(This is a translation of a document originally issued in Polish)

THE LOTOS GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2008

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

ALONG WITH THE AUDITOR'S REVIEW REPORT

FINANCIAL HIGHLIGHTS – CONSOLIDATED

	PLN'000		EUR'000	
THE LOTOS GROUP	**6 months ended Jun 30 2008**	**6 months ended Jun 30 2007** (comparable data)	**6 months ended Jun 30 2008**	**6 months ended Jun 30 2007** (comparable data)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	7,779,391	5,614,584	2,237,000	1,458,864
Operating profit	480,402	303,852	138,142	78,951
Pre-tax profit	872,893	384,514	251,004	99,910
Net profit	701,817	304,974	201,811	79,243
Net profit attributable to equity holders of the parent	665,941	295,559	191,494	76,796
Net profit attributable to minority interests	35,876	9,415	10,316	2,446
Net cash provided by/(used in) operating activities	(881)	106,607	(253)	27,700
Net cash provided by/(used in) investing activities	(792,475)	(240,103)	(227,880)	(62,387)
Net cash provided by/(used in) financing activities	641,534	(11,838)	184,476	(3,076)
Total net cash flow	(156,366)	(146,629)	(44,964)	(38,099)
Basic earnings per ordinary share (PLN/EUR)	5.86	2.60	1.69	0.68
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN'000		EUR'000	
	As at Jun 30 2008	As at Dec 31 2007	As at Jun 30 2008	As at Dec 31 2007
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	10,939,042	9,720,384	3,261,297	2,713,675
Equity attributable to equity holders of the parent	6,475,904	5,816,227	1,930,685	1,623,737
Equity attributable to minority interests	367,817	334,691	109,659	93,437
Total equity	6,843,721	6,150,918	2,040,344	1,717,174

The financial highlights as at June 30th 2008 were translated using the euro mid-exchange rate quoted by the National Bank of Poland for the euro on that date, i.e. EUR 1 = PLN 3.3542. Items of the income statement and the cash flow statement contained in the "Financial Highlights" table for the six months of 2008 (cumulatively) were translated at the exchange rate of EUR 1 = PLN 3.4776 (the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2008).

In the "Financial Highlights" table, the balance-sheet items as at December 31st 2007 were translated using the euro mid-exchange rate published by the National Bank of Poland for that date, i.e. EUR 1 = PLN 3.5820.
Items of the income statement and the cash-flow statement contained in the "Financial Highlights" table for the six months of 2007 (cumulatively) were translated at the exchange rate of EUR 1 = PLN 3.8486 (the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2007).

CONSOLIDATED BALANCE SHEETS

as at June 30th 2008 and December 31st 2007

(PLN '000)	Note	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,782,208	3,471,247
Prepayment for tangible assets under construction	11	1,219,627	781,780
Goodwill	17	58,207	58,207
Intangible assets	15	60,370	64,999
Investment property	14	8,829	3,445
Investments in associated undertakings	18	19,774	48,519
Non-current financial assets	19	24,911	21,553
Deferred tax asset	41	40,512	31,732
Non-current receivables	12	10,308	12,668
Prepayments and accrued income	13	8,683	13,976
Total non-current assets		**5,233,429**	**4,508,126**
Current assets			
Inventories	22	3,072,264	2,589,322
Trade and other receivables, including:	23	1,781,405	1,542,465
- income tax receivables		1,358	1,867
Prepayments and accrued income	13	39,831	31,868
Current financial assets	20	85,985	119,342
Cash and cash equivalents	24	721,891	924,995
Total current assets		**5,701,376**	**5,207,992**
Assets held for sale	16	**4,237**	**4,266**
Total assets		**10,939,042**	**9,720,384**

CONSOLIDATED BALANCE SHEETS
as at June 30th 2008 and December 31st 2007

(PLN '000)	Note	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	26	113,700	113,700
Statutory reserve funds		970,951	970,951
Retained earnings/(deficit)		5,412,162	4,746,221
Translation reserve		(20,909)	(14,645)
Equity attributable to equity holders of the parent		**6,475,904**	**5,816,227**
Equity attributable to minority interests	29	**367,817**	**334,691**
Total equity		**6,843,721**	**6,150,918**
Non-current liabilities			
Interest-bearing loans and borrowings	30	1,124,825	842,943
Non-current provisions	31	211,325	208,594
Deferred tax liability	41	141,357	154,789
Other (financial) liabilities	32	9,675	9,323
Total non-current liabilities		**1,487,182**	**1,215,649**
Current liabilities			
Trade payables, accruals and deferred income, and other liabilities, including:	33	1,986,138	1,757,451
- income tax expense		54,035	20,446
Interest-bearing loans and borrowings	30	489,206	517,193
Current provisions	31	81,418	74,268
Other financial liabilities	32	51,377	4,905
Total current liabilities		**2,608,139**	**2,353,817**
Total liabilities		**4,095,321**	**3,569,466**
Total equity and liabilities		**10,939,042**	**9,720,384**

CONSOLIDATED INCOME STATEMENTS

for the six months ended June 30th 2008 and June 30th 2007

(PLN '000)	Note	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Sales revenue	35	7,779,391	5,614,584
Cost of sales	36	(6,764,766)	(4,848,883)
Gross profit on sales		**1,014,625**	**765,701**
Other operating income	37	13,833	48,146
Selling costs	36	(347,003)	(334,721)
General and administrative expenses	36	(162,766)	(148,271)
Other operating expenses	38	(38,287)	(27,003)
Operating profit		**480,402**	**303,852**
Financial income	39	493,143	95,828
Financial expenses	40	(100,652)	(15,154)
Interest in investments in associated undertakings	18	-	(12)
Pre-tax profit		**872,893**	**384,514**
Corporate income tax	41	(171,076)	(79,540)
Net profit on continued operations		**701,817**	**304,974**
Attributable to:			
Equity holders of the parent		665,941	295,559
Minority interests	29	35,876	9,415
		701,817	**304,974**
Net earnings per share (PLN)			
- basic	28	5.86	2.60
- diluted		-	-

The Notes to the consolidated financial statements, attached on pages 10 to 124, are its integral part.

CONSOLIDATED CASH FLOW STATEMENTS

for the six months ended June 30th 2008 and June 30th 2007

(PLN '000)	Note	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Cash flows from operating activities			
Net profit		**701,817**	**304,974**
Adjustments:			
Share in net profit/(loss) of subordinated undertakings valued with equity method		-	12
Depreciation and amortisation		157,758	150,489
Foreign exchange (gains)/losses		(92,510)	(550)
Net interest and dividend paid		(941)	3,035
(Profit)/Loss on investing activities		94,837	(18,834)
Income tax paid		(159,246)	(26,282)
Current income tax		171,076	79,540
(Increase) in receivables	25	(235,378)	(76,283)
(Increase) in inventories	25	(483,283)	(490,376)
Increase in liabilities and accruals and deferred income	25	114,921	239,865
Increase/(Decrease) in provisions	25	9,915	(26,660)
(Increase) in prepayments and accrued income		(10,395)	(26,992)
Other adjustments	25	(269,452)	(5,331)
Net cash provided by/(used in) operating activities		**(881)**	**106,607**
Cash flows from investing activities			
Dividend received		15,447	28,248
Interest received		14,691	8,331
(Purchase)/Sale of property, plant and equipment and intangible assets		(337,778)	(111,191)
Prepayments for tangible assets under construction		(485,298)	(348,762)
Repayment of non-current loans advanced		9	-
(Purchase)/Sale of current financial assets		445	183,236
Other items, net		9	35
Net cash provided by/(used in) investing activities		**(792,475)**	**(240,103)**
Cash flows from financing activities			
Increase in loans and borrowings		409,923	14,743
Repayment of loans and borrowings		(11,357)	(9,184)
Interest paid		(23,354)	(9,580)
Decrease in finance lease liabilities		(510)	-
Dividend paid - to minority shareholders	29	(2,578)	(8,593)
Other items, net	25	269,410	776
Net cash provided by/(used in) financing activities		**641,534**	**(11,838)**
Change in cash on account of foreign exchange (gains)/losses		(4,544)	(1,295)
Change in net cash		**(156,366)**	**(146,629)**
Cash at beginning of period		**477,104**	**624,165**
Cash at end of period	25	**320,738**	**477,536**
- restricted cash		21,052	25,316

STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY

for the six months ended June 30th 2008 and June 30th 2007

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings/ (deficit)	Translation reserve	Equity attributable to equity holders of the parent	Equity attributable to minority interests	Total equity
Jan 1 2007 (comparable data) (audited)	**113,700**	**970,951**	**4,014,432**	**(3,556)**	**5,095,527**	**306,416**	**5,401,943**
Net profit for six months ended Jun 30 2007	-	-	295,559	-	295,559	9,415	304,974
Dividend	-	-	(40,932)	-	(40,932)	(8,593)	(49,525)
Other	-	-	-	(1,753)	(1,753)	(118)	(1,871)
Jun 30 2007 (comparable data) (unaudited)	**113,700**	**970,951**	**4,269,059**	**(5,309)**	**5,348,401**	**307,120**	**5,655,521**
Jan 1 2008 (audited)	**113,700**	**970,951**	**4,746,221**	**(14,645)**	**5,816,227**	**334,691**	**6,150,918**
Net profit for six months ended Jun 30 2008	-	-	665,941	-	665,941	35,876	701,817
Dividend	-	-	-	-	-	(2,578)	(2,578)
Other	-	-	-	(6,264)	(6,264)	(172)	(6,436)
Jun 30 2008 (unaudited)	**113,700**	**970,951**	**5,412,162**	**(20,909)**	**6,475,904**	**367,817**	**6,843,721**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Grupa LOTOS S.A. ("the Company", "the Parent Undertaking"), the parent undertaking of the LOTOS Group ("the Group") was established by virtue of the Notarial Deed dated September 18th 1991. On April 10th 2002, the Company was entered into the National Court Register maintained by the District Court of Gdańsk, XII Commercial Division of the National Court Register (currently the District Court for Gdańsk – Północ, VII Commercial Division of the National Court Register), under entry No. KRS 0000106150. The Company was assigned the Industry Identification Number (REGON) 190541636.

The Company's registered office is situated at ul. Elbląska 135, 80-718 Gdańsk, Poland.

In 2003, by virtue of its decision of May 28th 2003, the District Court of Gdańsk, XII Commercial Division of the National Court Register, changed the Company's trade name from Rafineria Gdańska Spółka Akcyjna to Grupa LOTOS Spółka Akcyjna.

The Group's core business consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes exploration and extraction of crude oil and natural gas reserves.

The Parent Undertaking holds the following licences related to its core business:

- Licence for production of liquid fuels, issued by the President of URE on November 28th 1998 and extended until December 31st 2025 by virtue of the decision of the President of URE of October 5th 2007,
- Licence for trade in liquid fuels, issued by the President of URE on November 23rd 1998 and extended until December 31st 2025 by virtue of the decision of the President of URE of October 5th 2007,
- Licence for storage of liquid fuels valid until October 15th 2016, issued by the President of URE on October 10th 2006,
- Licence for generation of electricity valid until October 5th 2010, issued by the President of URE on September 29th 2000,
- Licence for trade in electricity valid until September 10th 2011, issued by the President of URE on September 5th 2001,
- Licence for transmission and distribution of electricity valid until September 10th 2011, issued by the President of URE on September 5th 2001.

In addition, the companies of the LOTOS Group hold the following licences:

- Licences for exploration and prospecting of oil and natural gas deposits situated in certain areas of Poland (in the Gaz Południe area – valid until December 14th 2012, in the areas of Gaz Północ, Gotlandia, Łeba, Rozewie, Sambia E and Sambia W – valid until December 14th 2010, and in Wolin – valid until June 14th 2011) issued by the Minister of Natural Environment,
- Licences for deposit exploitation issued by the Minister of Natural Environment (B6 deposit – licence valid until November 7th 2026, B3 deposit – licence valid until July 29th 2016, B8 deposit – licence valid until September 5th 2016, and B4 deposit – licence valid until May 11th 2032),
- Licences issued by the President of URE for the following activities: production and storage of liquid fuels, trade in liquid and gaseous fuels, transmission and distribution of gaseous fuels, transmission and distribution of heat, generation, transmission and distribution of electricity, and trade in electricity,
- Licences for production, storage and marketing of biocomponents (methyl ester), issued by the President of the Agricultural Market Agency (Agencja Rynku Rolnego),
- Licence for freight transport by rail and traction vehicles renting issued by the President of the Railway Transport Authority (Urząd Transportu Kolejowego),

- Licence for exploration and production of crude oil and natural gas reserves from the PL 316, 316B, 316CS and 316DS blocks located on the Norwegian Continental Shelf (from August 29th 2008), issued by the Norwegian Ministry of Petroleum and Energy.

2. Composition of the Group

The following table presents the subsidiary undertakings of the LOTOS Group, their principal business, consolidation method, and the Group's share of the total vote in their share capital.

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2008	**Dec 31 2007**	**Jun 30 2007**
Parent Undertaking						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
Direct Subsidiary Undertakings						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk	Sale of fuels and provision of services for retail networks of international concerns; logistic services	full	-	-	- (1)
LOTOS Gaz S.A. (parent undertaking of another group)	Mława	Wholesale and retail sale of LPG	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sales of base oils	full	100.00%	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%	100.00%
LOTOS Ekoenergia S.A.	Gdańsk	Construction of basic units under the 10+ Programme; the company has not commenced operations	full	100.00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00%	100.00%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Jasło	Wholesale of petroleum products	full	100.00%	100,00%	100,00% (2)
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice	Storage and distribution of fuels	full	80.04%	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group)	Jasło	Production and processing of refined petroleum products and their wholesale and retail sale	full	80.01%	80.01%	80.01%

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2008	**Dec 31 2007**	**Jun 30 2007**
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	Acquisition of reserves, crude oil and natural gas production	full	69.00%	69.00%	69.00%
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	full (3)	100.00%	100.00%	100.00%
Rafineria Nafty GLIMAR S.A. in bankruptcy (4)	Gorlice	Refining	not consolidated due to lack of control	91.54%	91.54%	91.54%
LOTOS Hydrokompleks Sp. z o.o. w likwidacji (in liquidation)(5)	Gorlice	Construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated	100.00%	100.00%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Business and management consultancy services	full	86.91%	86.91%	86.91%
BiproRaf Sp. z o.o.	Gdańsk	Design services for the oil sector	not consolidated	-	-	- (6)
Indirect Subsidiary Undertakings						
RC Ekoenergia Sp. z o.o.	Czechowice-Dziedzice	Services	full	80.04%	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Not operating	full	80.04%	80.04%	80.04%
RC Serwis Sp. z o.o.	Czechowice-Dziedzice	Services	(7)	86,91%	86,91%	86,91%
RC Paliwa Sp. z o.o. w likwidacji	Czechowice-Dziedzice	Trading (not commenced)	equity method	-	- (8)	80,04%
PLASTEKOL Organizacja Odzysku S.A.	Jasło	Services	full	66,81%(9)	53,61%	53,61%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated	-	- (10)	80,01%
Chemipetrol Sp. z o.o.	Jasło	Trading – assets transferred to LOTOS Parafiny Sp. z .o.o. in exchange for shares	full (3)	80,01%	80,01%	80,01%
KRAK - GAZ Sp. z o.o. (11)	Bochnia	Wholesale and retail sale of LPG	full	100.00%	100.00%	-
Miliana Shipping Company Ltd.	Cyprus	Services	full	68.93%	68.93%	68.93%
LOTOS Exploration and Production Norge AS	Stavanger Norway	Oil exploration and production at the Norwegian continental shelf, provision of services related to oil exploration and production; the company commenced operations in November 2007	full (3)	69.00%(13)	100.00% (12)	-
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Services	full (3)	69.00%	69.00%	69.00%

(1) On June 29th 2007 the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register issued a decision on registering the merger of Grupa LOTOS S.A. and LOTOS Partner sp. z o.o.

(2) On April 11th 2007, Grupa LOTOS S.A. and LOTOS Jasło S.A. executed an agreement on the sale of 700 shares in LOTOS Tank Sp. z o.o. The shares, with the total par value of PLN 350 thousand, are equal and indivisible, and represent 70% of the share capital of LOTOS Tank Sp. z o.o. Grupa LOTOS S.A. acquired the shares for PLN 642.5 thousand, using its own financial resources. As a result of the transaction, Grupa LOTOS S.A. holds 1,000 shares, representing 100% of LOTOS Tank Sp. z o.o.'s share capital.

(3) As of December 31st 2007, LOTOS Exploration and Production Norge AS, UAB LOTOS Baltija, Aphrodite Offshore Services Ltd., and Chemipetrol Sp. z o.o. are consolidated with the full method.

(4) On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty GLIMAR S.A. of Gorlice bankrupt. Upon consideration on March 11th 2008 of the case of bankruptcy of Rafineria Nafty GLIMAR S.A. of Gorlice in connection with the motion for cancellation of bankruptcy proceedings submitted by bankruptcy administrator Capricorn Sp. z o.o. of Nowy Sącz, the District Court of Nowy Sącz, Division V of the Commercial Court, decided to discontinue the bankruptcy proceedings pursuant to Art. 361.2 of the Bankruptcy and Recovery Law. On July 25th 2008, the court's decision became final (See Note 44 to these interim consolidated financial statements).

(5) On November 26th 2007, by virtue of a resolution of the Extraordinary General Shareholders Meeting, LOTOS Hydrokompleks Sp. z o.o., a wholly-owned subsidiary of Grupa LOTOS S.A., was placed in liquidation.

(6) On January 15th 2007, Grupa LOTOS S.A. sold 35 shares in Przedsiębiorstwo Projektowo-Usługowe BiproRaf Sp. z o.o. (PPU BiproRaf Sp. z o.o.) to KTI Poland S.A. of Warsaw for the price of PLN 2,750 thousand.
(7) Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by the LOTOS Czechowice Group on January 2nd 2006.
(8) On October 4th 2007 RC Paliwa Sp. z o.o. in liquidation was deleted from the National Court Register by the District Court of Katowice Wschód in Katowice, VIII Commercial Division of the National Court Register.
(9) In May – June 2008, LOTOS Jasło S.A. acquired 165 shares in PLASTEKOL Organizacja Odzysku S.A. The acquired shares are equal and indivisible and represent 16.5% of the share capital of PLASTEKOL Organizacja Odzysku S.A. As a result of this transaction, LOTOS Jasło S.A. holds 835 shares, representing 83.5% of the share capital of Plastekol Organizacja Odzysku S.A. (See Note 10 to the interim consolidated financial statements).
(10) On December 27th 2007 LOTOS Jasło S.A. sold 100% of shares in PETROSOFT.pl Technologie Informatyczne Sp. z o.o. to Petrosoft.eu. Sp. z o.o.
(11) On July 9th 2007 LOTOS Gaz S.A. entered into the final agreement on the purchase of 34,500 shares in KRAK - GAZ Sp. z o.o. and thus acquired 100% of the shares in KRAK – GAZ Sp. z o.o.
(12) On September 22nd 2007, the Central Register of Businesses in Brønnøysund registered LOTOS Exploration and Production Norge AS, registered office in Stavanger, Norway. Grupa LOTOS S.A. acquired 100% of the shares in the new entity by paying up its entire share capital of NOK 8,000 thousand, i.e. PLN 3,871 thousand.
(13) On May 19th 2008, the Management Board of Petrobaltic S.A. made a decision to initiate the registration procedure concerning the increase of the share capital and the acquisition by Petrobaltic S.A. of 80% of the shares in LOTOS Exploration and Production Norge AS. On June 12th 2008, Grupa LOTOS S.A. entered into an agreement with Petrobaltic S.A. to sell to Petrobaltic S.A. 8 million shares in LOTOS Exploration and Production Norge AS, representing 20% of the company's share capital. As a result of this transaction, Petrobaltic S.A. holds 40 million shares, representing 100% of the share capital of LOTOS Exploration and Production Norge AS.

As at June 30th 2008, December 31st 2007, and June 30th 2007, the Company's share in the total vote at the General Shareholders Meetings of its subsidiary undertakings was equal to its share in the share capital of these undertakings.

