POLSKI KONCERN NAFTOWY ORLEN S.A.

LONG FORM AUDITOR'S REPORT SUPPLEMENTING THE OPINION ON THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

This is a translation of a document originally issued in the Polish language.

I. GENERAL NOTES

1. Background

Polski Koncern Naftowy ORLEN Spolka Akcyjna (hereinafter the Company) was formed through transformation of a State-owned enterprise into a joint stock company, on the basis of the Public Notarial Act of 29 June 1993. The address of the Company's registered office is Plock, Chemikow St. 7.

The Company was entered into the National Court Register kept by District Court in Warsaw, XXI Economic and Registry Department of National Court Register Entry No. KRS 28860 on 26 July 2002.

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

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

The Company uses the NIP number 774-00-01-454 granted on 10 September 1993 and the REGON statistical number 610188201 granted on 8 July 1993.

On 19 May 1999 General Meeting of Shareholders of the Company adopted a resolution on merger of the Company with Centrala Produktow Naftowych "CPN" S.A. ("CPN") by incorporation of CPN to the Company consistently with Art. 463 point 1 of the Commercial Code.

On 7 September 1999 CPN was deregistered and the merger became effective.

The Company is the dominant entity in capital group – related entities are listed in description notes and explanations to audited financial statements for the year ended 31 December 2002 in note 4E.

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

- processing of crude oil and manufacturing of oil-derivative / refinery and petrochemical products and semi-finished products,
- research and development activity, project work, construction and production activities on own account and as the consignee, in the areas of manufacturing, storage, packaging and trade in solid, liquid and gaseous oil products, secondary chemical products as well as transportation: by land, by trail, water and by pipeline,
- transportation activity including land transport, trail transport, water and pipeline transport,
- storage of oil and liquid gas, creation and management of oil stock according to the appropriate regulations,

(in thousands PLN)

- services connected to the principal activity, especially:
  - land and sea reloading,
  - refining of gas and oil including ethylisation, dyeing and blending of components,
- purchase, trade and manufacturing of used lubricant oil and other chemical waste,
- manufacturing, transportation and trade in electrical and heating energy,
- reconditioning of the appliances used in core activities, especially refinery and petrochemical appliances, oil storage appliances, oil stations and means of transportation,
- metal production and manufacturing of plastic raw materials,
- operation of gas stations, bars, restaurants and hotels,
- capital investment activity, in particular: purchasing and trade of shares and stock in Polish and foreign trade,
- activities in the area of education, professional schooling and internal human capital services.

As at 31 December 2002, the Company's issued share capital amounted to PLN 525,221,421 thousand and was divided into 420,177,137 shares with a par value of PLN 1.25 each.

In accordance with information obtained from the Company as at 31 December 2002, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of equity
Nafta Polska S.A.	74,076,299	74,076,299	92,595,374	17.63%
State Treasury	43,633,897	43,633,897	54,542,371	10.38%
Bank of New York (GDR holders)	56,932,910	56,932,910	71,166,138	13.55%
Others (below 5%)	245,534,031	245,534,031	306,917,539	58.44%
	420,177,137	420,177,137	525,221,421	100.00%

On 20 June 2002 the Company was informed, that Kulczyk Holding S.A. and its affiliates, possessed 23,911,206 shares of PKN ORLEN , constituting 5.69% of total number of votes on the General Meeting of Shareholders.

There were no movements in the share capital in the financial year.

Members of the Company's Management Board as at 25 March 2003 were as follows:

Zbigniew Wrobel	- President
Jacek Strzelecki	- Vice-President
Slawomir Golonka	- Vice-President
Janusz Wisniewski	- Vice-President
Andrzej Macenowicz	- Vice-President

During the financial year the following changes in the composition of the Management Board took place:

On 8 February 2002 the following Members of the Management Board were dismissed:
- Andrzej Modrzejewski – President
- Jaroslaw Tyc – Vice-President
- Andrzej Dretkiewicz – Member of the Board

On 7 March 2002 the following Members of the Management Board were dismissed:
- Czeslaw Bugaj – Member of the Board
- Wladyslaw Wawak – Member of the Board
- Wojciech Weiss – Member of the Board

On 28 June 2002 mandate of Vice-President of the Management Board Krzysztof Cetnar has expired.

