for business segments for years ended 31 December 2002 and 31 December 2001.

Segment:	Refining and Marketing				Chemicals				Other operations				Consolidated			
	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001	For year ended 31 December 2002	For 3 month period ended 31 December 2002	For year ended 31 December 2001	For 3 month period ended 31 December 2001
Export sales	909	241	627	149	800	233	537	117	15	4	8	2	1.724	478	1.172	268
Domestic sales	12.652	3.535	13.732	3.563	2.070	562	1.780	353	382	128	354	113	15.104	4.225	15.866	4.029
Total external revenue	13.561	3.776	14.359	3.712	2.870	795	2.317	470	397	132	362	115	16.828	4.703	17.038	4.297

3.7. Basic and diluted earnings per share

Basic earnings per share (PLN)	For 12 months ended 31 December 2002	For 3 months ended 31 December 2002	For 12 months ended 31 December 2001	For 3 months ended 31 December 2001
Weighted average common stock outstanding	420,177,137	420,177,137	420,177,137	420,177,137
For the period per share (PLN)	1.02	0.17	0.89	0.10

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

3.8. Changes in contingent liabilities and risks after 31 December 2001

Description of contingent liabilities and risks has been presented in consolidated financial statements for the 6 months ended 30 June 2002. No significant changes of contingent liabilities and risks have occurred since the day of preparation of the consolidated financial statements for the 6 months ended 30 June 2002, apart form those presented below.

On 15 November 2002, based on the act on restructuring of some budget receivables from entrepreneurs, subsidiary – Rafineria Trzebinia S.A. – applied for the restructuring of budget receivables concerning VAT and excise duty 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. On 30 December 2002 fiscal authorities issued a decision on restructuring conditions, stating the restructuring charge in the amount of PLN 5. At the date of preparation of these financial statements, a tax audit on similar case in Rafineria Trzebinia S.A. in relation to periods from 1999 to 2001 has been in progress and its results are not yet known. In case of sustaining similar qualifications, in the course of further proceeding, a risk of setting other amount of tax liabilities for the periods form 1999 to 2001 exists. In the Company's management view, considering strong merit background and obtained legal opinion, likelihood of an unfavourable result of the tax audit is low.

3.9. Subsequent events

There were no subsequent events after 31 December 2002 having material influence on the condensed consolidated financial statements.

3.10. Operating costs

	12 months ended 31 December 2002 (unaudited)	3 months ended 31 December 2002 (unaudited)	12 months ended 31 December 2001	3 months ended 31 December 2001 (unaudited)
Raw materials and energy	10,266	2,811	10,549	2,653
Cost of goods bought for resale	1,836	636	1,754	368
External services	1,483	459	1,405	458
Payroll and benefits (staff costs)	1,016	247	1,011	262
Depreciation and amortisation	1,160	301	1,086	278
Taxes and charges	282	67	252	31
Other	257	82	120	18
Adjusted by:				
Change in inventories, deferred and accrued costs	(143)	51	294	211
Internal costs capitalised	(64)	(16)	(50)	(30)
Operating costs	16,093	4,638	16,421	4,249

3.11. Transformation for International Financial Reporting Standards purposes

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

	Net profit for 12 months ended 31 December 2002 (unaudited)	Net profit for 3 months ended 31 December 2002 (unaudited)	Net profit for 12 months ended 31 December 2001	Net profit for 3 months ended 31 December 2001 (unaudited)
PAS basis consolidated*	486	110	366	44
Distributions from profit	-	-	(3)	-
Borrowing costs capitalisation, net of depreciation	(25)	(16)	62	4
Amortisation of CPN goodwill	(11)	(3)	(11)	(3)
IFRS treatment of negative goodwill	8	2	(17)	(4)
Deferred tax on above	(17)	(21)	(10)	1
Other	(13)	(1)	(11)	(2)
IFRS consolidated	428	71	376	40

3.11. Transformation for International Financial Reporting Standards purposes (continue)

	Net assets as of	
	31 December 2002	**31 December 2001**
	(unaudited)	
PAS basis consolidated *	7,934	7,501
Borrowing costs capitalisation, net of depreciation	526	551
CPN goodwill, net of amortisation	72	83
IFRS treatment of negative goodwill	(71)	(79)
Deferred tax on above	(140)	(123)
Other	15	25
IFRS consolidated	8,336	7,958

* following changes in PAS introduced by the amended Accounting Act effective on 1 January 2002, the PAS figures for year 2002 were prepared under the new PAS rules; the comparative data for year 2001 has been restated using the new PAS rules and differs from previously published.

3.12. Other

The consolidated financial statements have been authorised by Company's Management Board at premises of the Company on 25 February 2003.

Signatures of the Members of the Management Board

.....
President - Zbigniew Wróbel

....
Vice President – Jacek Strzelecki **Vice President** – Sławomir Golonka

....
Vice President – Janusz Wiśniewski **Vice President** – Andrzej Macenowicz