3. Composition of the Parent Undertaking's Management and Supervisory Boards

As at June 30th 2008 and as at the date of release of these consolidated financial statements, the composition of the Management Board of Grupa LOTOS S.A. was as follows:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer,
Marek Sokołowski – Vice-President of the Management Board, Production and Development Director,
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer.

Until June 30th 2008, the composition of the Supervisory Board was as follows:

Jan Stefanowicz – Chairman of the Supervisory Board,
Henryk Siodmok - Deputy Chairman of the Supervisory Board,
Grzegorz Szczodrowski - Secretary of the Supervisory Board,
Beata Zawadzka – Member of the Supervisory Board,
Marta Busz - Member of the Supervisory Board,
Izabela Emerling - Member of the Supervisory Board,
Jacek Mościcki - Member of the Supervisory Board.

On June 30th 2008, the General Shareholders Meeting appointed the Supervisory Board of Grupa LOTOS S.A. of the seventh term of office, including:

Wiesław Skwarko - Chairman of the Supervisory Board,
Radosław Barszcz - Member of the Supervisory Board,
Piotr Chajderowski - Member of the Supervisory Board,
Leszek Starosta - Member of the Supervisory Board,
Jan Stefanowicz - Member of the Supervisory Board,
Mariusz Obszyński - Member of the Supervisory Board.

Pursuant to Par. 11.2 of the Company's Articles of Association a Company's shareholder, the State Treasury, represented by the Minister of the State Treasury, removed Ms Beata Zawadzka from the Supervisory Board (with effect from June 30th 2008) and appointed to the Supervisory Board Ms Małgorzata Hirszel (with effect from July 1st 2008).

On August 12th 2008, during its meeting, the Supervisory Board established its internal organisation: Mr Leszek Starosta was elected Deputy Chairman of the Supervisory Board, and Mr Mariusz Obszyński was appointed Secretary of the Supervisory Board.

As at the date of publication of these interim consolidated financial statements, the composition of the Supervisory Board of Grupa LOTOS S.A. was as follows:

Wiesław Skwarko - Chairman of the Supervisory Board,
Leszek Starosta - Deputy Chairman of the Supervisory Board,
Mariusz Obszyński - Secretary of the Supervisory Board,
Radosław Barszcz - Member of the Supervisory Board,
Piotr Chajderowski - Member of the Supervisory Board,
Małgorzata Hirszel - Member of the Supervisory Board,
Jan Stefanowicz - Member of the Supervisory Board.

4. Approval of the Consolidated Financial Statements

These consolidated financial statements were approved for publication by the Management Board on September 23rd 2008.

5. Going Concern

These consolidated financial statements were prepared on the assumption that the Group companies would continue their business activities in the foreseeable future. As at the date of signing these consolidated financial statements no facts or circumstances have been identified that might pose a threat to the Group's companies continuing as going concerns in the 12 months following the balance-sheet date.

6. Duration of the Group

The duration of the parent undertaking and its subsidiary undertakings is unlimited.

7. Balance-Sheet Date and the Period Covered by These Consolidated Financial Statements

These consolidated financial statements of the LOTOS Group comprise the balance-sheet data as at June 30th 2008 and the comparable data as at December 31st 2007. The income statement, the cash-flow statement and the statement of changes in the Group's equity present the data for January 1st – June 30th 2008 along with the comparable data for January 1st – June 30th 2007.

The financial information as at June 30th 2008 and June 30th 2007 and for the six months then ended contained in these consolidated financial statements was not audited. The financial information as at December 31st 2007 and for the year then ended was audited by an auditor who issued an opinion thereon on May 6th 2008.

8. Measurement Currency and Reporting Currency

The measurement and reporting currency of these consolidated financial statements is the Polish złoty (PLN). These consolidated financial statements are presented in the złoty (PLN), and all the figures are presented in thousands of złotys, unless indicated otherwise.

9. Basis for the Preparation of the Consolidated Financial Statements

These interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and the EU-endorsed IFRS, published and binding as at June 30th 2008.

The IFRS include the standards and interpretations adopted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

With the exception of the Parent Undertaking and foreign undertakings, the Group companies maintain their accounting books in accordance with the accounting standards specified in the Polish Accountancy Act of September 29th 1994 (the "Act") and the provisions issued thereunder ("Polish Accounting Standards" – "PAS"). These consolidated financial statements include adjustments which are absent from the accounting books of the Group's undertakings, and which have been introduced to adjust the financial information concerning these undertakings to the IFRS.

In these interim consolidated financial statements, the Parent Undertaking disclosed the financial information of the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. ("GK Petrobaltic") for the six months ended June 30th 2008, assuming that GK Petrobaltic S.A. accounts for the shares in Naftos Gavyba ("NG"), its associated undertaking, using the equity method, as at December 31st 2007 and adjusted by dividend of PLN 28,746 thousand, as shown in Note 18. The consolidated financial statements of the NG Group ("NG Group"), prepared in line with the accounting policies applicable in Lithuania, served as the basis for disclosure in the consolidated financial statements of NG's value corresponding to the number of NG shares held by Petrobaltic S.A.

The accounting policies and calculation methods adopted in the preparation of these interim consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2007 (see Note 10 to the consolidated financial statements for 2007 prepared in accordance with IFRS).

The Group has reviewed the new interpretations, standards and amendments to the existing standards. The new interpretations, standards and amendments have no material impact on the accounting policies applied by the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee:

- Amendment to IAS 23 *Borrowing Costs* (effective as of January 1st 2009, not yet adopted by the European Union),
- Amendment to IAS 1 *Presentation of Financial Statements* (effective as of January 1st 2009, not yet adopted by the European Union),
- IFRS 8 *Operating Segments* (applies to annual periods beginning after January 1st 2009),
- Revised IFRS 3 *Business Combinations* (applies to annual periods beginning after July 1st 2009, not yet adopted by the European Union),
- Revised IAS 27 *Consolidated and Separate Financial Statements* (applies to annual periods beginning after July 1st 2009, not yet adopted by the European Union),
- IFRIC 12 *Service Concession Arrangements* (applies to annual periods beginning after January 1st 2008, not yet adopted by the European Union),
- IFRIC 13 *Customer Loyalty Programmes* (applies to annual periods beginning after July 1st 2008),
- IFRIC 14, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (applies to annual periods beginning after January 1st 2008, not yet adopted by the European Union),
- Amendment to IFRS 2 *Share-Based Payments – Vesting Conditions and Cancellations* (applies to annual periods beginning on or after January 1st 2009, not adopted by the European Union),
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation* (apply to annual periods beginning on or after January 1st 2009, not adopted by the European Union),
- Improvements to the International Financial Reporting Standards – a collection of amendments to the IFRS (in most cases, the amendments apply to annual periods beginning on or after January 1st 2009; not adopted by the European Union),
- Amendments to IFRS 1 *First-Time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (apply to annual periods beginning on or after January 1st 2009, not adopted by the European Union),
- IFRIC 15 *Agreements for the Construction of Real Estate* (applies to annual periods beginning on or after January 1st 2009, not adopted by the European Union),
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (applies to annual periods beginning on or after October 1st 2008, not yet adopted by the European Union).

The Management Board does not expect any material impact of the new standards and interpretations specified above on the accounting policies applied by the Group.

The Group does not prepare information on individual business segments, as it does not meet the requirements concerning business segmentation, as stipulated in IAS 14 *Segment Reporting*.

10. Accounting Policies

These interim consolidated financial statements have been prepared using the historical cost method, except with respect to financial derivatives, which are measured at fair value.

In connection with IAS 18 *Revenue*, the Group's sales revenue for the six months ended June 30th 2008 was disclosed taking into account trade and volume rebates given by the Group companies. In the interim consolidated financial statements for the six months ended June 30th 2007, the value of volume rebates increased the selling costs. The Group reclassified the value of rebates by decreasing selling costs and sales revenue for the six months ended June 30th 2007 by PLN 6,900 thousand.

Concurrently, during the six months ended June 30th 2008 the Group reclassified the costs of loading equipment. For the six months ended June 30th 2007, cost of sales and general and administrative expenses fell by PLN 5,345 thousand and PLN 1,104 thousand, whereas selling costs rose by PLN 6,449 thousand.

In its cash flow statement for the six months ended June 30th 2008, the Group reclassified the amounts resulting from settlement of financial instruments. Previously, such amounts were disclosed under cash flows from operating activities, while in these interim financial statements – under cash flows from financing activities.

The key accounting policies adopted by the Group are presented below.

10.1 Basis for Consolidation

These consolidated financial statements have been prepared on the basis of the financial statements of the Parent Undertaking and financial statements of the undertakings it controls, prepared as at June 30th 2008.

The financial statements of the subsidiaries, subject to the restatements made to ensure compliance with the IFRS, are prepared for the same reporting period as the financial statements of the Parent Undertaking, with the use of consistent accounting policies and in accordance with uniform accounting policies applied for transactions and economic events of a similar nature. Adjustments are made in order to eliminate any discrepancies in the adopted accounting policies.

All significant balances and transactions between the Group's undertakings, including significant unrealised profits on intra-group transactions, have been eliminated in their entirety. Unrealised losses are eliminated unless they are indicative of an impairment of value.

Subsidiary undertakings are consolidated starting from the date when the Group assumes control over them and cease to be consolidated when the control is lost. The Company is deemed to exert control when it holds, directly or through its subsidiary undertakings, more than 50% of votes in a given undertaking unless it is possible to prove that the ownership of over 50% of votes is not tantamount to exerting control. The Company's ability to influence a given undertaking's financial and operational policies is also deemed exerting control.

10.2 Investments in Associated Undertakings

Investments in associated undertakings are recognised using the equity method. Associated undertakings are the undertakings over which the Parent Undertaking has significant influence, either directly or indirectly through its subsidiary undertakings, and which are neither its subsidiary undertakings nor interests in joint ventures. The financial statements of associated undertakings serve as a basis for the equity method valuation of the shares held by the Parent Undertaking. Associated undertakings' financial years coincide with the Parent Undertaking's financial year.

Investments in associated undertakings are initially recognised in the balance-sheet at acquisition cost, adjusted for subsequent changes in the Parent Undertaking's share in the net assets of the associated undertakings, and reduced by impairment losses, if any. The income statement includes the Parent Undertaking's share of the profits and losses of the associated undertakings. In the case of a change recognised directly in an associated undertaking's equity, the Parent Undertaking recognises its share in such change and, if applicable, discloses it in the statement of changes in equity.

10.3 Intangible Assets

Intangible assets are recognised if the Group is likely to obtain future economic benefits attributable directly to the assets. Initially, intangible assets are recognised at acquisition or production cost, if they are acquired in separate transactions. Intangible assets acquired as part of the acquisition of a business are recognised at fair value as at the acquisition date. Following initial recognition, intangible assets are valued at acquisition or production cost less accumulated amortisation and impairment losses.

The Group capitalises and recognises as an intangible asset both the licence fees for the exploration and identification of crude oil and natural gas reserves as well as the fees under the concluded mining use agreements for the exploration and identification of crude oil and natural gas reserves. The commencement and execution of the exploration work is conditional upon obtaining relevant licence and establishing the mining use.

Intangible assets are amortised using the straight-line method over their estimated useful lives.

The expected useful lives of the Group's intangible assets range from 2 to 25 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in the asset are reflected by changing the amortisation period or amortisation method, respectively, and are accounted for as changes in accounting estimates.

Useful lives are also reviewed each year and, if required, they are adjusted with effect from the beginning of the following financial year.

With the exception of capitalised expenditure on research and development, expenditure on intangible assets produced by the Group is not capitalised and is disclosed under expenses for the period in which they were incurred.

10.4 Goodwill of Subordinated Undertakings

The goodwill relating to acquisition of a business undertaking is initially recognised at acquisition cost, equal to the excess of the cost of the business combination over the acquiring undertaking's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired undertaking. Following the initial recognition, goodwill is carried at acquisition cost less cumulative impairment losses. Goodwill is tested for impairment once a year. It is not amortised.

As at the date of assuming control, the acquired goodwill is allocated to every identifiable cash-generating unit. The Group calculates any impairment of value by estimating recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value of a cash-generating unit is lower than its carrying value, the Group recognises impairment losses. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the business of the cash-generating unit, the goodwill connected with the sold business is included in the carrying value of the sold business for the purpose of calculating gains or losses on disposal of the part of business. In such a case, goodwill pertaining to the sold business should be measured using the relative value of the sold business, *pro-rata* to the interest in the retained part of the cash-generating unit.

10.5 Property, Plant and Equipment

Property, plant and equipment, other than land, are valued at acquisition or production cost, less accumulated depreciation and impairment losses.

Land is valued at acquisition cost less any impairment losses. In the case of perpetual usufruct of land, acquisition cost is understood to mean the amount paid to a third party.

Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred on an asset which is already in service, such as repairs, overhauls or operating fees, are expensed in the reporting period in which they were incurred.

Property, plant and equipment (including their components), other than land and property, plant and equipment used for oil production activities, are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings and structures	1–80 years
Plant and equipment	1–25 years
Vehicles	1–15 years
Other property, plant and equipment	1–10 years

Property, plant and equipment used for production activities are depreciated with the use of unit-of-production method, i.e. depreciation per unit of produced crude oil is charged to expenses. The depreciation rate is estimated in reference to forecasts of crude oil production from a given geological area. If the estimated reserves change significantly as at the balance-sheet date, depreciation per unit of produced crude oil is re-valued. Then, starting from the new financial year, the re-valued depreciation rate is applied.

An item of property, plant and equipment may be derecognised from the balance sheet if it is sold or if the company does not expect to realise any economic benefits from its further use. Gains or losses on derecognition of an asset (calculated as the difference between net proceeds from its sale, if any, and the carrying value of the asset) are disclosed in the income statement in the period when the asset was derecognised.

The residual value, useful economic life and depreciation method are reviewed – and adjusted if required – with effect from the beginning of the next year.

The costs of each overhaul are included in the carrying value of property, plant and equipment, if relevant recognition criteria are fulfilled.

In its consolidated financial statements, under property, land and equipment, the Group discloses an asset corresponding to the value of provision for the liquidation of an oil rig. The asset was created in accordance with IAS 16: *Property, Plant and Equipment*, which reads: "The cost of an item of property, land and equipment comprises … the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period". The Group's obligation to incur costs of liquidation of the Offshore Oil Rig results directly from the reasons specified in IAS 16. Under Paragraph 63 of the same standard, the entities applying the IAS are obliged to test the value of an asset periodically, at least at each balance-sheet date. It should further be emphasised that the International Financial Reporting Interpretations Committee (IFRIC) has issued Interpretation IFRIC 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The Interpretation directly refers to, *inter alia*, IAS 16, including in particular to the revaluation of an asset recognised as future liquidation cost. Revaluation of an asset so recognised may be caused by:

- change in estimated cash used to ensure the performance of the liquidation obligation,
- change in the current market discount rate,
- increase in the value resulting from the passage of time – shortening of the time remaining until liquidation, leading to the adjustment of the discount rate.

The Group complied with IFRIC's requirement in this respect, therefore these consolidated financial statements show the asset at its present value.

10.6 Tangible Assets under Construction

Investments in progress are valued at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including financial expenses, less impairment losses, if any. Investments in progress are not depreciated until completed and placed in service.
Investments in progress comprise property, plant and equipment which is under construction or assembly and are recognised at acquisition or production cost.
Financial expenses capitalised under tangible assets under construction include servicing costs of the debt incurred to finance the assets.
The cost of exploration for crude oil and natural gas reserves is capitalised as tangible assets under construction until the size of the deposit and the economic viability of production are determined. Upon confirmation of the existence of deposits whose exploitation is technically and economically viable, the expenditure incurred on the exploration activities is transferred to tangible assets and is subsequently depreciated. If exploration drillings do not result in discovery of any deposits whose exploitation is technically and economically viable, impairment losses on tangible assets under construction are recognised in the profit or loss of the period in which it is found that there is no possibility of any economic utilisation of the discovered deposits.

10.7 Expenditure on Exploration and Appraisal of Resources

Assets related to exploration and appraisal of mineral resources comprise expenditure on exploration and appraisal of mineral resources disclosed as assets in accordance with the accounting policies adopted by the Group. The expenditure on exploration and appraisal of mineral resources includes expenses incurred by the Group in connection with exploration and appraisal of mineral resources before technical and economic viability of exploitation of the mineral resources can be proven. The exploration and appraisal of mineral resources involves the exploration for mineral resources, including crude oil, natural gas and similar non-renewable resources, after the company has obtained the licence to conduct exploration work in a given area, and the determination of the technical and commercial viability of exploitation of the mineral resources. The Group classifies assets related to exploration and appraisal of mineral resources as property, plant and equipment or intangible assets, depending on the type of the acquired assets, and applies this classification policy in a consistent manner. After the technical and commercial viability of exploitation of mineral resources has been proven, the Group no longer classifies such assets as related to exploration and evaluation of mineral resources. The Group presents and discloses impairment losses on assets related to exploration and appraisal of mineral resources in accordance with IFRS 6 and evaluates such assets in accordance with IAS 36. The impairment losses are recognised in profit or loss, in accordance with IAS 36.

The Group examines a need to recognise impairment losses on assets related to exploration and appraisal of mineral resources by considering, *inter alia*, the following circumstances related to a given area of exploration:

– the term for which the company was granted the licence to conduct exploration work expired in the course of the current financial period or will expire in the near future, and no extension of the term is envisaged;

– the Group does not expect to incur significant expenditure for further exploration and appraisal of mineral resources;

– exploration and appraisal of mineral resources did not result in discovery of any commercial mineral resources and the company decided to discontinue its exploration activities;

– available data suggests that despite continuation of the development work, the carrying value of the assets related to exploration and appraisal of mineral resources could not be fully recovered, even if the development work is successfully completed or the assets are sold.

10.8 Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases.

The Group as a Lessor

A lessor recognises assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease, reduced by the principal portion of lease payments for a given financial period calculated based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.
Financial income from interest on finance leases is recognised in respective periods based on a pattern reflecting a constant periodic rate of return on the lessor's net investment receivable in respect of the finance lease.
Operating lease income is recognised in the income statement over the lease term on a straight-line basis.

The Group as a Lessee
Assets used under finance lease agreements are treated as the Group's assets and are recognised at the lower of their fair value at the time of acquisition and the present value of the minimum lease payments. The related liability towards the lessor is presented in the balance sheet under "Liabilities under finance lease". Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability (the finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability). The finance charge is recognised in the income statement.
For operating leases, the lease payments are recognised as an expense in the income statement over the lease term on a straight-line basis.

10.9 Non-Current Assets Held For Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is deemed to be met only if the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Classification of an asset as held for sale means that the management intends to complete the sale within one year from the change of its classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

10.10 Impairment Losses on Non-Financial Assets

As at each balance-sheet date, the Group assesses whether there is any evidence of impairment of any of its assets. If the Group finds that there is such evidence, or if the Group is required to perform annual impairment tests, the Group estimates the recoverable value of the given asset.

The recoverable value of an asset is equal to the higher of the fair value of the asset or cash generating unit, less the transaction costs, or its value in use. The recoverable value is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying value of an asset is higher than its recoverable value, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at each balance-sheet date, the Group assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset is no longer necessary or should be reduced. If there is such evidence, the Group estimates the recoverable value of the given asset. The recognised impairment loss is reversed only when following the recognition of the last impairment loss there has been a change in the estimates used to determine the recoverable value of the asset. In such a case, the carrying value of the asset is increased up to its recoverable value. The increased value may not exceed the carrying value of the asset that would have been determined (net of accumulated amortisation/depreciation) if the impairment loss related to that asset had not been recognised in the previous years. Reversal of an asset impairment loss is immediately recognised as revenue in the income statement, unless the asset has been revalued, in which case the reversal of an impairment loss is treated as an increase in the revaluation capital reserve. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to the given asset is adjusted so that over the remaining useful life of that asset its verified carrying value, less its residual value, can be regularly written off.