On the 8 February 2002 the following Members were appointed to the Management Board:
- Zbigniew Wrobel,
- Slawomir Golonka,
- Andrzej Macenowicz.

On 7 March 2002 Janusz Wisniewski was appointed to the Management Board.

On 11 July 2002 Jacek Strzelecki was appointed to the Management Board.

2. FINANCIAL STATEMENTS

2.1. Auditor's opinion and audit of financial statements

Ernst & Young Audit Sp. z o.o. located in Warsaw, Sienna St. 39, is a certified entity entered on the list of certified auditors under no. 130.

Ernst & Young Audit Sp. z o.o. was elected by the Supervisory Board of PKN ORLEN S.A. on 24 October 2002 to audit the Company's financial statements.

Ernst & Young Audit Sp. z o.o. and the auditor managing the audit meet the conditions, as defined by art. 66 clause 2 and 3 of the Accounting Act dated September 29, 1994 (Journal of Laws No 76 dated 17of June 2002) ("the Act"), enabling them to express an impartial and independent opinion on the financial statements.

Pursuant to the agreement executed on 23 December 2002 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2002.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole.

Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued a separate auditor's opinion dated 25 March 2003, which was as follows:

"1. We have audited the attached financial statements for the year ended 31 December 2002 of Polski Koncern Naftowy ORLEN S.A. (the "Company") located in Plock at Chemikow St. 7, containing:

- the introduction to the financial statements,
- the balance sheet as at 31 December 2002 with total assets amounting to 12,590,537,906.02 zlotys (in words twelve billion five hundred ninety million five hundred thirty seven thousand nine hundred six zlotys and 02/100),
- the profit and loss account for the period from 1 January 2002 to 31 December 2002 with a net profit amounting to 382,269,825.11 zlotys (in words three hundred eighty two million two hundred sixty nine thousand eight hundred twenty five zlotys and 11/100),
- the statement of changes in shareholders' equity for the period from 1 January 2002 to 31 December 2002 with a net increase in shareholders' equity amounting to 404,497,865.27 zlotys (in words four hundred four million four hundred ninety seven thousand eight hundred sixty five zlotys and 27/100),
- the cash flow statement for the period from 1 January 2002 to 31 December 2002 with a net cash outflow amounting to 20,132,245.92 zlotys (in words twenty million one hundred thirty two thousand two hundred forty five zlotys and 92/100) and
- the additional notes and explanations.

The format of the attached financial statements for the year ended 31 December 2002 ("the attached financial statements") is prescribed by the Decree of the Council of Ministers of 16 October 2001 on current and periodic information provided by issuers of securities (Journal of Law No. 139, item 1569 with further amendments) ("Decree on current and periodic information").

2. The truth and fairness of the attached financial statements and the proper maintenance of the accounting records are the responsibility of the Management Board. Our responsibility was to audit the attached financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair and whether the accounting records that form the basis for their preparation are, in all material respects properly maintained.

3. We conducted our audit of the financial statements in accordance with the following regulations being in force in Poland:

   - chapter 7 of the Accounting Act, dated 29 September 1994 (the "Accounting Act"),
   - the auditing standards issued by the National Chamber of Auditors,

   in order to obtain reasonable assurance whether the financial statements and books and records are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management, as well as evaluating the overall presentation of financial statement. We believe our audit has provided a reasonable basis to express our opinion on the financial statements treated as a whole.

4. The financial statements for the prior financial year ended 31 December 2001 were subject to an audit by another auditor who issued an unqualified opinion on these financial statements, dated 6 May 2002.