10.11 Investment Property

Investment property is valued at acquisition cost less accumulated depreciation and impairment losses.
Investment property, including investments in land, perpetual usufruct of land, buildings and structures, include property which the Group does not use for its own purposes but which will generate benefits in the form of value appreciation or income from rent.

10.12 Inventories

Inventories are valued at the lower of: their acquisition or production cost or their net realisable value.

Costs incurred in order to bring each inventory item to its present location and conditions are accounted for in the following manner:

- materials and goods for resale – acquisition cost calculated on weighted average basis,
- finished goods and work-in-progress – the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity.

Net realisable value is the selling price estimated as at the balance sheet date net of VAT, excise taxes and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

10.13 Trade and Other Receivables

Trade receivables, which typically mature in 14 to 55 days, are valued and recognised at amounts initially invoiced, accounting for any impairment charges for doubtful receivables. Impairment charges for receivables are estimated when the collection of the full amount of receivables is no longer probable. Uncollectible receivables are written off through the income statement when recognised as unrecoverable accounts.

If the effect of time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as financial income.

10.14 Foreign Currency Transactions

Transactions denominated in foreign currencies are reported in the functional currency of the Group companies (Polish złoty) as at the transaction date, using the following exchange rates:

1) buy or sell rate of the bank at which the transaction is effected – in the case of sale and purchase of currencies and payment of receivables and payables; or

2) mid exchange rate quoted for the given currency by the National Bank of Poland as at that date unless a different exchange rate in specified in another document binding on a given undertaking.

Monetary assets and liabilities denominated in foreign currencies as at the balance-sheet date are translated into the złoty at relevant złoty mid exchange rates quoted by the National Bank of Poland as at that date. The resulting foreign exchange gains and losses are carried as financial income/(expense) or cost of sales, except for foreign exchange gains and losses which are considered a part of external financing cost and are capitalised under non-current assets. Non-monetary assets and liabilities recognised at historic cost expressed in a foreign currency are recognised at the historic exchange rate effective as at the date of the transaction. Non-monetary assets and liabilities disclosed at fair value expressed in a foreign currency are translated as at the balance-sheet date at the exchange rate effective as at the date of determining the fair value.

Exchange rates applied for the purposes of balance-sheet valuation:

Mid exchange rate quoted by NBP as at	Jun 30 2008	Dec 31 2007
USD	2.1194	2.4350
EUR	3.3542	3.5820

The financial statements of foreign undertakings are translated into the Polish currency at the following exchange rates:
- items of the balance sheet – at the mid exchange rate quoted by the National Bank of Poland for the balance-sheet date;
- items of the income statement – at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the days ending each financial month. The resulting currency-translation differences are recognised directly in equity as a separate component.

At the time of disposal of a foreign undertaking, the accumulated deferred currency-translation differences recognised in equity and relating to this foreign undertaking are transferred to the income statement.

10.15 Cash and Cash Equivalents

Cash in hand and at banks, as well as and non-current deposits held to maturity are valued at face value.

Cash and cash equivalents as disclosed in the consolidated cash-flow statement comprise cash in hand and cash at banks, overdraft facilities as well as those bank deposits maturing within three months which are not classified as placements.

10.16 Accruals and Deferrals

The Group recognises prepayments if they relate to future reporting periods.

Accrued expenses are recognised at probable values of current-period liabilities.

Employees of the Group undertakings are entitled to holidays in accordance with the rules set forth in the Polish Labour Code, The Group recognises the cost of employee holidays on an accrual basis using the liability method, The amount of the provision for unused holidays is calculated on the basis of the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time.

10.17 Equity

Equity is recognised in the consolidated financial statements by categories, in accordance with the rules set forth in applicable laws and in the Articles of Association.

The share capital of the LOTOS Group is the share capital of the Parent Undertaking and is recognised at its par value, in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register.

10.18 Provisions

Provisions are created when the Group has an obligation (legal or following from commercial practice) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation may be reliably estimated. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate item of assets, but only when such recovery is practically certain to occur. The cost related to a given provision is disclosed in the income statement, less any recoveries. If the effect of the time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to their present value at gross discount rates reflecting the current market estimates of the time value of money and risks, if any, related to a given obligation. If the discount method is applied, an increase in provisions as a result of lapse of time is recognised as financial expenses.

10.19 Retirement Severance Pays and Length-of-Service Awards

In accordance with the company remuneration systems applied by the LOTOS Group companies, the Group's employees are entitled to length-of-service awards and severance pays upon retirement due to old age or disability. Length-of-service awards are paid out after a specific period of employment. Old-age and disability retirement severance pays are one-off and paid upon retirement. Amounts of severance pays and length-of-service awards depend on the length of employment and the average remuneration. The Company creates a provision for future liabilities under retirement severance pays and length-of-service awards in order to assign costs to the periods in which they are incurred. According to IAS 19, length-of-service awards are classified as other long-term employee benefits, while retirement severance pays – as defined post-employment benefit plans. The present value of the obligations as at each balance-sheet date is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account the employment turnover, and relate to the period ending at the given balance-sheet date. Information concerning demographics and employment turnover is sourced from historical data. Actuarial gains and losses are recognised in the income statement.

10.20 Profit Distribution for Employee Benefits and Special Accounts

According to the business practice followed in Poland, company shareholders have the right to allocate a part of profit for employee benefits in the form of contributions to the Company's social benefits fund and for other special accounts. In the financial statements prepared in accordance with the IFRS such distributions are charged to operating expenses of the period which the distribution concerns.

10.21 Interest-Bearing Bank Loans, Borrowings, and Debt Securities

All bank loans, borrowings, and debt securities are initially recognised at acquisition cost equal to the fair value of funds received, less cost of obtaining the loan.

Following initial recognition, interest-bearing loans, borrowings, and debt securities are valued at amortised acquisition cost, using the effective interest rate method. Amortised acquisition cost includes cost of obtaining the loan as well as discounts or premiums obtained at settlement of the liability. Gains or losses are charged to the income statement upon removal of the liability from the balance sheet or recognition of value impairment.

10.22 Costs of External Financing

Costs of external financing are disclosed as the costs of the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed, which costs are capitalised as a part of the acquisition or production cost of such an asset,

To the extent that the funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of the costs of external financing which may be capitalised as part of such asset is determined as the difference between the actual costs of external financing incurred in connection with a given loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that the funds are borrowed without a specific purpose and are later allocated for the acquisition of an asset being completed, the amount of the costs of external financing which may be capitalised is determined by applying the capitalisation rate to the capital expenditure on that asset.

10.23 Government Subsidies

If there is reasonable certainty that the subsidy will be received and that all related conditions will be fulfilled, government subsidies are recognised at fair value.

If a subsidy concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. If it concerns an asset, its fair value is recognised as deferred income, and then it is written off annually in equal parts through profit or loss over the estimated useful life of the asset.

10.24 Carbon (CO_2) Credits

The Group recognises carbon credits in its financial statements based on the net liability method – the Group recognises only those liabilities that result from exceeding the carbon allowance granted to it, and the liability is recognised only after the Company actually exceeds the allowance. Income from the sale of unused credits is recognised in the income statement at the time of sale.

10.25 Income Tax

Mandatory decrease of profit/(increase of loss) comprises: current income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) established for tax purposes differs from the net profit (loss) established for financial reporting purposes due to the exclusion of the income which is taxable and the costs which are deductible in future years and the expenses and income items which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

For the purposes of financial reporting, the Company creates a deferred tax liability using the balance-sheet liability method in relation to all temporary differences existing as at the balance-sheet date between the tax base of assets and liabilities and their carrying value as disclosed in the consolidated financial statements.

Deferred tax liability is recognised for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and
- in the case of taxable temporary differences associated with investments in subsidiary or associated undertakings, and interests in joint ventures, unless the investor is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are disclosed in relation to all deductible temporary differences, unused tax assets, and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences, assets and losses to be used:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiary or associated undertakings and interests in joint ventures, the related deferred tax asset is recognised in the balance sheet to the extent it is probable that in the foreseeable future the temporary differences will be reversed and taxable income will be generated which will enable the deductible temporary differences to be offset.

The carrying value of a deferred tax asset is verified as at each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or release of particular provision, based on tax rates (and tax legislation) effective as at the balance-sheet date or tax rates (and tax legislation) certain to be effective as at the balance-sheet date in the future.

Income tax related to items posted directly to equity is disclosed under equity and not in the income statement.

Deferred tax assets and deferred tax liability are recognised in the balance sheet in the amount obtained after they are offset for particular undertakings consolidated within the Group.

10.26 Financial Instruments

At the time of their initial recognition, financial instruments are valued at acquisition cost (price), equal to the fair value of the payment made for them. The transaction costs are included in the initial value of the financial instruments.

Following the initial recognition, financial instruments are classified under one of the following four categories and are valued as follows:

- Financial instruments (financial assets and liabilities) which are recognised at fair value through profit or loss.

- Financial instruments held to maturity which are recognised at amortised cost using the effective interest rate.
- Loans and accounts receivable which are recognised at amortised cost using the effective interest rate; the related gains and losses are disclosed in the income statement. Accounts receivable which mature in the short term and do not have a specified interest rate are recognised at amounts due.
- Financial instruments available for sale which are recognised at fair value; the revaluation gains/losses are charged to the revaluation capital reserve until the investment is sold or its value is reduced. Then, the cumulative revaluation gain/loss is charged to the income statement,
- Financial liabilities which are recognised at amortised cost.

The fair value of financial instruments for which a ready market exists is determined in relation to the prices quoted on that market as at the relevant balance-sheet date. If there is no quoted market price, the fair value is estimated using appropriate valuation techniques.

Financial liabilities other than under financial instruments at fair value through profit or loss are recognised at amortised cost using the effective interest rate.

Financial instruments are derecognised from the balance sheet when the Group loses control over contractual rights comprising particular financial instruments; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

10.27 Derivative Financial Instruments

Derivatives used by the Group to hedge against currency risk include in particular FX forwards. In addition, the Group relies on full barrel swaps to hedge its exposure to raw material and petroleum product prices, uses futures contracts to manage its exposure to carbon credit prices, and enters into IRSs and FRAs to hedge its interest rate exposure.

Derivative financial instruments of this type are measured at fair value. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative. Gains or losses resulting from changes in the fair value of a derivative which does not qualify for hedge accounting are charged directly to the net profit or loss for the financial year.

10.28 Impairment of Financial Assets

As at each balance-sheet date the Company determines whether there is objective evidence of impairment of a financial asset or a group of financial assets.

Assets Carried at Amortised Cost

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying value of a financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying value of an asset is reduced directly or by creating relevant provisions. The amount of loss is recognised in the income statement.
First the Company determines whether there exists objective evidence of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there exists no objective evidence of impairment of an individually tested asset, regardless of whether it is material or not, the Company includes the asset into the group of financial assets with similar credit risk profile and tests it for impairment together with the other assets from this group. Assets which are tested for impairment individually, and with respect to which an impairment loss has been recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.
If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost as at the reversal date.

Financial Assets Carried at Cost

If there exists objective evidence of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial Assets Available for Sale

If there exists objective evidence of impairment of a financial asset available for sale, the amount of the difference between the acquisition cost of that asset (less any principal payments and depreciation/amortisation charges) and its current fair value, reduced by any impairment losses previously recognised in the income statement, is derecognised from equity and charged to the income statement. Reversal of an impairment loss concerning equity instruments qualified as available for sale may not be recognised in the income statement. If the fair value of a debt instrument available for sale increases in the next period, and the increase may be objectively associated with an event that occurred subsequent to the impairment loss recognition in the income statement, the amount of the reversed impairment loss is recognised in the income statement.

10.29 Recognition of Revenue

Revenue is recognised in the amount of probable economic benefits to be derived by the Group which may be reliably estimated.

10.30 Sales of Products, Goods for Resale and Services

Sales revenue is disclosed at the fair value of payments received or due, and it represents the accounts receivable for the products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (excise tax, fuel charge). The sales of products and goods for resale are recognised at the moment of delivery, when material risk and benefits resulting from the ownership of the products and goods have been transferred to the purchaser.

10.31 Interest

Interest income is recognised as the interest accrues (using the effective interest rate), unless the receipt of the interest is doubtful.

10.32 Dividends

Dividend is recognised as financial income as of the date on which the appropriate governing body of the Company adopts a resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

10.33 Management's Estimates

The preparation of financial statements in accordance with the International Financial Reporting Standards requires a number of judgments and estimates which affect the value of items disclosed in the financial statements and in the notes thereto. Although the judgments and estimates are based on the Management Board's best knowledge of the current and future events and actions, the actual results might differ from the estimates. The areas in which the Management Board prepared estimates include provisions, property, plant and equipment, as well as intangible assets, goodwill, merger transactions, financial assets, and the deferred tax asset.
The material assumptions used in the estimates are described in the relevant notes.

Valuation of Provisions

Provisions for employee benefits are estimated with actuarial methods once a year, unless major changes to the assumptions underlying the estimates occur during a given year.

Depreciation/Amortisation Charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Fair Value of Financial Instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate methods and assumptions, the Group relies on professional judgment.

Deferred Tax Asset

The Group recognises a deferred tax asset if it is assumed that taxable profit will be generated in the future against which the asset can be used. If the taxable profit deteriorates in the future, this assumption may prove invalid.

10.34 Net Earnings per Share

Net earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in this reporting period. The Group does not disclose diluted earnings/loss per share, since there are no dilutive instruments outstanding.

10.35 Contingent Liabilities and Receivables

A contingent liability is understood as a duty to discharge an obligation which is conditional upon the occurrence of certain circumstances. Contingent liabilities are not recognised in the balance sheet, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of funds embodying economic benefits is negligible. Contingent receivables are not recognised in the balance sheet, however information on contingent receivables is disclosed if an inflow of funds embodying economic benefits is probable.

11. Property, Plant and Equipment and Prepayments for Tangible Assets under Construction

(PLN '000)	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Land	221,902	214,173
Buildings and structures	1,700,746	1,729,902
Plant and equipment	656,150	679,138
Vehicles and other tangible assets	232,951	255,868
Tangible assets under construction	970,459	592,166
Total property, plant and equipment	**3,782,208**	**3,471,247**
Prepayments for tangible assets under construction	1,219,627	781,780
Total	**5,001,835**	**4,253,027**

Changes to Property, Plant and Equipment and Prepayments for Tangible Assets under Construction

PLN '000	Land	Buildings and structures	- mineral resources exploration and appraisal assets	Plant and equipment	Vehicles and other	Tangible assets under construction	- mineral resources exploration and appraisal assets	Prepayments for tangible assets under construction	Total
Gross book value as at Jan 1 2007 (comparable data) (audited)	**218,769**	**1,933,758**	**128,016**	**1,175,822**	**543,414**	**353,335**	**58,240**	**148,018**	**4,373,116**
Increase, including:	2,058	33,317	136	20,260	19,516	69,758	9,918	348,352	493,261
- purchase	-	29	-	274	14,155	113,590	1,678	16,535	144,583
- transfer from investments	2,058	33,279	136	19,889	5,339	(67,161)	-	-	(6,596)
- other	-	9	-	97	22	23,329	8,240	331,817	355,274
Decrease, including:	(1,247)	(4,703)	-	(1,970)	(5,203)	(878)	(136)	(4,578)	(18,579)
- sale	(1,036)	(316)	-	(429)	(933)	(96)	-	-	(2,810)
- liquidation	-	(958)	-	(1,204)	(1,259)	-	-	-	(3,421)
- other	(211)	(3,429)	-	(337)	(3,011)	(782)	(136)	(4,578)	(12,348)
Gross book value as at Jun 30 2007 (comparable data) (unaudited)	**219,580**	**1,962,372**	**128,152**	**1,194,112**	**557,727**	**422,215**	**68,022**	**491,792**	**4,847,798**
Gross book value as at Jan 1 2007 (comparable data) (audited)	**218,769**	**1,933,758**	**128,016**	**1,175,822**	**543,414**	**353,335**	**58,240**	**148,018**	**4,373,116**
Increase, including:	3,790	176,398	136	62,369	(47,727)	288,703	10,799	681,601	1,165,134
- purchase	38	-	-	389	16,059	470,193	1,750	681,601	1,168,280
- transfer from investments	4,453	82,933	136	59,125	11,810	(181,834)	-	-	(23,513)
- transfer	(1,144)	76,005	-	(137)	(78,978)	-	-	-	(4,254)
- changes in the structure of the Group	443	13,626	-	2,920	3,376	335	-	-	20,700
-other	-	3,834	-	72	6	9	9,049	-	3,921

PLN '000	Land	Buildings and structures	- mineral resources exploration and appraisal assets	Plant and equipment	Vehicles and other	Tangible assets under construction	- mineral resources exploration and appraisal assets	Prepayments for tangible assets under construction	Total
Decrease, including:	(1,133)	(14,009)	(3,878)	(6,091)	(23,506)	(7,274)	-	(47,839)	(99,852)
- sale	(1,133)	(435)	-	(1,229)	(5,672)	(141)	-	-	(8,610)
- liquidation	-	(8,591)	(3,878)	(4,348)	(4,989)	-	-	-	(17,928)
- other	-	(4,983)	-	(514)	(12,845)	(7,133)	-	(47,839)	(73,314)
Gross book value as at Dec 31 2007 (audited)	**221,426**	**2,096,147**	**124,274**	**1,232,100**	**472,181**	**634,764**	**69,039**	**781,780**	**5,438,398**
Gross book value as at Jan 1 2008 (audited)	**221,426**	**2,096,147**	**124,274**	**1,232,100**	**472,181**	**634,764**	**69,039**	**781,780**	**5,438,398**
Increase, including:	10,741	33,569	2,430	49,541	6,782	380,067	14,303	493,650	974,350
- purchase	-	-	-	2,443	639	470,471	14,251	493,645	967,198
- transfer from investments	10,741	32,983	2,430	39,164	5,938	(91,746)	-	-	(2,920)
- other	-	586	-	7,934	205	1,342	52	5	10,072
Decrease, including:	(2,332)	(7,917)	-	(3,949)	(12,076)	(4,011)	-	(55,803)	(86,088)
- sale	(1,914)	(1,621)	-	(745)	(1,705)	(23)	-	-	(6,008)
- liquidation	-	(84)	-	(2,688)	(1,781)	(19)	-	-	(4,572)
- other	(418)	(6,212)	-	(516)	(8,590)	(3,969)	-	(55,803)	(75,508)
Gross book value as at Jun 30 2008 (unaudited)	**229,835**	**2,121,799**	**126,704**	**1,277,692**	**466,887**	**1,010,820**	**83,342**	**1,219,627**	**6,326,660**

PLN '000	Land	Buildings and structures	- mineral resources exploration and appraisal assets	Plant and equipment	Vehicles and other	Tangible assets under construction	- mineral resources exploration and appraisal assets	Prepayments for tangible assets under construction	Total
Accumulated depreciation as at Jan 1 2007 (comparable data) (audited)	**6,069**	**249,892**	**16,159**	**424,921**	**183,525**	**-**	**-**	**-**	**864,407**
Increase, including:	710	50,922	6,045	65,064	30,340	-	-	-	147,036
- depreciation	710	50,895	6,045	65,051	26,930	-	-	-	143,586
- other	-	27	-	13	3,410	-	-	-	3,450
Decrease	(233)	(1,190)	-	(1,340)	(4,460)	-	-	-	(7,223)
Accumulated depreciation as at Jun 30 2007 (comparable data) (unaudited)	**6,546**	**299,624**	**22,204**	**488,645**	**209,405**	**-**	**-**	**-**	**1,004,220**
Accumulated depreciation as at Jan 1 2007 (comparable data) (audited)	**6,069**	**249,892**	**16,159**	**424,921**	**183,525**	**-**	**-**	**-**	**864,407**
Increase, including:	1,384	115,228	6,584	130,466	44,638	-	-	-	291,716
- depreciation	1,450	105,070	6,584	130,335	55,051	-	-	-	291,906
- transfer	(66)	10,132	-	(111)	(11,042)	-	-	-	(1,087)
- changes in the structure of the Group	-	-	-	229	584	-	-	-	813
- other	-	26	-	13	45	-	-	-	84
Decrease	(211)	(1,795)	(1,047)	(4,323)	(12,665)	-	-	-	(18,994)
Accumulated depreciation as at Dec 31 2007(audited)	**7,242**	**363,325**	**21,696**	**551,064**	**215,498**	**-**	**-**	**-**	**1,137,129**
Accumulated depreciation as at Jan 1 2008(audited)	**7,242**	**363,325**	**21,696**	**551,064**	**215,498**	**-**	**-**	**-**	**1,137,129**
Increase, including:	757	55,535	4,294	68,208	24,372	-	-	-	148,872
- depreciation	757	55,535	4,294	68,199	24,265	-	-	-	148,756
- other	-	-	-	9	107	-	-	-	116
Decrease	(66)	(1,481)	-	(2,428)	(6,747)	-	-	-	(10,722)
Accumulated depreciation as at Jun 30 2008 (unaudited)	**7,933**	**417,379**	**25,990**	**616,844**	**233,123**	**-**	**-**	**-**	**1,275,279**