5. In our opinion, the attached financial statements, in all material respects:

   - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2002 to 31 December 2002, as well as its financial position as at 31 December 2002;
   - have been prepared in accordance with the accounting principles specified in the Accounting Act referred to above and regulations issued based on that Act, on a consistent basis, and based on properly maintained accounting records;
   - are in accordance with the Accounting Act referred to above and regulations issued based on that Act and the Company's articles of association that affect their content.

6. Without qualifying our opinion, we draw attention to the following issues:

   (a) As of 1 January 2002, the Act dated 9 November 2000 on Amendments to the Accounting Act became effective. Due to the above, the Company changed its accounting policies as presented in detail in Note C of the introduction to the financial statements and in Note 61 of the additional information and explanations of the attached financial statements.

   (b) In accordance with the regulations of the Accounting Act, the Company has presented in the attached financial statements shares in subsidiaries and associates at cost (adjusted for any permanent diminution in value). In accordance with the Accounting Act, the Capital Group of Polski Koncern Naftowy ORLEN S.A. (the “Capital Group”), of which the Company is the parent company, will prepare consolidated financial statements. The financial results and net assets of the Capital Group's will significantly differ from the Company’s financial results for the 12 month period ended 31 December 2002 and its net assets as at that date.

7. We have read the Management Board Commentary on the Company’s Operations for the period from 1 January 2002 to 31 December 2002 and the Rules for Preparing Annual Financial Statements (“Directors’ Report”) and conclude that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors’ Report corresponds with § 64 prescribed by the Decree on current and periodic information."

The audit of the Company’s financial statements was carried out from 20 January 2003 to 25 March 2003 at Company’s premises.

2.2. Representations provided and availability of data

The Management Board confirmed its responsibility for the truth and fairness of the financial information presented in the financial statements. The Management Board provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board has provided a written representation that:

- the information disclosed in the books of account were complete,
- all contingent liabilities had been included in the financial statements,
- all material events from the balance sheet date to the date of the representation were disclosed in the financial statements,

and confirmed that the information provided to us was true and fair to the best of the Management Board’s knowledge and belief, and included all events that could have an effect on the financial statements.

(in thousands PLN)

2.3. Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2001 were audited by Lukasz Zalicki under the evidence number 9542/7118 acting for Arthur Andersen Sp. z o.o. located in Warsaw, Emilii Plater St. 53, under the evidence number 66. The chartered auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2001, on 6 May 2002. The Company's financial statements for the year ended 31 December 2001 were approved by the General Meeting of Shareholders on 28 June 2002 at which meeting the stockholders resolved to distribute the 2001 profit as follows:

Dividends for shareholders (PLN 0.12 per share)	50,421,256.44
Supplementary capital	197,605,162.56

	248,026,419.00
	=========

The financial statements for the financial year ended 31 December 2001 together with the auditor's opinion, the excerpt from the resolution approving the financial statements, the excerpt from the resolution on the distribution of profit and the Directors' report were filed on, 8 July 2002, in the National Court Register.

The balance sheet as of 31 December 2001, profit and loss account and cash flow statement for the year ended 31 December 2001 together with the auditor's opinion, the excerpt from the resolution approving the financial statements and the excerpt from the resolution on the distribution of profit were published on, 14 November 2002, in Monitor Polski B.

(in thousands PLN)

3. ANALYTICAL REVIEW

3.1. Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2001 - 2002. The ratios were calculated on the basis of the financial data included in the audited financial statements for the year ended 31 December 2002. The ratios indicating the financial performance of the Company in 2000 have not been presented as they have not been adjusted for the amended Accounting Act.

	2002	**2001**
Total assets	12,590,537	11,982,186
Shareholders' funds	7,263,591	6,932,385
Net profit/ loss	382,270	260,860
Return on assets $\frac{\text{Net profit}}{\text{Total assets}}$	3.0%	2.2%
Return on equity $\frac{\text{Net profit}}{\text{Shareholders' Funds}}$	5.3%	3.8%
Profit margin $\frac{\text{Net profit}}{\text{Sales}}$	1.6%	1.1%
Liquidity I $\frac{\text{Current assets}}{\text{Short-term creditors}}$	1.00	1.12
Liquidity III $\frac{\text{Trade securities + cash}}{\text{Short-term creditors}}$	0.02	0.03
Debtors days $\frac{\text{Trade debtors at the end of the period x 365}}{\text{Net sales}}$	18	18
Creditors days $\frac{\text{Trade creditors at the end of the period x 365}}{\text{Costs of sold goods for resale + cost of sold products}}$	41	28
Stock turnover $\frac{\text{Stock x 365}}{\text{Cost of sold goods for resale + cost of sold products}}$	77	55
Stability of financing $\frac{\text{Equity + provisions + long-term creditors}}{\text{Total liabilities and equity}}$	65.3%	72.6%

(in thousands PLN)

Debt ratio (%)	42.31%	42.14%
(Total liabilities – shareholders' funds) x 100 / Total assets		
Rate of inflation:		
yearly average	1.9%	5.5%
December to December	0.8%	3.6%

3.2 Comments on changes in financial ratios

Trends in the financial ratios were as follows:

Profitability ratios

In 2002 all profitability indices have increased in comparison to 2001: ROA from 2.2% to 3.0%, ROE from 3.8% to 5.3% and profit margin from 1.1% to 1.6%.

Liquidity ratios

Liquidity I index has decreased in 2002 by 0.12 in comparison with 2001. Its level in 2001 and 2002 was equal to 1.12 and 1.00 respectively. During the year 2002 liquidity III index decreased by 0.01 compared to 2001. It amounted 0.03 and 0.02 in 2001 and 2002 respectively.

Efficiency ratios

Debtors turnover in years 2002 and 2001 amounted to 18 days. The creditors turnover ratio in 2002 amounted to 41 days and increased by 13 days compared to 2001, when it reached the level of 28 days.

Stock turnover ratio in 2002 grew by 22 days comparing to 2001 and amounted to 77 days. In 2001 its value equalled to 55 days.

Gearing

Gearing ratio fell from 72.6% in 2001 to 65.3% in 2002.

Debt ratio

Debt ratio in years 2001-2002 maintained a steady level and amounted to 42.14% and 42.31% in 2001 and 2002 respectively.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is not able to continue as a going concern for twelve months subsequent to 31 December 2002 as a result of an intended or involuntary closure or a substantial limitation of the current operations.

II. DETAILED REPORT

1. ACCOUNTING SYSTEM AND INTERNAL CONTROL SYSTEM

The Management Board is responsible for the completeness and accuracy of the books of accounts as well as for establishing and maintaining the Company's internal control system and preventing and discovering any irregularities.

In fulfilling this responsibility, the Management Board is required to make estimates and apply judgment to assess the expected benefits and costs relating to the policies and procedures that make up the Company's internal control system.

Internal control systems must provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition and that transactions are executed in accordance with management's authorisation and recorded properly to permit the preparation of financial statements in accordance with the Act.

Limitations inherent in any internal control system may allow certain errors or irregularities to occur and not be detected.

Material weaknesses are those weaknesses, where the design or operations of one or more elements of the internal control system do not ensure the reduction of risk to a relatively low level, such that errors or irregularities, which might prove material in relation to the audited financial statements, will occur and will not be discovered and corrected on a timely basis, by employees in the normal course of their duties.

1.1 Applied Accounting System

The Company's accounts are kept using the computer system SAP R/3 in the Company's office.

During our audit we have not noticed any material irregularities in the books of accounts which were not subsequently corrected and could have a material effect on the audited financial statements. These would include matters related to:

- the reliability of the accounting records, the absence of errors in the accounting records and trail of entries in the accounting records,
- the fact whether business transactions are supported by documents,
- the correctness of opening balances based on approved prior year figures,
- consistency between the accounting records, source documentation and the financial statements,
- the requirements on the safeguarding of accounting records and storing the accounting books and the financial statements.

1.2 Internal control

The purpose of our audit was to express an opinion on the financial statements. As the audit procedures are performed on a test basis, irregularities in the accounting records or the financial statements, or fraud and abuse may occur and be left undetected.