PLN '000	**Land**	**Buildings and structures**	- mineral resources exploration and appraisal assets	**Plant and equipment**	**Vehicles and other**	**Tangible assets under construction**	- mineral resources exploration and appraisal assets	**Prepayments for tangible assets under construction**	**Total**
Impairment losses as at Jan 1 2007 (comparable data) (audited)	**329**	**6,632**	**-**	**3,934**	**2,265**	**10,692**	**8,147**	**-**	**23,852**
Increase	-	-	-	-	-	7,027	7,027	-	7,027
Decrease	(329)	(620)	-	(178)	(1,039)	(10)	-	-	(2,176)
Impairment losses as at Jun 30 2007 (comparable data) (unaudited)	**-**	**6,012**	**-**	**3,756**	**1,226**	**17,709**	**15,174**	**-**	**28,703**
Impairment losses as at Jan 1 2007 (comparable data) (audited)	**329**	**6,632**	**-**	**3,934**	**2,265**	**10,692**	**8,147**	**-**	**23,852**
Increase	11	922	-	516	699	31,916	7,231	-	34,064
Decrease	(329)	(4,634)	-	(2,552)	(2,149)	(10)	-	-	(9,674)
Impairment losses as at Dec 31 2007 (audited)	**11**	**2,920**	**-**	**1,898**	**815**	**42,598**	**15,378**	**-**	**48,242**
Impairment losses as at Jan 1 2008 (audited)	**11**	**2,920**	**-**	**1,898**	**815**	**42,598**	**15,378**	**-**	**48,242**
Increase	-	1,061		2,978	-	154	63	-	4,193
Decrease	(11)	(307)		(178)	(2)	(2,391)	-	-	(2,889)
Impairment losses as at Jun 30 2008 (unaudited)	**-**	**3,674**		**4,698**	**813**	**40,361**	**15,441**	**-**	**49,546**

PLN '000	**Land**	**Buildings and structures**	- mineral resources exploration and appraisal assets	**Plant and equipment**	**Vehicles and other**	**Tangible assets under construction**	- mineral resources exploration and appraisal assets	**Prepayments for tangible assets under construction**	**Total**
Net book value as at Jun 30 2007 (comparable data) (unaudited)	**213,034**	**1,656,736**	**105,948**	**701,711**	**347,096**	**404,506**	**52,848**	**491,792**	**3,814,875**
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Net book value as at Dec 31 2007 (audited)	**214,173**	**1,729,902**	**102,578**	**679,138**	**255,868**	**592,166**	**53,661**	**781,780**	**4,253,027**
	=======	=======	=======	=======	=======	=======	=======	=======	=======
Net book value as at Jun 30 2008 (unaudited)	**221,902**	**1,700,746**	**100,714**	**656,150**	**232,951**	**970,459**	**67,901**	**1,219,627**	**5,001,835**
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The value of assets related to exploration and appraisal of mineral resources disclosed under property, plant and equipment and prepayments for tangible assets under construction includes the value of completed production wells and exploration wells.

As at June 30th 2008, the net value of the items of property, plant and equipment serving as collateral for the Group's liabilities was PLN558,969 thousand (as at December 31st 2007, it amounted to PLN 575,331 thousand).

The cost of servicing the liabilities incurred to finance tangible assets under construction and prepayments for tangible assets under construction in the period of six months ended Jan 30th 2008, in the year ended December 31st 2007 and in the period of six months ended June 30th 2007 amounted to PLN 19,664 thousand, PLN 10,528 thousand and PLN 509 thousand, respectively.

As at June 30th 2008, the net value of the asset related to the liquidation of an oil rig, referred to in Note 10.5, amounted to PLN 54,745 thousand (as at December 31st 2007 and June 30th 2007, it amounted to PLN 58,005 thousand and PLN 64,691 thousand, respectively).

The cost of amortisation of mineral resources exploration and appraisal assets in the period of six months ended June 30th 2008 amounted to PLN 5,134 thousand, in the year ended December 31st 2007 – PLN 6,754 thousand, and in the period of six months ended June 30th 2007 – PLN 6,420 thousand.

In the period of six months ended June 30th 2008, in the year ended December 31st 2007 and in the period of six months ended June 30th 2007, the costs of impairment losses on mineral resources exploration and appraisal assets amounted to PLN 63 thousand, PLN 7,231 thousand and PLN 7,027 thousand, respectively.

As at June 30th 2008, December 31st 2007 and June 30th 2007, the fair value of perpetual usufruct rights to land obtained by virtue of administrative decisions and disclosed as off-balance-sheet items was PLN 163,446 thousand.

Prospects for Development of B-4 and B-6 Gas Fields

The item "Tangible assets under construction" includes expenditure of PLN 47,353 thousand incurred by Petrobaltic S.A. in connection with exploration for gas at the B-4 and B-6 fields. Petrobaltic S.A. commissioned an analysis of the economic viability of development of these fields. According to the findings of the analysis, significant capital expenditure is required to obtain profitable commercial production of hydrocarbons. Despite the envisaged excess of revenue from sale of products to be obtained by exploitation of the reserves over the cost of their development and production, no expenditure on this project is expected in the medium term. The Management Board of Petrobaltic S.A. maintains that, regardless of the necessity to make significant investments, in view of the strategic nature of the reserves and the constantly growing energy prices, their development is possible if the investment plans of Petrobaltic S.A. and Grupa LOTOS S.A. are synchronised.
The activities currently under way are aimed, amongst other things, at finding a partner with whom the company would be able to jointly develop the B–4 and B–6 gas fields. The geological analyses and analyses of reserves carried out to date by Petrobaltic S.A.'s potential partners have confirmed the positive assessment of the fields, opening up a possibility for future collaboration that would lead to the implementation of a joint project.

The 10+ Programme (Comprehensive Technical Upgrade Programme)

An element of the growth strategy of the LOTOS Group is the implementation of the 10+ Programme, designed to increase the throughput capacity of the Gdańsk Refinery by approximately 75%, that is to 10.5m tonnes of crude oil p.a., at a higher conversion ratio.

Following completion of the preparatory phase, the Programme's implementation commenced. The following units at the Gdańsk Refinery of Grupa LOTOS S.A. are to be completed by the end of 2010:
- crude distillation unit (CDU),
- hydrodesulphurisation unit (HDS) for diesel oil,
- mild hydrocracker (MHC),
- residue oil supercritical extraction (ROSE),
- hydrogen generation unit (HGU),
- amine sulphur recovery unit (KAS),
- infrastructure expansion (tanks, utilities, inter-facility connections).

The construction of the heavy residue gasification unit for treating the residue from crude oil processing, designed to be used mainly for generation of hydrogen and energy carriers, is expected to commence between 2010 and 2015, depending on the conditions on the bitumen market.

The current schedule of the 10+ Programme is intended to enhance the Programme's efficiency and security. Thanks to the modified structure of the project it is possible to:

- mitigate the risk resulting from shortages of workforce and materials, as well as from limited availability of contractors;
- bring down the costs of the Programme and better adapt the financing strategy for the Programme to the Company's capabilities,
- benefit from the favourable trends on the bitumen market.

A growing trend on the bitumen market will be observed at least until 2012, both in terms of product volumes and prices (or margins). Following completion of the 10+ Programme, Grupa LOTOS S.A. plans to increase its annual sales of bitumens to at least 1,100 thousand tonnes. At present, the Parent Undertaking is making preparations to implement the heavy residue gasification and energy generation project (IGCC), which will enable it to launch, in 2010-2015, the second phase of the 10+ Programme, which will focus on the construction and commissioning of the heavy residue gasification unit. As at June 30th 2008, capitalised expenditure on the IGCC project was PLN 46,525 thousand. The Company's Management Board expects that the financial benefits to be derived from the project will be no less than the expenditure incurred.

The expenditure on the 10+ Programme until 2012 is planned to amount to ca. EUR 1.47bn.

Implementation of the 10+Programme – Oil Distillation Unit

On July 19th 2007, Grupa LOTOS S.A. and Lurgi S.A. of Kraków signed a contract for the engineering design, delivery and management of the construction work for an oil distillation unit.

It will be the second unit of this type to be constructed at the Gdańsk Refinery. Its annual capacity will be 4.5 m tonnes of crude, which will make it possible to increase the oil throughput capacity at Grupa LOTOS S.A. to approx. 10.5 m tonnes p.a., that is by ca. 75%. Once completed, the new unit will also help increase the supply of fuels on the domestic market.

The contract execution is scheduled to be completed in the second half of 2009.

On August 1st 2007, Grupa LOTOS S.A. and Lurgi S.A. of Kraków executed an annex to the contract of July 19th 2007 for the engineering design, delivery and management of the construction work for an oil distillation unit. Under the annex, Lurgi S.A. of Kraków will also deliver the installations for the planned oil distillation unit.

Taking into account the abovementioned annex, the contract for the engineering design, delivery of installations and management of the construction work for an oil distillation unit, is the largest transaction so far between Grupa LOTOS S.A. and Lurgi S.A. of Kraków, and its value stands at approximately EUR 101m (or approximately PLN 385m, translated at the mid exchange rate quoted by the National Bank of Poland for August 1st 2007).

The annexes executed on January 7th 2008 and January 17th 2008 extended the scope of the services to be provided by Lurgi S.A. under the contract, to include the delivery of bulk materials for the relevant mechanical, electrical and automation works under the contract.

The contract provides for contractual penalties. The financial liability for improper performance of the contractual obligations by Lurgi S.A. may not exceed 8% of the contract value.

Implementation of the 10+Programme – Diesel Hydrodesulphurisation Unit (HDS)

On November 11th 2006, Grupa LOTOS S.A. signed a turnkey contract with ABB Lummus Global (CB&I Lummus GmbH) for a diesel hydrodesulphurisation unit (HDS). The contract covers the engineering design, delivery of materials and equipment, and construction works.

The contract value is EUR 111.63m.

Implementation of the 10+Programme – Hydrocracking Unit (MHC) and Amine Sulphur Recovery Unit (KAS)

On June 21st 2007, Grupa LOTOS S.A. and Technip Italy S.p.A. as the general contractor, together with Technip KTI S.p.A., Technip Polska Sp. z o.o. and KTI Poland S.A., signed an EPC LSTK (lump-sum turnkey) contract for the engineering design, delivery and construction of a mild hydrocracker (MHC) and an amine sulphur recovery unit, that is a complex comprising hydrogen sulphide recovery unit (ARU), sour water stripper (SWS), sulphur recovery unit/tail gas treatment unit (SRU/TGTU) for Grupa LOTOS S.A. under the 10+ Programme.

The scope of the MHC, ARU, SWS and SRU/TGTU units is adapted to the planned crude oil throughput capacity of 10.5m tonnes p.a. The performance of the contract is scheduled to last about 42 months.

The value of the contract is PLN 2,208,051 thousand (translated at the mid exchange rate quoted by the National Bank of Poland for June 20th 2007).

The contract provides for contractual penalties to be paid to Grupa LOTOS S.A. in the case of delays in the contract performance or if the parameters of the constructed units do not meet the predetermined specifications. The contractor's total liability towards Grupa LOTOS S.A. may not exceed 8% of the contract value.

Implementation of the 10+Programme – Hydrogen Generation Unit (HGU)

On June 28th 2007, Grupa LOTOS S.A. and Lurgi S.A. of Kraków signed an EPC LSTK (lump-sum turnkey) contract for the engineering design, delivery and construction of a hydrogen production unit based on the technology delivered by Lurgi AG of Frankfurt, as part of the implementation of the 10+ Programme of Grupa LOTOS S.A. The hydrogen production unit will be supplying hydrogen necessary for the production of clean fuels. The new unit is adapted to the planned crude oil throughput capacity of 10.5 million tonnes. The performance of the contract is scheduled to last up to 28 months.

On March 19th 2008, Grupa LOTOS S.A. and Lurgi S.A. executed an annex to the contract for the engineering design and construction (turn-key project) of a hydrogen production unit of June 28th 2007.

Implementation of the 10+ Programme – Auxiliary Installations and Infrastructure

On June 19th 2007, Grupa LOTOS S.A. and FLUOR S.A. signed an EPCM contract for engineering design, and management of deliveries and construction of auxiliary installations and infrastructure, as part of the implementation of the 10+ Programme. The construction of the installations will enable the Company to comply with the European Union diesel oil quality requirements, which take effect as of enacted in 2009. The installations and infrastructure to be constructed under the contract are designed for the planned crude oil throughput capacity of 10.5 million tonnes per annum. The contract will be performed over a period of 34 months. The contract is an element of the Group's growth strategy which provides for the building of production units under the 10+ Programme. The contract is the second of a series of contracts that have been or are to be executed (the first one was the EPC contract for the construction of the hydrodesulphurisation unit for diesel oils (the HDS unit).

Execution of a Credit Facility Agreement and the Related Security Agreements between Grupa LOTOS S.A. and a Group of Financial Institutions

On June 27th 2008, Grupa LOTOS S.A. and the following institutions: Banco Bilbao Vizcaya Argentaria, S.A., Banco Bilbao Vizcaya Argentaria S.A., London Branch, Banco Bilbao Vizcaya Argentaria S.A., Milan Branch, Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., BNP Paribas S.A., Caja de Ahorros y Monte de Piedad de Madrid, Caja de Ahorros y Monte de Piedad de Madrid, Zweigniederlassung Wien, Calyon, DnB Nor Bank ASA, Fortis Bank S.A./N.V., Fortis Bank S.A./N.V., - Succursale in Italia, ING Bank N.V. / ING Bank Śląski S.A., KBC Bank N.V., Dublin Branch / Kredyt Bank S.A, Nordea Bank Finland Plc, Nordea Bank Polska S.A. / Nordea Bank AB (Publ), Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Rabobank Polska S.A. / Bank Gospodarki Żywnościowej S.A., SACE S.p.A. - Servizi Assicurativi del Commercio Estero, Societe Generale S.A. (the Polish branch), Société Générale S.A., Sumitomo Mitsui Banking Corporation Europe Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and The Royal Bank of Scotland Plc, executed a credit facility agreement to finance the implementation of the 10+ Programme and the working capital of Grupa LOTOS S.A. Bank Calyon was appointed the Senior Facility Agent, while Société Générale S.A. (the Polish branch) was assigned the role of the Senior Security Agent.

Concurrently, Grupa LOTOS S.A. executed a sub-agreement under the credit facility agreement, concerning a credit facility tranche guaranteed by SACE S.p.A. - Servizi Assicurativi del Commercio Estero, to which the following are parties: BNP Paribas S.A., Fortis Bank S.A./N.V., - Succursale in Italia, Banco Bilbao Vizcaya Argentaria S.A., Milan and SACE S.p.A. - Servizi Assicurativi del Commercio Estero.

The credit facility agreement along with the loan agreement for refinancing and financing of the inventories of Grupa LOTOS S.A. of December 20th 2007, described in Note 30, secure funds sufficient to meet the Company's requirement for external financing.

The agreement concerns a long-term credit facility for the total amount of USD 1,750,000 thousand (PLN 3,739,050 thousand translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008), comprising a term loan facility of USD 975,000 thousand (PLN 2,083,185 thousand translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008), a redrawable working capital loan facility of USD 200,000 thousand (PLN 427,320 thousand translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008), an investment loan of USD 425,000 thousand guaranteed by SACE S.p.A. - Servizi Assicurativi del Commercio Estero (PLN 908,055 thousand translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008) and a contingent term loan facility of USD 150,000 thousand (PLN 320,490 thousand translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008). The long-term credit facility must be repaid not later than 12.5 years after the first interest payment date. The other terms and conditions of the credit facility agreement, including those pertaining to the security, do not differ from the standard terms and conditions of such agreements.

The credit facility is secured principally with:

1) a mortgage with the highest ranking over Grupa LOTOS S.A.'s ownership title or perpetual usufruct right to the real property required for the conduct of operations by the existing and expanded Gdańsk refinery,

2) agreement creating a registered pledge over sets of existing and future (acquired over the period of implementation of the 10+ Programme) movables, owned by Grupa LOTOS S.A. and forming a part of or closely related with the Gdańsk refinery or financed under the aforementioned credit facility, used in production, storage and distribution of petroleum products and crude oil, along with the infrastructure and necessary auxiliary equipment, and in particular on the movables comprising the basic production installations, auxiliary production installations, equipment used to blend products, loading facilities, transport pipelines, storage tanks, CHP plants, wastewater treatment plants, water intakes, and water, electricity, process steam and compressed air systems;

3) agreement creating financial registered pledges over Grupa LOTOS S.A.'s claims under bank account agreements executed in connection with the financing of the 10+ Programme (the agreement creating the pledges does not cover claims under other bank account agreements concluded by Grupa LOTOS S.A.),

4) agreements for the assignment of the rights and debt claims of Grupa LOTOS S.A. arising under the agreements related to the implementation of the 10+ Programme, the agreements for the management of the 10+ Programme, hedging agreements, license agreements, insurance documents (related to the Gdańsk refinery and the 10+ Programme) as well as under sales contracts concluded by Grupa LOTOS S.A. with its subsidiaries, if the contracts' annual value exceeds PLN 10,000 thousand.

The documents constituting the security for the benefit of Société Générale S.A., the Polish branch (the Senior Security Agent), were executed concurrently with the credit facility agreement.

There are no links between Grupa LOTOS S.A. or its management staff and the banks for the benefit of which the pledges are to be created or their management staff.

The value of the assets of Grupa LOTOS S.A. which will be encumbered with the pledges and the mortgage specified above will not exceed PLN 2,195,551 thousand, based on the book value as at May 31st 2008 and the maximum amount to be secured with the pledges and the mortgage specified above is USD 2,625,000 thousand (PLN 5,608,575 thousand at the mid exchange rate quoted by the National Bank of Poland for June 27th 2008).

On July 3rd 2008, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (operating under the name of Rabobank Nederlands) acceded to the agreement between Grupa LOTOS S.A. and a group of financial institutions and to the credit facility agreement to finance the implementation of the 10+ Programme and the working capital of Grupa LOTOS S.A. and the related security agreements.

On September 5th 2008, the competent District Court entered into the register of pledges a registered pledge on Grupa LOTOS S.A.'s assets (i.e. over sets of existing and future – acquired over the period of implementation of the 10+ Programme – movables, owned by Grupa LOTOS S.A. and forming a part of or closely related with the Gdańsk refinery or financed under the credit facility agreement providing for the financing of the 10+ Programme, used in production, storage and distribution of petroleum products and crude oil, along with the infrastructure and necessary auxiliary equipment, and in particular on the movables comprising the basic production installations, auxiliary production installations, equipment used to blend products, loading facilities, transport pipelines, storage tanks, CHP plants, wastewater treatment plants, water intakes, and water, electricity, process steam and compressed air systems).

By the date of these interim consolidated financial statements, Grupa LOTOS S.A. had fulfilled the conditions precedent to disbursement of a tranche of the term loan facility. As at the date of these financial statements, the Company had drawn USD 165m under the facility. The working capital loan was made available to Grupa LOTOS S.A. in the form of overdraft facilities which are used by the Company on an as-needed basis.

12. Non-Current Receivables

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Non-current receivables	10,308	12,668
	==========	==========
Total	**10,308**	**12,668**
	==========	==========

Non-current liabilities represent expenditure on branding DOFO service stations, operated by dealers under 10-year contracts.

13. Prepayments and Accrued Income

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Property and other insurance	12,095	16,360
Overhauls	14,018	22,566
Perpetual usufruct	3,521	-
Contributions to the Company Social Benefits Fund	5,632	-
Rent and lease	7,659	3,384
Other	5,589	3,534
Total	**48,514**	**45,844**
Current portion	39,831	31,868
Non-current portion	8,683	13,976

14. Investment Property

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Opening balance	3,445	4,849
Increase, including	5,503*	
- value appreciation		
Decrease, including:	(119)	(143)
- sale		
- impairment loss	(119)	(143)
Closing balance	**8,829**	**4,706**

*Including the value of investments in real property, comprising office/welfare space buildings and production floors with the related infrastructure.

As at June 30th 2008, investment property, including investments in land, perpetual usufruct of land, buildings and structures, included also property which the Company does not use for its own purposes but which generate benefits in the form of value appreciation or rent income.

15. Intangible assets

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Development expense	235	286
Software	5,446	6,243
Patents, trademarks and licences	50,501	55,228
Other	4,188	3,242
Total	**60,370**	**64,999**

Changes in Intangible Assets

PLN '000	Development expense	Software	Patents, trademarks and licences	- mineral resources exploration and evaluation assets	Other	- mineral resources exploration and evaluation assets	Total
Gross book value as at Jan 1 2007 (audited)	**528**	**13,893**	**64,065**	**1,132**	**4,148**	**1,620**	**82,634**
Increase, including:	-	1,747	4,039	-	270	218	6,056
- purchase	-	27	-	-	-	-	27
- transfer from investments	-	1,720	4,039	-	270	218	6,029
- contribution in kind	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Decrease, including:	-	(8)	-	-	-	-	(8)
- sale	-	(3)	-	-	-	-	(3)
- liquidation	-	(5)	-	-	-	-	(5)
- other	-	-	-	-	-	-	-
Gross book value as at Jun 30 2007 (unaudited)	**528**	**15,632**	**68,104**	**1,132**	**4,418**	**1,838**	**88,682**
Gross book value as at Jan 1 2007 (audited)	**528**	**13,893**	**64,065**	**1,132**	**4,148**	**1,620**	**82,634**
Increase, including:	-	1,493	20,435	1,456	1,686	1,608	23,614
- purchase	-	6	-	-	-	-	6
- transfer from investments	-	1,488	20,339	1,456	1,686	1,608	23,513
- contribution in kind	-	-	-	-	-	-	-
- transfer	-	(97)	96	-	-	-	(1)
- changes in the structure of the Group	-	96	-	-	-	-	96
-other	-	-	-	-	-	-	-
Decrease, including:	-	(51)	(11)	-	-	-	(62)
- sale	-	(2)	-	-	-	-	(2)
- liquidation	-	(43)	(11)	-	-	-	(54)
- other	-	(6)	-	-	-	-	(6)
Gross book value as at Dec 31 2007 (audited)	**528**	**15,335**	**84,489**	**2,588**	**5,834**	**3,228**	**106,186**
Gross book value as at Jan 1 2008 (audited)	**528**	**15,335**	**84,489**	**2,588**	**5,834**	**3,228**	**106,186**
Increase, including:	-	755	768	191	2,921	1,696	4,444
- purchase	-	-	-	-	1,524	1,524	1,524
- transfer from investments	-	755	1,941	191	224	172	2,920
-other	-	-	(1,173)	-	1,173	-	-
Decrease, including:	-	(83)	(326)	-	(55)	(55)	(464)
- sale	-	-	-	-	-	-	-
- liquidation	-	(73)	(326)	-	-	-	(399)
-other	-	(10)	-	-	(55)	(55)	(65)
Gross book value as at Jun 30 2008 (unaudited)	**528**	**16,007**	**84,931**	**2,779**	**8,700**	**4,869**	**110,166**

PLN '000	**Development expense**	**Software**	**Patents, trademarks and licences**	- mineral resources exploration and evaluation assets	**Other**	- mineral resources exploration and evaluation assets	**Total**
Accumulated amortisation as at Jan 1 2007(audited)	**163**	**6,215**	**19,081**	**631**	**1,292**	**539**	**26,751**
Increase, including:	53	1,295	4,918	186	635	189	6,901
- amortisation	53	1,295	4,918	186	635	189	6,901
- other	-	-	-	-	-	-	-
Decrease	-	(8)	-	-	-	-	(8)
Accumulated amortisation as at Jun 30 2007 (unaudited)	**216**	**7,502**	**23,999**	**817**	**1,927**	**728**	**33,644**
Accumulated amortisation as at Jan 1 2007 (audited)	**163**	**6,215**	**19,081**	**631**	**1,292**	**539**	**26,751**
Increase, including:	106	2,875	10,191	372	1,300	381	14,472
- amortisation	106	2,820	10,191	372	1,300	381	14,417
- changes in the structure of the Group	-	56	-	-	-	-	56
- transfer	-	(1)	-	-	-	-	(1)
- other	-	-	-	-	-	-	-
Decrease	-	(49)	(11)	-	-	-	(60)
Accumulated amortisation as at Dec 31 2007 (audited)	**269**	**9,041**	**29,261**	**1,003**	**2,592**	**920**	**41,163**
Accumulated amortisation as at Jan 1 2008 (audited)	**269**	**9,041**	**29,261**	**1,003**	**2,592**	**920**	**41,163**
Increase, including:	51	1,552	5,495	409	1,920	432	9,018
- amortisation	51	1,552	6,469	409	945	432	9,017
- other	-	-	(974)	-	975	-	1
Decrease	-	(83)	(326)	-	-	-	(409)
Accumulated amortisation as at Jun 30 2008 (unaudited)	**320**	**10,510**	**34,430**	**1,412**	**4,512**	**1,352**	**49,772**
Impairment losses as at Jan 1 2007 (audited)	**(27)**	**52**	**-**	**-**	**-**	**-**	**25**
Increase	-	-	-	-	-	-	-
Decrease	-	(1)	-	-	-	-	(1)
Impairment losses as at Jun 30 2007 (unaudited)	**(27)**	**51**	**-**	**-**	**-**	**-**	**24**
Impairment losses as at Jan 1 2007 (audited)	**(27)**	**52**	**-**	**-**	**-**	**-**	**25**
Increase							
Decrease		(1)	-	-	-	-	(1)
Impairment losses as at Dec 31 2007 (audited)	**(27)**	**51**	**-**	**-**	**-**	**-**	**24**

PLN '000	**Development expense**	**Software**	**Patents, trademarks and licences**	- mineral resources exploration and evaluation assets	**Other**	- mineral resources exploration and evaluation assets	**Total**
Impairment losses as at Jan 1 2008 (audited)	**(27)**	**51**	**-**	**-**	**-**	**-**	**24**
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
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Impairment losses as at Jun 30 2008 (unaudited)	**(27)**	**51**	**-**	**-**	**-**	**-**	**24**
Net book value as at Jun 30 2007 (unaudited)	**339**	**8,079**	**44,105**	**315**	**2,491**	**1,110**	**55,014**
	=======	=======	=======	=======	=======	=======	=======
Net book value as at Dec 31 2007 (audited)	**286**	**6,243**	**55,228**	**1,585**	**3,242**	**2,308**	**64,999**
	=======	=======	=======	=======	=======	=======	=======
Net book value as at Jun 30 2008 (unaudited)	**235**	**5,446**	**50,501**	**1,367**	**4,188**	**3,517**	**60,370**
	=======	=======	=======	=======	=======	=======	=======

The value of assets related to exploration and appraisal of mineral resources disclosed under intangible assets comprises the value of licence fees for the oil and gas exploration and prospecting as well as the fees under the concluded mining use agreements for the oil and gas exploration and prospecting.

16. Assets Held for Sale

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Land	1,295	1,309
Buildings and structures	2,903	2,914
Plant and equipment	39	42
Other property, plant and equipment	-	1
Total	**4,237**	**4,266**

Assets held for sale represent items that the Group intends to sell within one year from the change of their classification.

Assets held for sale include, *inter alia*, own land, perpetual usufruct right to land, buildings, structures as well as plant and equipment related to service stations and the storage and reloading base (logistics assets).

17. Business combinations

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Carrying value of consolidation goodwill:		
LOTOS Partner Sp. z o.o.	1,862	1,862
LOTOS Mazowsze S.A.	10,009	10,009
Krak-Gaz Sp. z o.o.[(2)]	12,645	12,645
Total	**24,516**	**24,516**
Carrying value of acquisition goodwill[(1)], including:		
- purchase of ESSO service stations network	31,759	31,759
- purchase of Slovnaft Polska S.A. service stations network	1,932	1,932
Total	**33,691**	**33,691**
Total goodwill	**58,207**	**58,207**

[(1)] Goodwill arising on acquisition of ExxonMobil Poland and Slovnaft Polska

As at June 30th 2008 and December 31st 2007, the Group disclosed goodwill created upon the purchase of an organised part of business from ExxonMobile Poland and Slovnaft Polska, with a net value of PLN 31,759 thousand and PLN 1,932 thousand, respectively. Based on IAS 36, as at December 31st 2007, the Group performed a test of goodwill acquired upon the purchases from ExxonMobile i Slovnaft for impairment. In accordance with IAS 36, the Group tests goodwill for impairment annually.

In order to determine the value in use, discounted cash flows (DCFs) were analysed for the purchased 39 service stations of the ESSO network and 12 service stations of the SLOVNAFT network, organised as separated cash generating centres, with use of WACC = 10.2%. The analysis was based on forecasts of future cash flows (EBITDA net of financial expenses) prepared based on the 2008 budget approved by the Management Board of

LOTOS Paliwa Sp. z o.o. and on the planned cash inflows and outflows, as specified in the approved development strategy until 2012 for LOTOS Paliwa Sp. z o.o. The DCF residual value was computed based on the formula for perpetuity with growth.

As part of the goodwill test performed by the Group, the value in use as at December 31st 2007 was determined at:
- PLN 272,733 thousand for the ESSO service stations,
- PLN 49,783 thousand for the Slovnaft service stations.

The balance-sheet value of assets purchased from ExxonMobile and Slovnaft Polska as at December 31st 2007 amounts to:
- PLN 278,463 thousand for the ESSO service stations,
- PLN57,717 thousand for the Slovnaft service stations.

As the test showed an excess of the carrying amount of the assets purchased from ExxonMobile and Slovnaft Polska over their value in use determined in the course of the goodwill test performed by the Group, in 2007 the Group recognised a goodwill impairment loss in a total amount of PLN 21,496 thousand.

As at June 30th 2008, the Group did not test goodwill for impairment.

(2)Acquisition of KRAK-GAZ Sp. z o.o. shares by LOTOS Gaz S.A.

Upon obtaining the Competition and Consumer Protection Office's approval of the business concentration involving the acquisition by LOTOS Gaz S.A. (formerly LOTOS Mazowsze S.A.) of control over KRAK-GAZ Sp. z o.o. by purchasing its shares, on July 9th 2007 LOTOS Gaz S.A. entered into the final agreement on the purchase of 34,500 shares in KRAK-GAZ Sp. z o.o. Prior to obtaining approval from the Competition and Consumer Protection Office, on March 26th 2007 LOTOS Gaz S.A. concluded a conditional preliminary agreement on the purchase of 34,500 shares in KRAK-GAZ Sp. z o.o. from natural persons.
The shares, with a total par value of PLN 3,450 thousand, are equal and indivisible, and represent 100% of the share capital of KRAK-GAZ Sp. z o.o. The acquisition is deemed a long-term investment by LOTOS Gaz S.A.

The shares were acquired for PLN 16,368 thousand, and the transaction was financed with LOTOS Gaz S.A.'s own financial resources. The acquisition cost (the cost of merger) was affected by additional expenses incurred by LOTOS Gaz S.A. in connection with tax and financial consulting services.
The core business of KRAK-GAZ Sp. z o.o. consists in wholesale and retail distribution of LPG. The acquisition of the equity interest in the company by LOTOS Gaz S.A. is part of Grupa LOTOS S.A.'s strategy aimed at increasing its share in the domestic LPG market.

Pursuant to IFRS 3, as at the date an entity is taken over, i.e. as at the acquisition date, the acquirer is obliged to allocate the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date. Any difference between the acquisition cost and the acquirer's interest in the value of the assets, liabilities and contingent liabilities so measured constitutes the goodwill.
The allocation is made exclusively with respect to those assets and liabilities that exist on the acquisition date. In addition, IFRS 3 prohibits, in relation to the acquired net assets, the creation of provisions for operating losses of future periods as they are an item arising after the acquisition.
As at the date of these consolidated financial statements, LOTOS Gaz S.A., in accordance with the above policies, recognised the difference between the acquisition cost of businesses and the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities as goodwill.

As a result of acquisition of KRAK-GAZ Sp. z o.o. goodwill was recognised which as at June 30th 2008 and December 31st 2007 represents the difference between the acquisition cost and the value of acquired assets, in the amount of PLN 12,645 thousand.

(PLN '000)	
Merger cost (acquisition cost)	**17,329**
Interest in the equity of acquired undertakings	100.00%
Current assets, including:	42,987
Cash and cash equivalents	91
Non-current assets	20,210
Total assets	**63,197**
Provisions and other	792
Current liabilities and accruals and deferred income	57,721
Total liabilities	**58,513**
Net assets	**4,684**
The Company's share in net assets	**4,684**
Excess of the share in net assets over acquisition cost	**12,645**

By June 30th 2008, LOTOS Gaz S.A. had discharged the liabilities related to the acquisition of the shares in the amount of PLN 15,711 thousand. The value of acquired shares in KRAK-GAZ Sp. z o.o., less the acquired cash in the amount of PLN 91 thousand, is PLN 15,738 thousand.

As at June 30th 2008 the Group did not test the goodwill arising on the merger of LOTOS Gaz S.A. and KRAK-GAZ Sp. z o.o. for impairment.

18. Investments in Associated Undertakings

As at June 30th 2008 and December 31st 2007, the Group discloses investments in the following associated undertakings:

Company name	Registered office	Business area	Jun 30 2008	Dec 31 2007
Energobaltic Sp. z o.o.	Gdańsk	Production activities	32,16%	32.16%
AB Naftos Gavyba (parent undertaking of another group)	Klaipeda, Lithuania	Services	29,46%	29.46%

Investments in associated undertakings are recognised with the equity method. The balance-sheet value of investments in associated undertakings is as follows:

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
AB Naftos Gavyba Group	19,774	48,519
Energobaltic Sp. z o.o.*	-	-
	=========	=========
Total investments in associated undertakings	**19,774**	**48,519**
	=========	=========

* The value of shares in Energobaltic Sp. z o.o. is covered by an impairment charge (see Note 21).

On April 25th 2008, the General Shareholders Meeting of AB Naftos Gavyba, an associated undertaking, approved the financial statements for 2007 and resolved to allocate the profit generated in 2007 in the amount of

LTL 68m to dividend payment. Petrobaltic S.A. will receive for 2007 dividend in the amount of LTL 29,036 thousand (PLN 28,746 thousand). By June 30th 2008, Petrobaltic S.A. received a part of the dividend due, in the amount of LTL 15,077 thousand (PLN 14,383 thousand).
On August 8th 2008, Petrobalic S.A. received another instalment of the due dividend, in the amount of LTL 9,554 thousand (PLN 8,859 thousand).

Net assets of material undertakings valued with equity method:

PLN '000	**Jun 30 2008** **(unaudited)**	**Dec 31 2007** **(audited)**
AB Naftos Gavyba Group	NA	113,628
Energobaltic Sp. z o.o.	31,602	27,288

Liabilities and provisions for liabilities of material undertakings valued with equity method:

PLN '000	**Jun 30 2008** **(unaudited)**	**Dec 31 2007** **(audited)**
AB Naftos Gavyba Group	NA	151,857
Energobaltic Sp. z o.o.	96,913	105,319

Sales revenue of material undertakings valued with equity method:

PLN '000	**6 months ended Jun 30 2008** (unaudited)	**6 months ended Jun 30 2007** (unaudited)
AB Naftos Gavyba Group	NA	NA
Energobaltic Sp. z o.o.	14,348	15,670

Net profit/(loss) of material undertakings valued with equity method:

PLN '000	**6 months ended Jun 30 2008** (unaudited)	**6 months ended Jun 30 2007** (unaudited)
AB Naftos Gavyba Group	NA	NA
Energobaltic Sp. z o.o.	4,388	698

Share in net profit (loss) of undertakings valued with equity method, recognised in the Group's income statement:

PLN '000	**6 months ended Jun 30 2008** (unaudited)	**6 months ended Jun 30 2007** (unaudited)
AB Naftos Gavyba Group	NA	NA
Other undertakings valued with equity method	-	(12)
Total	**-**	**(12)**

In the statement of changes in consolidated equity for the year ended December 31st 2007, the Group recognised a share in the change of the equity of the AB Naftos Gavyba Group, amounting to PLN 6,816 thousand.

19. Long-Term Financial Assets

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Shares in non consolidated companies	1,461	1,461
Shares in other companies	9,999	6,632
Other non-current financial assets, including:	13,451	13,460
- liquidation fund	13,443	13,443
- loans	8	17
Total	**24,911**	**21,553**

20. Current Financial Assets

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Positive valuation of financial instruments, including:	64,305	96,099
- futures	8,815	388
- currency forwards	37,388	87,630
- full barrel swap contract	10,274	8,011
- IRS	7,048	-
- FRA	780	-
- spot	-	70
Other, including:	21,680	23,243
- prepayments for shares (1)	21,645	23,117
- current loans	24	41
- shares	11	85
Total	**85,985**	**119,342**

(1) As at June 30th 2008, the Group recognised assets invested in AB Naftos Gavyba, its associated undertaking, in the total amount of PLN 21.6m (PLN 23.1m as at December 31st 2007). The recognised amount is the funds provided to UAB Naftos Gavyba (currently AB Naftos Gavyba) by Petrobaltic S.A. in 2000 to finance the purchase of AB Geonafta shares, subject to a condition precedent (Conditional Agreement on Purchase of Ownership Rights to Shares, dated July 18th 2000; the Agreement). Transfer of the shares was conditional upon AB Naftos Gavyba performing its investment commitments towards AB Geonafta, as specified in the privatisation agreement of AB Geonafta. In 2001–2005, UAB Naftos Gavyba performed all of its investment commitments, which consumed LTL 56m, and acquired 41 million AB Geonafta shares. The most recent increase in AB Geonafta's share capital took place on April 25th 2005. Performance of these obligations was financed in full with UAB Naftos Gavyba's own funds sourced from dividends paid out in consecutive years by AB Geonafta. With the condition precedent fulfilled on April 25th 2005, Petrobaltic S.A. could take over the shares in AB Geonafta specified in the Agreement. On March 24th 2006, an agreement supplementary to the Agreement of July 18th 2000 was signed by Petrobaltic S.A. and UAB Naftos Gavyba to postpone the deadline for transferring the ownership rights to the shares in AB Geonafta to August 31st 2007. On December 19th 2007, AB Naftos Gavyba and Petrobaltic S.A. concluded another supplementary agreement to the Agreement of July 18th 2000 between Petrobaltic S.A. and UAB Naftos Gavyba, under which the deadline for the transfer of the ownership rights to AB Geonafta shares was postponed until June 30th 2008. Under one more supplementary agreement which took effect on June 30th 2008, the parties to the Agreement postponed the deadline for the transfer of the ownership rights to AB Geonafta shares until December 31st 2008.

By the date of these financial statements, AB Naftos Gavyba had not made any entry in the share register of AB Geonafta which would constitute the transfer of the ownership rights to the shares purchased by Petrobaltic S.A. under the condition precedent.

21. Financial Instruments

Description of Financial Instruments

Financial Assets and Liabilities Held for Trading

The Group discloses derivative transactions with positive fair values under financial assets held for trading. Derivative transactions with negative fair values are disclosed under financial liabilities held for trading. Financial assets and liabilities held for trading include unrealised forwards, futures, swaps, and FRAs.