In planning and performing our audit of the Company's financial statements for the year ended 31 December 2002, we considered its internal control system in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control system. Our consideration of the internal control system would not necessarily disclose all deficiencies in the system that might be considered to be material weaknesses.

During our audit we did not detect any irregularities in the internal control system, as defined in p. II.1 above, which could have had a material effect on the audited financial statements, including access control over data and the processing of the data by the Company's computer system.

2. ASSETS

Details of the Company's assets are presented in the audited financial statements for the year ended 31 December 2002.

Fixed assets were last counted during the year 2002 on a perpetual count system basis. The Company prepare the counting plan at yearly intervals. According to the plan each fixed asset is counted at least once every fourth year, with compliance of the Act. Any differences between the balance of fixed assets based on the accounting records and the figure arrived at during the count were adjusted in the accounting records in the year 2002.

Stocktaking of raw materials, semi-finished products, finished products and goods for resale was performed during the year 2002 on a perpetual stocktaking system basis.

Stocktaking of work in progress was performed on 31 December 2002.

Any significant differences between the balance per stock count and the books were explained and appropriately adjusted.

The balance of the trade debtors was confirmed by the Company at 31 October 2002. Confirmations received by the Company account for 81% of the total of trade debtors. All significant differences between debtor confirmations received and the balances in the accounting records were appropriately adjusted.

(in thousands PLN)

The ageing of trade debtors is as follows:

Up to 3 months	1,004,707
From 3 to 6 months	33
From 6 to 12 months	82
Over 12 months	-
Overdue, including:	339,417
Up to 1 month	177.957
Over 1 month up to 3 months	46.232
Over 3 months up to 6 months	18.216
Over 6 months up to 1 year	30.098
Over 1 year	66.914

Trade debtors gross	1,344,239
Provision	(150,861)

Trade debtors net	1,193,378
	========= =

3. LIABILITIES

Details of the Company's liabilities are presented in the audited financial statements for the year ended 31 December 2002.

Trade creditors balances were confirmed by the Company on 31 October 2002. Confirmations received by the Company account for 70% of the total of the trade creditors. Any significant differences between confirmations received and the balances in the accounting records were appropriately adjusted.

4. PROFIT AND LOSS ACCOUNT

Details of the profit and loss account are included in the audited financial statements for the year ended 31 December 2002.

5. NOTES TO THE FINANCIAL STATEMENTS

The introduction to the financial statements and the additional information and notes to the financial statements for the year ended 31 December 2002 (jointly "notes to the financial statements") are in all material aspects consistent with the requirements of the Act, including art.45 of the Act.

(in thousands PLN)

6. DIRECTORS' REPORT

We have read the Report by the Management Board on the Company's Activities for the Period from 1 January 2002 to 31 December 2002 and the Rules for Preparing Annual Financial Statements ("Directors' Report") and conclude that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with § 64 prescribed by the Decree of the Council of Ministers of 16 October 2001 on current and periodic information provided by issuers of securities (Journal of Law No. 139, item 1569 with further amendments) ("Decree on current and periodic information").

7. CONFORMITY WITH LAW AND REGULATIONS

We have obtained a written Representation Letter from the Management Board that no laws or regulations were violated during the financial year. During our audit no facts indicating the violations of law or statute came to our attention which could have a material effect on the audited financial statements of the Company.

8. SPECIALIST'S WORK UTILISATION

While auditing, we have benefited from work of the following independent specialists:

- Actuary – (Deloitte & Touche) – valuation of prospective liabilities other than salaries and wages as of 31 December 2002.
- WS Atkins – specialist company – valuation of prospective environmental expenses in April 2002

on behalf of
Ernst and Young Audit Sp. z o.o.
00-121 Warszawa,
ul. Sienna 39
No 130

Lukasz Zalicki	Jacek Hryniuk
Certified auditor No 9542/7118	Certified auditor No 9262/6958

Warsaw, 25 March 2003