Fair value of full barrel swaps is established by reference to future cash flows connected with the transactions, calculated on the basis of the difference between the average market price and the transaction price. Commodity swaps are valued on the basis of a hypothetical opposite transaction (closing transaction) with the use of the arithmetic mean of market quotations.

Fair value of futures contracts is established by reference to the difference between the market price, quoted by the European Climate Exchange (ECX) for the valuation date, and the transaction price.

Fair value of currency forwards is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated on the basis of the fixing rate quotations of the National Bank of Poland and the zero-coupon interest rate curve.

Fair value of FRAs is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated on the basis of the zero-coupon interest rate curve.

Financial Assets Available for Sale

Non-current financial assets available for sale measured at fair value as at June 30th 2008 and December 31st 2007 include mainly shares and equity interests for which there is no active market.

Loans Advanced and Receivables

1. On September 23rd 2003 and April 8th 2004, Grupa LOTOS S.A. signed with Rafineria Nafty Glimar S.A. loan agreements for the financing of operating and investing activities, including, in particular, the Glimar Hydrocomplex investment project, for an aggregate amount of PLN 90m. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under these agreements. Additionally, in connection with the Letter of Comfort signed by Grupa LOTOS S.A. on February 12th 2004 for Bank Przemysłowo-Handlowy S.A., the Company undertook commitments relating to the co-financing of the Glimar Hydrocomplex investment project and maintaining of an appropriate financial standing of Rafineria Nafty Glimar S.A. In the opinion of the Company's Management Board, these commitments do not represent financial liabilities as at the balance-sheet date.

As at June 30th 2008 and December 31st 2007, assets under the advanced loans were fully covered by an impairment charge. As at June 30th 2008 and December 31st 2007, the Company held provisions for potential liabilities under the aforementioned agreements in the amount of PLN 16m (see Note 31).

On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. Upon consideration on March 11th 2008 of the case of bankruptcy of Rafineria Nafty GLIMAR S.A. of Gorlice in connection with the motion for cancellation of bankruptcy proceedings submitted by bankruptcy administrator Capricorn Sp. z o.o. of Nowy Sącz, the District Court of Nowy Sącz, Division V of the Commercial Court, decided to discontinue the bankruptcy proceedings pursuant to Art. 361.2 of the Bankruptcy and Recovery Law. The Management Board of Rafineria Nafty GLIMAR S.A. of Gorlice immediately took steps to take over the company's assets from the bankruptcy administrator.

2. On November 12th 2001 an agreement was concluded under which Petrobaltic S.A. granted a loan to Energobaltic Sp. z o.o. Petrobaltic S.A.'s receivables under the loan (including accrued interest) amounted to USD 7,570 thousand as at June 30th 2008 (USD 7,381 thousand as at December 31st 2007), which represented the equivalent of PLN 16,044 thousand (PLN 17,974 thousand as at December 31st 2007). On the basis of an analysis of the economic and financial standing of Energobaltic Sp. z o.o., performed based on the 2005 financial statements, and considering the projections for the following years and the related risk of a loss of liquidity in the event of failure of the measures taken by the Management Board of Energobaltic Sp. z o.o. to restructure the company's indebtedness, i.e. to postpone the repayment of bank loans and shareholder loans, an impairment charge was made for the full value of the loan. An impairment charge was also made for the value of shares held in Energobaltic Sp. z o.o.(See Note 18).

Financial Liabilities Valued at Amortised Cost

Financial liabilities valued at amortised cost include loans, overdraft facilities and liabilities under finance lease.

None of the following economic events or situations requiring disclosure occurred at the Group during the reporting periods ended June 30th 2008 and December 31st 2007:

- The Group did not reclassify any financial assets (IFRS 7, Par. 12.),
- No collateral was established for the benefit of the Group on any class of assets, which would result in credit enhancements (IFRS 7, Par. 15.),
- The Group did not issue any instrument that contains both a liability and an equity component (IFRS 7, Par. 17.),
- The Group met all contractual provisions (IFRS 7, Par. 18.),
- Interest income in connection with impaired financial assets was recognised by the Group as immaterial (IFRS 7, Par. 20.d.),
- The Group does not apply hedge accounting; accordingly, changes in fair value of derivative instruments are charged to the income statement (IFRS 7, Par. 22.),
- The Group did not acquire any financial assets at a price different from their fair value (IFRS 7, Par.28.),
- The Group did not obtain any assets by taking possession of collateral held as security (IFRS 7, Par. 38.).

The methods and assumptions used to measure fair value of financial instruments held are described in Notes 10 and 21 to the financial statements.

21.1 Carrying Value of Financial Instruments

Jun 30 2008 (unaudited) PLN '000	Financial assets at fair value through profit or loss- held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares:	-	-	11,471	-	-	11,471
- non-current	-	-	11,460	-	-	11,460
- current	-	-	11	-	-	11
Prepayments for shares	-	21,646	-	-	-	21,646
Liquidation fund	-	13,443	-	-	-	13,443
Loans:	-	32	-	-	-	32
- non-current	-	8	-	-	-	8
- current	-	24	-	-	-	24
Derivative financial instruments	64,305	-	-	-	-	64,305
Net receivables	-	1,791,713	-	-	-	1,791,713
- non-current	-	10,308	-	-	-	10,308
- current	-	1,781,405	-	-	-	1,781,405
Cash and cash equivalents	-	721,891	-	-	-	721,891
Trade payables	-	-	-	-	(1,164,756)	(1,164,756)
Loans and borrowings	-	-	-	-	(1,614,031)	(1,614,031)
Financial liabilities	-	-	-	(50,756)	(1,444)	(52,200)
Lease liabilities:	-	-	-	-	(1,444)	(1,444)
- non-current	-	-	-	-	(823)	(823)
- current	-	-	-	-	(621)	(621)
Derivative financial instruments	-	-	-	(50,756)	-	(50,756)
	=========	=========	=========	=========	=========	=========
Total	64,305	2,548,725	11,471	(50,756)	(2,780,231)	(206,486)
	=========	=========	=========	=========	=========	=========

As at June 30th 2008, the Group held no financial assets whose terms would be renegotiated due to the possibility of default or impairment. As at June 30th 2008, the Group did not hold financial assets or liabilities measured at fair value through profit or loss whose components were initially recognised at fair value through profit or loss (fair value option). As at June 30th 2008, the Group did not have financial assets held to maturity. As at June 30th 2008, the carrying value of the above classes of financial instruments corresponded to their fair value. As at June 30th 2008, the carrying value of cash and cash equivalents, current trade receivables and payables and financial liabilities at amortised cost approximated their fair value. Long-term bank loans bear interest at floating rates, with interest payable in a short term. The financial assets available for sale, measured at fair value as at June 30th 2008, comprised mainly shares for which there was no active market.

Dec 31 2007 (audited) PLN '000	Financial assets at fair value through profit or loss- held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares:	-	-	6,717	-	-	6,717
- non-current	-	-	6,632	-	-	6,632
- current	-	-	85	-	-	85
Prepayments for shares	-	23,117	-	-	-	23,117
Liquidation fund	-	13,443	-	-	-	13,443
Loans:	-	58	-	-	-	58
- non-current	-	17	-	-	-	17
- current	-	41	-	-	-	41
Derivative financial instruments	96,099	-	-	-	-	96,099
Net receivables	-	1,555,133	-	-	-	1,555,133
- non-current	-	12,668	-	-	-	12,668
- current	-	1,542,465	-	-	-	1,542,465
Cash and cash equivalents	-	924,995	-	-	-	924,995
Trade payables	-	-	-	-	(1,106,023)	(1,106,023)
Loans and borrowings	-	-	-	-	(1,360,136)	(1,360,136)
Financial liabilities	-	-	-	(3,906)	(1,628)	(5,534)
Lease liabilities:	-	-	-	-	(1,628)	(1,628)
- non-current	-	-	-	-	(629)	(629)
- current	-	-	-	-	(999)	(999)
Derivative financial instruments	-	-	-	(3,906)	-	(3,906)
	=========	=========	=========	=========	=========	=========
Total	**96,099**	**2,516,746**	**6,717**	**(3,906)**	**(2,467,787)**	**147,869**
	=========	=========	=========	=========	=========	=========

As at December 31st 2007, the Group held no financial assets whose terms would be renegotiated due to the possibility of default or impairment. As at December 31st 2007, the Group did not hold financial assets or liabilities measured at fair value through profit or loss whose components were initially recognised at fair value through profit or loss (fair value option). As at December 31st 2007, the Group did not have financial assets held to maturity. As at December 31st 2007, the carrying value of the above classes of financial instruments corresponded to their fair value. As at December 31st 2007, the carrying value of cash and cash equivalents, current trade receivables and payables and financial liabilities at amortised cost approximated their fair value. Long-term bank loans bear interest at floating rates, with interest payable in a short term.. The financial assets available for sale, measured at fair value as at December 31st 2007, comprised mainly shares for which there was no active market.

21.2 Items of Income, Expenses, Gains and Losses Disclosed in the Income Statement by Categories of Financial Instruments

For the period ended Jun 30 2008 (unaudited) PLN '000	**Financial assets/liabilities at fair value through profit or loss – held for trading**	**Loans and receivables**	**Financial assets available for sale**	**Financial liabilities at amortised cost**	**Total**
Interest income / (expense)	-	24,191	-	(15,890)	8,301
Gains/ (losses) on foreign exchange differences	-	(48,754)	-	259,024	210,270
(Creation)/ reversal of impairment charges	-	(14,068)	-		(14,068)
Gains/ (losses) on fair value measurement and realisation	175,117	-	-	-	175,117
Gains/ (losses) on disposal	-	-	-	-	-
	===========	=========	=========	===========	=========
Total	175,117	(38,631)	-	243,134	379,620
	===========	=========	=========	===========	=========

For the period ended Jun 30 2007 (unaudited) PLN '000	Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
Interest income / (expense)	-	18,085	-	(13,007)	5,078
Gains/ (losses) on foreign exchange differences	-	(20,658)	-	22,916	2,258
(Creation)/ reversal of impairment charges	-	1,534	-		1,534
Gains/ (losses) on fair value measurement and realisation	29,681	-	-		29,681
Gains/ (losses) on disposal	310	-	2,715		3,025
	===========	=========	=========	===========	=========
Total	29,991	(1,039)	2,715	9,909	41,576
	===========	=========	=========	===========	=========

Value of derivative transactions as at June 30th 2008 (PLN '000):

Company	Type of currency transaction	Transaction execution date	Transaction settlement date[(1)]	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Jun 30 2008 (PLN '000)[(2)]
Grupa LOTOS S.A.	Currency forward	May 28 2008	Jul 15 2008	2.2	USD/PLN	-	50, 000	-	2,366
Grupa LOTOS S.A.	Currency forward	Jun 2 2008	Nov 14 2008	2.2	USD/PLN	-	15, 000	-	923
Grupa LOTOS S.A.	Currency forward	Jun 10 2008	Oct 15 2008	2.2	USD/PLN	-	20, 000	-	1,232
Grupa LOTOS S.A.	Currency forward	Jun 10 2008	Jul 14 2008	2.2	USD/PLN	-	138, 500	-	8,553
Grupa LOTOS S.A.	Currency forward	Jun 11 2008	Jul 18 2008	2.2	USD/PLN	-	34, 500	-	2,181
Grupa LOTOS S.A.	Currency forward	Jun 12 2008	Jul 10 2008	2.2	USD/PLN	-	37, 900	-	3,023
Grupa LOTOS S.A.	Currency forward	Jun 13 2008	Jul 21 2008	2.2	USD/PLN	-	10, 870	-	1,096
Grupa LOTOS S.A.	Currency forward	Jun 17 2008	Jul 11 2008	2.2	USD/PLN	-	71, 750	-	4,508
Grupa LOTOS S.A.	Currency forward	Jun 17 2008	Jul 11 2008	3.4	EUR/PLN	980	-	-	32
Grupa LOTOS S.A.	Currency forward	Jun 18 2008	Jul 16 2008	2.2	USD/PLN	-	40, 000	-	2,502
Grupa LOTOS S.A.	Currency forward	Jun 18 2008	Jul 11 2008	3.4	EUR/PLN	5,000	-	-	105
Grupa LOTOS S.A.	Currency forward	Jun 20 2008	Jul 9 2008	2.2	USD/PLN	-	80, 000	-	3,071
Grupa LOTOS S.A.	Currency forward	May 27 2008	Jul 15 2008	1.6	EUR/USD	-	-	55, 000	1,410
Grupa LOTOS S.A.	Currency spot	May 27 2008	Sep 15 2008	1.6	EUR/USD	-	-	100, 000	2,158
Grupa LOTOS S.A.	Currency forward	May 27 2008	Aug 15 2008	1.6	EUR/USD	-	-	92, 100	1,680
Grupa LOTOS S.A.	Currency forward	Jun 9 2008	Jul 15 2008	1.6	EUR/USD	-	-	41 ,500	281
Grupa LOTOS S.A.	Currency forward	Jun 24 2008	Nov 14 2008	1.5	EUR/USD	-	-	21 ,350	1,162

Company	Type of currency transaction	Transaction execution date	Transaction settlement date(1)	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Jun 30 2008 (PLN '000)(2)
Grupa LOTOS S.A.	Currency forward	Jun 24 2008	Oct 15 2008	1.5	EUR/USD	-	-	20 ,000	1,095
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 26 2008	Jul 30 2008	3.3	EUR/PLN	1,022	-	-	6
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 30 2008	Aug 1 2008	3.3	EUR/PLN	762	-	-	4
						TOTAL			**37,388**

Company	Type of currency transaction	Transaction execution date	Transaction settlement date [(1)]	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Jun 30 2008 (PLN '000) [(2)]
Grupa LOTOS S.A.	Currency forward	Jun 23 2008	Aug 14 2008	2.2	USD/PLN	-	14,500	-	(736)
Grupa LOTOS S.A.	Currency forward	Jun 25 2008	Jul 17 2008	2.2	USD/PLN	-	15.,000	-	(546)
Grupa LOTOS S.A.	Currency spot	Jun 27 2008	Jul 1 2008	2.1	USD/PLN	-	5,000	-	(136)
Grupa LOTOS S.A.	Currency forward	Jun 27 2008	Jul 22 2008	2.1	USD/PLN	-	30,000	-	(604)
Grupa LOTOS S.A.	Currency forward	Jun 27 2008	Jul 22 2008	2.1	USD/PLN	-	19,600	-	(370)
Grupa LOTOS S.A.	Currency spot	Jun 27 2008	Jul 1 2008	3.4	EUR/PLN	2,900	-	-	(30)
Grupa LOTOS S.A.	Currency spot	Jun 27 2008	Jul 1 2008	2.1	USD/PLN	-	5,000	-	(74)
Grupa LOTOS S.A.	Currency spot	Jun 30 2008	Jul 2 2008	2.1	USD/PLN	-	9,000	-	(19)
LOTOS Asfalt Sp. z o.o.	Currency forward	May 29 2008	Jul 2 2008	3.4	EUR/PLN	310	-	-	(8)
LOTOS Asfalt Sp. z o.o.	Currency forward	May 30 2008	Jul 3 2008	3.4	EUR/PLN	502	-	-	(11)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 2 2008	Jul 4 2008	3.4	EUR/PLN	359	-	-	(8)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 3 2008	Jul 7 2008	3.4	EUR/PLN	539	-	-	(11)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 4 2008	Jul 7 2008	3.4	EUR/PLN	445	-	-	(11)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 5 2008	Jul 9 2008	3.4	EUR/PLN	492	-	-	(8)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 6 2008	Jul 10 2008	3.4	EUR/PLN	700	-	-	(22)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 9 2008	Jul 11 2008	3.4	EUR/PLN	401	-	-	(16)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 10 2008	Jul 14 2008	3.4	EUR/PLN	806	-	-	(18)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 11 2008	Jul 14 2008	3.4	EUR/PLN	459	-	-	(10)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 12 2008	Jul 16 2008	3.4	EUR/PLN	645	-	-	(19)

Company	Type of currency transaction	Transaction execution date	Transaction settlement date [1]	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Jun 30 2008 (PLN '000) [2]
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 13 2008	Jul 17 2008	3.4	EUR/PLN	379	-	-	(14)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 16 2008	Jul 18 2008	3.4	EUR/PLN	507	-	-	(17)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 17 2008	Jul 21 2008	3.4	EUR/PLN	704	-	-	(19)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 18 2008	Jul 21 2008	3.4	EUR/PLN	893	-	-	(18)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 19 2008	Jul 23 2008	3.4	EUR/PLN	85	-	-	(2)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 25 2008	Jul 28 2008	3.4	EUR/PLN	1,050	-	-	(2)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 27 2008	Jul 1 2009	3.4	EUR/PLN	1,000	-	-	(50)
LOTOS Asfalt Sp. z o.o.	Currency forward	Jun 27 2008	Jul 31 2008	3.4	EUR/PLN	1,325	-	-	(19)
						TOTAL			**(2,799)**

[1] It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures defined by banks.

[2] The fair value of a transaction is calculated on the basis of its discounted market value established by marking to market. The resulting amount is the amount of a hypothetical offsetting position (closing the transaction) taken on the valuation date. In the case of currency swaps, in order to determine their fair value, such transactions are valued using forward rates calculated on the basis of fixing rate quotations of the National Bank of Poland and the zero-coupon interest rate curve (CLOSE YIELD), as published by Reuters on the valuation date.

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of carbon credits purchased	Price (EUR)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.4	215
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.4	215
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.4	215
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	2,000	20.8	53
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	10,000	20.8	267
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	10,000	20.8	267
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	10,000	20.8	267
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	10,000	20.8	269
Grupa LOTOS S.A.	Futures	Feb 18 2008	Dec 18 2008	10,000	20.8	269
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10,000	21.7	238
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10,000	21.6	239
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	5,000	21.6	120
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	4,000	21.6	96
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	9,000	21.6	217
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	1,000	21.6	24
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	5,000	21.6	121
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10, 000	21.6	242
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	5,000	21.6	121
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	1,000	21.5	24
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10, 000	21.5	244
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	8,000	21.3	200
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10,000	20.8	267
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	10,000	20.8	267

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of carbon credits purchased	Price (EUR)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	9,000	20.8	241
Grupa LOTOS S.A.	Futures	Feb 19 2008	Dec 18 2008	1,000	20.8	27
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.9	230
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.9	232
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.9	232
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.8	233
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	9,000	21.8	210
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	9,000	21.8	211
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	1,000	21.8	23
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.8	235
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.7	236
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	10,000	21.7	237
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	9,000	21.7	213
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	1,000	21.7	24
Grupa LOTOS S.A.	Futures	Feb 21 2008	Dec 18 2008	1,000	21.7	24
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	10,000	21.5	244
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	5,000	21.5	122
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	5,000	21.5	122
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	10,000	21.5	246
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	10,000	21.5	246
Grupa LOTOS S.A.	Futures	Feb 22 2008	Dec 18 2008	10,000	21.4	247
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.3	49
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	9,000	27.4	43
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	1,000	27.4	5

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of carbon credits purchased	Price (EUR)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.4	46
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.4	45
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.5	44
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	9,000	27.5	40
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	1,000	27.5	4
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	6,000	27.6	25
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	4,000	27.6	16
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	1,000	27.6	4
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.6	41
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	7,000	27.6	27
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	3,000	27.6	12
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.7	36
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	7,000	27.7	25
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	4,000	27.7	14
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	3,000	27.7	11
Grupa LOTOS S.A.	Futures	Jun 12 2008	Dec 18 2008	10,000	27.7	36
					TOTAL	**8,815**

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of barrels sold	Price (USD)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	May 30 2008	Jan 8 2009	501,000	13.2	1,946
Grupa LOTOS S.A.	Full barrel swap	May 30 2008	Jul 7 2009	501,000	11.6	572
Grupa LOTOS S.A.	Full barrel swap	May 30 2008	Apr 7 2009	999,999	10.3	2,113
Grupa LOTOS S.A.	Full barrel swap	Jun 2 2008	Apr 7 2009	501,000	10.1	899

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of barrels sold	Price (USD)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	Jun 2 2008	Oct 7 2009	501,000	14.3	269
Grupa LOTOS S.A.	Full barrel swap	Jun 2 2008	Jan 8 2009	501,000	12.7	1,394
Grupa LOTOS S.A.	Full barrel swap	Jun 6 2008	Jan 8 2009	500,001	12.1	744
Grupa LOTOS S.A.	Full barrel swap	Jun 6 2008	Jan 8 2009	501,000	12.0	693
Grupa LOTOS S.A.	Full barrel swap	Jun 6 2008	Jan 8 2009	499,998	12.1	744
Grupa LOTOS S.A.	Full barrel swap	Jun 12 2008	Jan 8 2009	498,000	12.2	900
					TOTAL	**10,274**

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of barrels sold	Price (USD)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	Nov 21 2007	Oct 7 2008	500,001	9.1	(1,587)
Grupa LOTOS S.A.	Full barrel swap	Nov 22 2007	Oct 7 2008	246,000	9.2	(728)
Grupa LOTOS S.A.	Full barrel swap	Dec 13 2007	Oct 7 2008	500,001	8.9	(1,798)
Grupa LOTOS S.A.	Full barrel swap	Dec 20 2007	Oct 7 2008	999,999	9.0	(3,388)
Grupa LOTOS S.A.	Full barrel swap	Jan 17 2008	Oct 7 2008	753,999	8.5	(2,084)
Grupa LOTOS S.A.	Full barrel swap	Feb 14 2008	Oct 7 2008	1,300,002	8.5	(3,731)
Grupa LOTOS S.A.	Full barrel swap	Mar 3 2008	Jan 8 2009	999,999	8.6	(5,823)
Grupa LOTOS S.A.	Full barrel swap	Mar 4 2008	Apr 7 2009	500,001	7.6	(1,741)
Grupa LOTOS S.A.	Full barrel swap	Mar 5 2008	Oct 7 2008	1,999,998	8.9	(3,833)
Grupa LOTOS S.A.	Full barrel swap	Mar 5 2008	Jan 8 2009	600,000	9.1	(2,909)
Grupa LOTOS S.A.	Full barrel swap	Mar 5 2008	Jan 8 2009	1,600,002	9.1	(7,723)
Grupa LOTOS S.A.	Full barrel swap	Mar 7 2008	Apr 7 2009	999,999	7.8	(3,080)
Grupa LOTOS S.A.	Full barrel swap	Mar 20 2008	Jan 8 2009	1,290,000	9.9	(3,957)
Grupa LOTOS S.A.	Full barrel swap	Jun 6 2008	Oct 7 2009	999,999	13.7	(650)
Grupa LOTOS S.A.	Full barrel swap	Jun 16 2008	Jan 8 2009	243,300	12.0	(311)
Grupa LOTOS S.A.	Full barrel swap	Jun 17 2008	Jul 7 2009	500,001	10.0	(1,072)
Grupa LOTOS S.A.	Full barrel swap	Jun 19 2008	Oct 7 2009	500,001	13.0	(1,067)

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of barrels sold	Price (USD)	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	Jun 20 2008	Oct 7 2009	499,998	13.0	(1,067)
					TOTAL	**(46,549)**

Company	Type of transaction	Transaction execution date	Transaction settlement date	Nominal value (USD '000)	Contractual interest rate	Reference rate	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Forward rate agreement (FRA)	Mar 25 2008	Oct 15 2008	100,000	2.2%	USD 3M LIBOR	378
Grupa LOTOS S.A.	Forward rate agreement (FRA)	Mar 27 2008	Oct 15 2008	100,000	2.2%	USD 3M LIBOR	402
						TOTAL	**780**

Company	Type of transaction	Transaction execution date	Start date	End date	Nominal value (USD '000)	Contractual interest rate	Reference rate	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 9 2008	Oct 15 2008	Jun 30 2011	50,000	3.4%	USD 3M LIBOR	1,402
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 13 2008	Oct 15 2008	Jun 30 2011	50,000	3.6%	USD 3M LIBOR	1,083
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 16 2008	Oct 15 2008	Jun 30 2011	100,000	3.7%	USD 3M LIBOR	1,668
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Jul 15 2009	Jun 30 2011	122,000	4.1%	USD LIBOR 3M	857
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Oct 15 2008	Jun 30 2011	208,000	3.8%	USD LIBOR 3M	2,038
							TOTAL	**7,048**

Company	Type of forward transaction	Transaction execution date	Start date	End date	Nominal value (USD '000)	Contractual interest rate	Reference rate	Fair value as at Jun 30 2008 (PLN '000)
Grupa LOTOS S.A.	IRS	Jun 26 2008	Jan 15 2009	Jun 30 2011	100,000	4.3%	USD 3M LIBOR	(989)
Grupa LOTOS S.A.	IRS	Jun 27 2008	Jul 15 2009	Jun 30 2011	150,000	4.3%	USD 3M LIBOR	(419)
							TOTAL	**(1,408)**

Value of derivative transactions as at December 31st 2007 (PLN '000):

Company	Type of currency transaction	Transaction execution date	Transaction settlement date(1)	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Dec 31 2007 (PLN '000)(2)
Grupa LOTOS S.A.	Currency forward	Dec 14 2007	Jan 11 2008	3.6	EUR/PLN	8,500	-	-	200
Grupa LOTOS S.A.	Currency forward	Dec 14 2007	Jan 18 2008	2.5	USD/PLN	-	30,000	-	1,501
Grupa LOTOS S.A.	Currency forward	Dec 14 2007	Jan 22 2008	2.5	USD/PLN	-	30,000	-	1,498
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 4 2008	2.5	USD/PLN	-	30,000	-	2,375
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 4 2008	2.5	USD/PLN	-	18,000	-	1,336
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 6 2008	2.5	USD/PLN	-	50,000	-	3,887
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 27 2008	2.5	USD/PLN	-	40,000	-	3,055
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 27 2008	2.5	USD/PLN	-	20,000	-	1,547
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 15 2008	3.6	EUR/PLN	25,000	-	-	856
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 29 2008	3.6	EUR/PLN	50,000	-	-	1,694
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 29 2008	2.5	USD/PLN	-	48,000	-	3,754
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 22 2008	2.5	USD/PLN	-	50,000	-	4,700
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Jan 8 2008	2.5	USD/PLN	-	30,000	-	2,701
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 28 2008	3.6	EUR/PLN	45,000	-	-	1,398
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 8 2008	2.5	USD/PLN	-	32,000	-	2,857
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 8 2008	2.5	USD/PLN	-	25,000	-	2,126
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 14 2008	3.6	EUR/PLN	7,000	-	-	221
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 14 2008	2.5	USD/PLN	-	20,000	-	1,698
Grupa LOTOS S.A.	Currency forward	Dec 21 2007	Jan 28 2008	3.6	EUR/PLN	50,000	-	-	1,742
Grupa LOTOS S.A.	Currency forward	Dec 21 2007	Feb 21 2008	3.6	EUR/PLN	20,000	-	-	733
Grupa LOTOS S.A.	Currency forward	Dec 27 2007	Feb 25 2008	2.5	USD/PLN	-	50,000	-	2,163

Company	Type of currency transaction	Transaction execution date	Transaction settlement date(1)	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Notional amount sold (EUR/USD '000)	Fair value as at Dec 31 2007 (PLN '000)(2)
Grupa LOTOS S.A.	Currency forward	Dec 27 2007	Feb 26 2008	2.5	USD/PLN	-	50,000	-	2,162
Grupa LOTOS S.A.	Currency forward	Dec 27 2007	Jan 7 2008	3.6	EUR/PLN	10,000	-	-	271
Grupa LOTOS S.A.	Currency forward	Dec 28 2007	Jan 9 2008	3.6	EUR/PLN	10,000	-	-	229
Grupa LOTOS S.A.	Currency forward	Dec 6 2007	Jan 7 2008	1.5	EUR/USD	-	-	20,000	496
Grupa LOTOS S.A.	Currency forward	Dec 6 2007	Jan 10 2008	1.5	EUR/USD	-	-	10,000	370
Grupa LOTOS S.A.	Currency forward	Dec 7 2007	Jan 11 2008	3.6	EUR/PLN	8,500	-	-	5
Grupa LOTOS S.A.	Currency forward	Dec 10 2007	Jan 14 2008	1.5	EUR/USD	-	-	20,000	83
Grupa LOTOS S.A.	Currency forward	Dec 10 2007	Jan 14 2008	1.5	EUR/USD	-	-	20,000	88
Grupa LOTOS S.A.	Currency forward	Dec 10 2007	Jan 17 2008	1.5	EUR/USD	-	-	40,000	208
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 16 2008	1.4	EUR/USD	-	-	50,000	3,714
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 16 2008	1.4	EUR/USD	-	-	50,000	3,784
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 9 2008	1.4	EUR/USD	-	-	50,000	3,701
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 25 2008	1.4	EUR/USD	-	-	50,000	3,846
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 11 2008	1.4	EUR/USD	-	-	50,000	3,724
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 19 2008	1.4	EUR/USD	-	-	40,000	3,066
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 20 2008	1.4	EUR/USD	-	-	50,000	3,747
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 28 2008	1.4	EUR/USD	-	-	40,000	3,032
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 23 2008	1.4	EUR/USD	-	-	40,000	3,125
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Jan 29 2008	1.4	EUR/USD	-	-	20,000	1,545
Grupa LOTOS S.A.	Currency forward	Dec 20 2007	Feb 29 2008	1.4	EUR/USD	-	-	20,000	1,654
Grupa LOTOS S.A.	Currency forward	Dec 21 2007	Jan 31 2008	1.4	EUR/USD	-	-	50,000	4,003
Grupa LOTOS S.A.	Currency forward	Dec 27 2007	Feb 13 2008	1.4	EUR/USD	-	-	50,000	2,735
							TOTAL		**87,630**

Company	Type of currency transaction	Transaction execution date	Transaction settlement date(1)	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Fair value as at Dec 31 2007 (PLN '000)(2)
Grupa LOTOS S.A.	Spot	Dec 28 2007	Jan 2 2008	3.6	EUR/PLN	3,500		70
							TOTAL	**70**

1) It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures defined by banks.

2) The fair value of a transaction is calculated on the basis of its discounted market value established by marking to market. The resulting amount is the amount of a hypothetical offsetting position (closing the transaction) taken on the valuation date. In the case of currency swaps, in order to determine their fair value, such transactions are valued using forward rates calculated on the basis of fixing rate quotations of the National Bank of Poland and the zero-coupon interest rate curve (CLOSE YIELD), as published by Reuters on the valuation date.

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of carbon credits purchased	Price (EUR)	Fair value as at Dec 31 2007 (PLN '000)
Grupa LOTOS S.A.	Futures	Oct 23 2007	Dec 18 2008	10,000	22.13	10
Grupa LOTOS S.A.	Futures	Oct 23 2007	Dec 18 2008	10,000	22.10	11
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	5,000	21.50	16
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	10,000	21.65	27
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	10,000	21.60	29
Grupa LOTOS S.A.	Futures	Jun 19 2007	Dec 18 2008	10,000	21.50	33
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	10,000	21.50	33
Grupa LOTOS S.A.	Futures	Jun 19 2007	Dec 18 2008	10,000	21.45	35
Grupa LOTOS S.A.	Futures	Jun 19 2007	Dec 18 2008	10,000	21.40	36
Grupa LOTOS S.A.	Futures	Jun 19 2007	Dec 18 2008	10,000	21.40	36
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	10,000	21.40	36
Grupa LOTOS S.A.	Futures	Jun 19 2007	Dec 18 2008	10,000	21.30	40
Grupa LOTOS S.A.	Futures	Oct 31 2007	Dec 18 2008	15,000	21.55	46
					TOTAL	**388**

Company	Type of transaction	Transaction execution date	Transaction settlement date	No of barrels sold	Price (EUR)	Fair value as at Dec 31 2007 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	Nov 9 2007	Apr 7 2008	1,040,000	9.21	1,638
Grupa LOTOS S.A.	Full barrel swap	Nov 9 2007	Jul 8 2008	750,000	9.30	347
Grupa LOTOS S.A.	Full barrel swap	Nov 12 2007	Apr 7 2008	990,000	9.30	1,776
Grupa LOTOS S.A.	Full barrel swap	Nov 21 2007	Jul 8 2008	609,999	9.35	356
Grupa LOTOS S.A.	Full barrel swap	Nov 13 2007	Jul 8 2008	490,000	9.47	429
Grupa LOTOS S.A.	Full barrel swap	Nov 13 2007	Jul 8 2008	799,998	9.25	273
Grupa LOTOS S.A.	Full barrel swap	Nov 12 2007	Apr 7 2008	999,999	9.19	1,526
Grupa LOTOS S.A.	Full barrel swap	Nov 13 2007	Jul 8 2008	129,999	9.40	92
Grupa LOTOS S.A.	Full barrel swap	Nov 20 2007	Jul 8 2008	510,000	9.27	295
Grupa LOTOS S.A.	Full barrel swap	Nov 14 2007	Jul 8 2008	620,000	9.35	362
Grupa LOTOS S.A.	Full barrel swap	Nov 14 2007	Jul 8 2008	90,000	9.35	53
Grupa LOTOS S.A.	Full barrel swap	Nov 22 2007	Oct 7 2008	246,000	9.20	29
Grupa LOTOS S.A.	Full barrel swap	Nov 27 2007	Jul 8 2008	700,002	9.60	835
					TOTAL	**8,011**

Company	Type of currency transaction	Transaction execution date	Transaction settlement date(1)	Forward rate	Currency pair	Notional amount sold (EUR '000)	Notional amount sold (USD '000)	Fair value as at Dec 31 2007 (PLN '000)(2)
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 29 2008	3.6	EUR/PLN	25,000	-	(863)
Grupa LOTOS S.A.	Currency forward	Dec 19 2007	Feb 29 2008	2.5	USD/PLN	-	24,000	(1,903)
Grupa Kapitałowa LOTOS Gaz S.A.	Currency forward	Dec 03 2007	Jan 04 2008	2.8	USD/PLN	-	100	(39)
Grupa Kapitałowa LOTOS Gaz S.A	Currency forward	Dec 07 2007	Jan 07 2008	2.8	USD/PLN	-	100	(35)
Grupa Kapitałowa LOTOS Gaz S.A	Currency forward	Dec 21 2007	Feb 21 2008	2.8	USD/PLN	-	100	(40)
Grupa Kapitałowa LOTOS Gaz S.A	Currency forward	Dec 21 2007	Jan 21 2008	2.8	USD/PLN	-	100	(35)
							TOTAL	**(2,915)**

1) It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures defined by banks.

2) The fair value of a transaction is calculated on the basis of its discounted market value established by marking to market. The resulting amount is the amount of a hypothetical offsetting position (closing the transaction) taken on the valuation date. In the case of currency swaps, in order to determine their fair value, such transactions are valued using forward rates calculated on the basis of fixing rate quotations of the National Bank of Poland and the zero-coupon interest rate curve (CLOSE YIELD), as published by Reuters on the valuation date.

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of carbon credits purchased	Price (EUR)	Fair value as at Dec 31 2007 (PLN '000)
Grupa LOTOS S.A.	Futures	Jun 14 2007	Dec 18 2008	25,000	23.85	(130)
Grupa LOTOS S.A.	Futures	Jun 14 2007	Dec 18 2008	5,000	23.80	(25)
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.40	(16)
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.40	(16)
Grupa LOTOS S.A.	Futures	May 31 2007	Dec 17 2009	10,000	23.40	(16)
Grupa LOTOS S.A.	Futures	Jun 13 2007	Dec 18 2008	5,000	23.30	(16)
Grupa LOTOS S.A.	Futures	Jun 13 2007	Dec 18 2008	5,000	23.30	(16)
Grupa LOTOS S.A.	Futures	Jun 13 2007	Dec 18 2008	5,000	23.30	(16)
					TOTAL	**(251)**

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of barrels sold	Price (EUR)	Fair value as at Dec 31 2007 (PLN '000)
Grupa LOTOS S.A.	Full barrel swap	Nov 21 2007	Oct 7 2008	500,001	9.10	(63)
Grupa LOTOS S.A.	Full barrel swap	Dec 13 2007	Oct 7 2008	500,001	8.90	(307)
Grupa LOTOS S.A.	Full barrel swap	Dec 20 2007	Oct 7 2008	999,999	9.00	(370)
					TOTAL	**(740)**

21.3 Financial Risk Management

The Company is exposed to financial risk, including chiefly:

- market risk (risk related to the prices of raw materials and petroleum products, risk related to the prices of carbon credits, currency risk, interest rate risk),
- liquidity risk,
- credit risk related to financial and commercial transactions.

The Financial Risk Management Committee ("FRMC") at the Parent Undertaking is responsible for the supervision and coordination of the financial risk management process at Grupa LOTOS S.A. In order to ensure the efficiency and operational security of this process, the following areas have been distinguished: financial transactions area (front-office), risk analysis and control area (middle-office), and transactions documentation and settlement area (back-office).

The key objectives sought to be achieved through financial risk management are as follows:

- maximising the result on market risk management at the assumed risk level,
- stabilising cash flows,
- ensuring short-term financial liquidity,
- supporting the activities related to the arrangement of financing for investment activities.

In order to achieve these objectives, documents have been prepared and approved at appropriate decision-making levels at the Parent Undertaking. These documents specify the necessary framework for effective and secure functioning of the financial risk management process, including principally:

- methodology for developing a risk map,
- acceptable financial instruments,
- method of assessing financial risk management,
- limits within risk management,
- reporting method,
- credit limits for counterparties in financial transactions.

The Parent Undertaking monitors all managed market risks on an ongoing basis. Opening a position with respect to risks which do not arise as part of the Company's core activity is prohibited. The Company uses liquid derivatives which it is able to value by applying commonly applied valuation models. The valuation of the underlying position and derivatives is performed based on market data received from reliable providers.

The Group does not apply hedging accounting; accordingly, any change in the fair value of derivatives is charged to the income statement.

The Group regards management of the risk related to raw material and petroleum product prices, as well as the currency risk, as an issue of utmost importance.

Risk Related to Prices of Raw Materials and Petroleum Products

The concept for the management of risk related to the prices of raw materials and petroleum products covers the period until the end of 2010, by which time also the 10+ Programme is to have been completed. The main objective of the management concept is to increase the probability of generating cash flows guaranteeing safe financing of investment projects under the 10+ Programme.

The basic risk map is created by converting the map of price indices used in trade contracts into the map of indices for which there exist liquid markets of derivatives. Such conversion takes into account relevant statistical relations between base indices and market indices. The converted map serves a basis for defining the model of the refining margin. The margin is defined as the difference between the value of indices representing products sold and the index representing raw materials purchased.

The management concept provides for maximum security ratios for the underlying position, decreasing each year relative to a current budget year. Within the framework of accepted limits and guidelines, the Financial Risk Management Committee adopts decisions defining the limits and volumes of hedging transactions.

As at June 30th 2008, the refining margin position of the Parent Undertaking (including both the underlying position and the executed transactions) stood at:

- 7.7 MMbbl for H2 2008,
- 30.0 MMbbl for 2009,
- 63.7 MMbbl for 2010,

As at December 31st 2007, the refining margin position of the Parent Undertaking (including both the underlying position and the executed transactions) stood at:

- 28.6 MMbbl for 2008,
- 36.6 MMbbl for 2009,
- 63.7 MMbbl for 2010.

Risk Related to the Prices of Carbon Credits

The risk related to the prices carbon credits is managed in line with the assumptions set forth in "The Strategy for Managing the Risk Related to Carbon Credit Prices at Grupa LOTOS S.A.". The period covered by the management is determined by the individual phases of the Kyoto protocol; currently, it is the period until the end of 2012.
The basic risk map includes the credits granted and the CO_2 emissions planned for a given phase. Depending on the market situation and credits granted, the Company maintains an appropriate position in carbon credits by entering into financial transactions or changing the underlying position.
A position limit is defined based on the number of credits granted for a given phase and comprises the aggregate of positions for individual years within the phase. The maximum loss limit is defined based on the Company's equity.

As at June 30th 2008, the position of the Parent Undertaking in carbon credits stood at:

- Phase II (2008–2012) = 49.6 thousand EUA.

As at December 31st 2007, the position of the Parent Undertaking in carbon credits stood at:

- Phase I (2005–2007): 11.6 thousand EUA,
- Phase II (2008–2012): 205.0 thousand EUA.

Currency Risk

Currency risk is managed in line with the assumptions stipulated in "The Strategy of Currency Risk Management at Grupa LOTOS S.A.". The period covered by currency risk management is determined according to individual budget years. The base map of net currency positions includes principally the volumes and price formulae for purchases of raw materials and sales of products, valuation of derivatives, investments, as well as loans denominated in foreign currencies. The map is then presented in a single currency, which enables the management of such aggregate positions as the total and global gross positions, based on which position limits have been established. Depending on the market situation and limits granted, the Company maintains an appropriate currency position by entering into financial transactions or changing the underlying position. Position and maximum loss limits are expressed as percentages of the Company's equity.

The typical currency used on Grupa LOTOS S.A.'s operating market is USD. This currency is used in market price quotations for crude oil and petroleum products. On its operating activity, Grupa LOTOS S.A. has a structurally long position in USD. For this reason it has been decided that USD is the most appropriate currency for contracting and repaying long-term loans to finance the 10+ Programme, as such an approach contributes to reducing the structurally long position with a resulting reduction in strategic currency risk.

As at June 30th 2008, the net currency position of the Parent Undertaking stood at:

- 2008 USD/PLN = USD (10.4)m,
- 2008 EUR/PLN = EUR 0.7m.

As at December 31st 2007, the net currency position of the Parent Undertaking stood at:

- 2008 USD/PLN = USD (54.5)m,
- 2008 EUR/PLN = EUR 57.6m.

Interest Rate Risk

The base map of interest rate positions reflects the planned schedule of drawdowns and repayments under the loan extended for the financing of inventory purchases and implementation of the 10+ Programme. The interest rate risk is connected with the interest calculated on the basis of a floating rate (LIBOR USD). The Company started the management of its interest rate risk by hedging a part of its exposure connected with the loan for the financing of inventory and by setting up mandatory hedges under the agreement on financing of the 10+ Programme. The mandatory hedges against interest rate risk were established with a view to achieving a specific security ratio for tranche A (USD 1,400m) by June 30th 2011.

To optimise the interest balance, the cashpooling service for the LOTOS Group members is used. The service consists in the application of favourable interest rates for debit and credit balances, which are subject to offsetting as at the end of each business day.

Liquidity Risk

The liquidity risk management process at the Group consists in monitoring the forecast cash flows, matching maturities of assets and liabilities, analysing working capital and maintaining access to various financing sources.
In the period covered by the budget, liquidity at the Parent Undertaking is monitored on an ongoing basis as part of the financial risk management. In the mid- and long term, it is monitored as part of the planning process, which helps create a long-term financial strategy.
In the area of financial risk, in addition to active management of market risk, the Parent Undertaking takes the following measures which additionally enhance the Company's security in terms of liquidity:

- minimises the margins with respect to valuation of derivatives,
- limits the risk of an early termination of transactions,
- establishes limits for spot financial instruments with low liquidity,
- establishes credit limits for counterparties in financial transactions.

Note 24 presents additional unused cash remaining at the Group's disposal. Note 30 contains information on the contractual maturities of financial liabilities as at June 30th 2008 and December 31st 2007.

Credit Risk

Management of credit risk related to counterparties in financial transactions consists in ongoing monitoring of the actual credit exposure in relation to the limits granted. The counterparties must have an appropriate credit rating assigned by leading rating agencies or hold guarantees granted by institutions meeting the minimum rating requirement. The Group enters into financial transactions with well-established firms with good credit standing.

As regards management of credit risk related to counterparties in non-financial transactions, all customers requesting trade credit undergo verification of their financial reliability. Furthermore, due to ongoing monitoring of receivables, the risk of uncollectible receivables is low.

The carrying values of financial assets represent the maximum credit exposure. The maximum credit risk exposure as at the balance-sheet date stood at:

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Shares	11,471	8.178
- non-current	11,460	8.093
- current	11	85
Prepayments for shares	21,646	23.117
Derivatives	64,305	96.099
Liquidation fund	13,443	13.443
Loans:	32	58
- non-current	8	17
- current	24	41
Net receivables:	1,791,713	1.555.133
- non-current	10,308	12.668
- current	1,781,405	1.542.465
Cash and cash equivalents	721,891	924.995
	=========	=========
Total	**2,624,501**	**2.621.023**
	=========	=========

Past due financial assets by maturity as at June 30th 2008 and December 31st 2007 are presented in Note 23.

21.4 Sensitivity Analysis with Respect to Market Risk

Below is presented an analysis of sensitivity to currency risk as at June 30th 2008 and December 31st 2007, along with the effect of such a risk on the financial performance, assuming a 1% increase or decrease in the USD/PLN and EUR/PLN currency exchange rates, all other variables being equal:

Jun 30 2008 (unaudited)	**Carrying value in a foreign currency, translated into PLN as at the balance-sheet date**	**1% increase in exchange rate, effect on year's result**		**1% decrease in exchange rate, effect on year's result**	
PLN '000		**USD**	**EUR**	**USD**	**EUR**
Net receivables	146,374	795	669	(795)	(669)
Cash and cash equivalents	38,383	263	121	(263)	(121)
Trade and other payables	(963,991)	(9,490)	(149)	9,490	149
Loans	(838,067)	(8,192)	(192)	8,192	192
Financial assets – derivative instruments	64,305	(21,354)	10,843	21,354	(10,843)
Financial liabilities – derivative instruments	(50,756)	1,611	97	(1,611)	(97)
	========	======	=======	======	=======
Total	**(1,603,752)**	**(36,367)**	**11,389**	**36,367**	**(11,389)**
	========	======	======	========	======

Dec 31 2007 (audited)	**Carrying value in a foreign currency, translated into PLN as at the balance-sheet date**	**1% increase in exchange rate, effect on year's result**		**1% decrease in exchange rate, effect on year's result**	
PLN '000		**USD**	**EUR**	**USD**	**EUR**
Net receivables	186,284	1,629	234	(1,629)	(234)
Cash and cash equivalents	161,871	1,290	329	(1,290)	(329)
Trade and other payables	(715,476)	(6,794)	(361)	6,794	361
Loans	(596,491)	(5,665)	(300)	5,665	300
Financial assets – derivative instruments	96,099	(36,225)	16,058	36,225	(16,058)
Financial liabilities – derivative instruments	(3,906)	583	892	(583)	(892)
	========	======	=======	========	======
Total	**(871,619)**	**(45,182)**	**16,852**	**45,182**	**(16,852)**
	========	======	======	========	======

As at June 30th 2008 and December 31st 2007, the Parent Undertaking held futures for the purchase of carbon credits (EUA – EU Allowance Units), measured at fair value as at the balance-sheet date. The financial assets related to positive valuation of the futures for the purchase of carbon credits amounted to PLN 8,815 thousand as at June 30th 2008 (PLN 388 thousand, as at December 31st 2007). No financial liabilities related to negative valuation of the futures for the purchase of carbon credits were posted as at June 30th 2008 (as at December 31st 2007, such liabilities amounted to PLN 251 thousand). A change in the price of carbon credits up or down by 1% could potentially lead to a change in the valuation of the fair value of financial assets and liabilities related to the futures for the purchase of carbon credits as at June 30th 2008 of PLN 450, (450) thousand (PLN 165, (165) thousand, as at December 31st 2007).

As at June 30th 2008 and December 31st 2007 the Parent Undertaking held an OTC full barrel swap, measured at fair value as at the balance-sheet date. The financial assets related to positive valuation of the full barrel swap amounted to PLN 10,274 thousand as at June 30th 2008 (PLN 8,011 thousand, as at December 31st 2007). The financial liabilities related to negative valuation of the full barrel swap amounted to PLN 46,549 thousand as at June 30th 2008 (PLN 740 thousand, as at December 31st 2007). A change in the quotations of the indices comprising the full barrel swap up or down by 1% could potentially lead to a change in the valuation of the fair value of financial assets and liabilities related to the OTC full barrel swap and charged to the income statement of PLN (4,635), 4,635 thousand.

As at June 30th 2008, the net carrying value of financial assets and liabilities (borrowings, cash, financial liabilities under bank loans, interest rate swaps (IRS), FRAs) which are sensitive to interest rate risk amounted to PLN (873,689) thousand (PLN (423,268) thousand as at December 31st 2007). A change in interest rates up or down by 1% could potentially lead to a change in the value of financial assets and liabilities as at June 30th 2008 of PLN (8,737), 8,737 thousand net (PLN (4,380), 4,380 thousand as at December 31st 2007).

22. Inventories

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Finished products	892,426	777,345
Semi-finished products and work in progress	334,005	308,715
Goods for resale	156,497	160,429
Materials	1,689,336	1,342,833
Net inventories	**3,072,264**	**2,589,322**

Impairment Charges for Inventories

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Finished products	1,656	9,990
Semi-finished products and work in progress	-	319
Goods for resale	1,025	1,372
Materials	9,890	8,384
Total impairment charges for inventories	**12,571**	**20,065**

In the six months ended June 30th 2008, the Group recognised impairment charges for inventories in the amount of PLN 4,339 thousand (June 30th 2007 – PLN 13,744 thousand) and reversed impairment charges for inventories in the amount of PLN 11,833 thousand (June 30th 2007 – PLN 36,721 thousand).

As at June 30th 2008, the carrying value of inventories valued at production or acquisition cost stood at PLN 3,006,064 thousand, while the value of inventories measured at net realisable value was PLN 66,200 thousand (PLN 2,530,203 thousand and PLN 59,119 thousand, respectively, as at December 31st 2007).

As at June 30th 2008, the value of inventories which serve as collateral for the Group's liabilities amounted to PLN 2,934,582 thousand (PLN 2,482,864 thousand as at December 31st 2007).

Mandatory Stocks of Liquid Fuels

Until April 7th 2007, the Group applied regulations concerning mandatory stocks of liquid fuels pursuant to Art. 19a.5 of the Polish State Reserves and Mandatory Fuel Stocks Act of May 30th 1996 (Dz.U. of 2003 No. 24, item 197, Dz.U. of 2004 No. 42, item 386, Dz.U. of 2005 No. 132, item 1110 and No. 143, item 1201). Pursuant to the above Act, producers and importers of liquid fuels are obliged to create mandatory liquid fuel stocks, hereinafter referred to as "stocks," based on the volume of liquid fuels produced or imported – from an EU member state or another state – in the previous year, taking into account the schedule for reaching the volume of liquid fuel stocks required at the end of a given year, in accordance with the appendix to the Regulation of the Minister of Economy on the schedule for the creation of liquid fuel stocks, dated December 19th 2005 (Dz.U. of 2005 No. 266, item 2240). This schedule specifies the path to reach in 2008, and subsequent years, the level of stocks corresponding to 76-day average internal fuel consumption at the end of the year. Thus, together with the existing economic reserves accounting for a 14-day consumption, the 90-day stocks required by the EU regulations will be reached. In each subsequent year, the required level of stocks should be increased by the

stocks volume required for such number of days as is specified for each subsequent year in the Regulation of the Minister of Economy on the schedule for the creation of liquid fuel stocks, dated December 19th 2005.
Mandatory fuel stocks may be stored in the form of finished products, semi-finished products and crude oil. However, the total volume of stocks in the form of semi-finished products and crude oil (taking into account the capacity for processing crude oil into fuels) may not exceed the share of each type of fuels in the stocks, as stipulated in the Regulation of the Minister of Economy on the detailed procedure for the creation and determination of the volume of liquid fuel stocks, dated May 12th 2006 (Dz.U. of 2006 No. 92, item 642).

April 7th 2007 saw the introduction, by virtue of the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, as well as on the Rules to be Followed in the Event of a Threat to National Fuel Security or a Disruption on the Petroleum Market, dated February 16th 2007 (Dz.U. of 2007, No. 52, item 343, dated March 23rd 2007) of new regulations applicable to mandatory stocks, The mandatory stocks include crude oil, petroleum products (liquid fuels) and LPG. The Act defined the basis for calculation of the required amount of mandatory stocks as well as the entities subject to the requirement to increase mandatory stocks (73 days in 2007 and 76 days following 2008, excluding LPG).
Detailed rules are set forth in the following regulations of the Minister of Economy, effective as of May 25th 2007:

- Regulation concerning the detailed list of commodities and petroleum products included in the intervention stocks, dated April 24th 2007 (Dz. U. No. 81 item 546),
- Regulation concerning the detailed procedure for creation and maintenance of mandatory stocks of crude oil or fuels and determining their amount, dated April 24th 2007 (Dz. U. No. 81 item 547),
- Regulation concerning the register of producers and traders obliged to create and maintain mandatory stocks of crude oil or fuels, dated April 24th 2007 (Dz. U. No. 81 item 548),
- Regulation concerning the detailed procedure for the reduction of the amount of mandatory stocks of crude oil or fuels, dated April 24th 2007 (Dz. U. No. 81 item 549).

As at June 30th 2008, the Group calculated the value of mandatory stocks based on the newly established regulations.

In the balance sheet, the Group disclosed the following mandatory stocks:

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Mandatory stocks	2,232,084	1,926,275
	=========	=========

23. Trade and Other Receivables

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Trade receivables, including:	1,635,549	1,404,493
- from related undertakings	336	121
Receivables from the state budget, including:	95,678	94,053
income tax receivable	1,358	1,867
Other receivables, including:	50,178	43,919
- from related undertakings	13,560	-
Net receivables	**1,781,405**	**1,542,465**
Impairment charges for receivables	134,849	123,692
	=========	=========
Gross receivables	**1,916,254**	**1,666,157**
	=========	=========

The payment period for trade receivables arising in the normal course of business is 14–55 days. The concentration of risk related to sales is limited due to the large number of the Group's business partners.

As at June 30th 2008, the Group's receivables of PLN 10,000 thousand were assigned by way of security, while as at December 31st 2007 none of the Group's receivables were assigned.

Impairment Losses on Receivables

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Beginning of period	**123,692**	**136,289**
Increase:	19,002	8,029
Decrease	(7,845)	(13,144)
End of period	**134,849**	**131,174**

Past due receivables, not covered by impairment charges, by maturity, as at June 30th 2008 and December 31st 2007:

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Up to one month	73,404	68,442
From one to three months	5,022	6,800
From three to six months	1,446	1,288
From six months to one year	2,752	1,005
Over one year	6,115	6,392
Total	**88,739**	**83,927**

There is no significant concentration of credit risk regarding trade receivables. As at the balance-sheet date, the Group's maximum exposure to credit risk is best represented by the carrying amounts of these instruments.

The Group manages credit risk related to the payment terms under commercial contracts using such tools as deposit mortgage on real estate (*hipoteka kaucyjna*), bank and insurance guarantees, agreements on assignment of receivables or term deposits, registered pledges, promissory notes or sureties.

24. Cash and Cash Equivalents

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Cash in hand and cash at banks	721,312	868,544
Other cash	579	56,451
Total	**721,891**	**924,995**

Cash at banks bears interest at variable rates set according to the short-term interbank interest rates. Short-term deposits are placed for various periods ranging from one day to one month, depending on the Company's current demand for cash, and bear interest at the interest rates set for them.

As at June 30th 2008, the amount of undrawn funds available to the Group under loans in respect of which all conditions precedent had been fulfilled, was PLN 598,674 thousand (PLN 1,098,762 thousand, as at December 31st 2007).

As at June 30th 2008, restricted cash amounted to PLN 21,052 thousand (PLN 17,296 thousand, as at December 31st 2007). As at June 30th 2008, restricted cash related mainly to:

- a deposit with BRE Bank serving as security for the repayment of interest, in the amount of PLN 14,736 thousand,
- a margin of PLN 3,814 thousand placed in the account of Grupa LOTOS S.A. held with a brokerage firm, in order to enable the execution of transactions on the ICE Futures internet platform.

Restricted cash is disclosed in the balance sheet under “Other cash” and “Cash in hand and cash at banks”

As at December 31st 2007, cash in bank accounts on which registered pledge was established to secure the repayment of the LOTOS Group’s liabilities amounted to PLN 13,730 thousand. As at June 30th 2008, the LOTOS Group held no cash which served as security for repayment of liabilities.

25. Cash structure for the cash-flow statement

PLN ‘000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Cash at banks	717,444	868,291
- current accounts	270,563	454,760
- deposits up to 1 year	446,881	413,531
Cash in hand	3,868	253
Other cash	579	56,451
Overdraft facilities	(401,153)	(447,891)
Total cash	**320,738**	**477,104**

Breakdown of the Group’s Activities as Disclosed in the Cash-Flow-Statement

Operating activities include transactions and events related to the core business of an undertaking and other activities which are not included in investing or financing activities.

Investing activities include transactions and events which consist in the purchase or sale of property, plant and equipment (tangible assets, investments in progress), intangible assets, non-current investments and current financial assets (excluding cash and cash equivalents), as well as related monetary costs and benefits, excluding those related to income tax.

Financing activities include transactions and events which consist in the raising and repayment of funds from sources other than operating activities, as well as related monetary costs and benefits, excluding those related to income tax. The occurrence of cash flows in the financing activities gives rise to changes in the amount of equity and financial indebtedness and the proportion between them.

Causes of differences between the balance-sheet changes in certain items and changes disclosed in the cash-flow-statement

Receivables PLN '000	**Jun 30 2008** **(unaudited)**	**Jun 30 2007** **(unaudited)**
Balance-sheet change in net non-current and current receivables	(236,580)	(65,957)
Change in income tax receivables	(509)	(31,095)
Change in investment receivables	(9,005)	(1,011)
Dividends receivable	13,560	21,780
Other	(2,844)	-
Change in receivables as disclosed in the cash-flow-statement	(235,378)	(76,283)

Liabilities, accruals and deferred income PLN '000	**Jun 30 2008** **(unaudited)**	**Jun 30 2007** **(unaudited)**
Balance-sheet change in current and non-current liabilities	529,406	477,329
Change in current and non-current loans	(253,895)	(144,333)
Change in investment liabilities	(62,178)	(16,976)
Change in income tax liabilities	(33,589)	(24,600)
Finance lease liabilities	275	-
Accrued dividend	-	(40,932)
Negative valuation of financial instruments	(61,976)	(4,433)
Change in the structure of the Group	-	(4,770)
Other	(3,122)	(1,420)
Change in liabilities, accruals and deferred income as disclosed in the cash-flow-statement	114,921	239,865

Inventories PLN '000	**Jun 30 2008** **(unaudited)**	**Jun 30 2007** **(unaudited)**
Balance-sheet change in inventories	(482,942)	(490,359)
Other	(341)	(17)
Change in inventories as disclosed in the cash-flow-statement	(483,283)	(490,376)

Provisions PLN '000	**Jun 30 2008** **(unaudited)**	**Jun 30 2007** **(unaudited)**
Balance-sheet change in provisions	(3,551)	(30,789)
Change in deferred tax liability	13,432	532
Other	34	3,597
Change in provisions as disclosed in the cash-flow statement	9,915	(26,660)

Cash PLN '000	**Jun 30 2008** **(unaudited)**	**Jun 30 2007** **(unaudited)**
Balance-sheet change in cash	203,104	(8,069)
Interest-bearing overdraft facilities	(46,738)	(138,560)
Change in cash as disclosed in the cash-flow statement	156,366	(146,629)

Other Items of the Cash-Flow-Statement

The item “Other, net” under cash flows from operating activities includes the following adjustments:

PLN ’000	Jun 30 2008 (unaudited)	Jun 30 2007 (comparable data) (unaudited)
Settlement of financial instruments	(269,487)	(5,213)
Other	35	(118)
Total other, net	(269,452)	(5,331)

The item “Other, net” under cash flows from financing activities includes the following adjustments:

PLN ’000	Jun 30 2008 (unaudited)	Jun 30 2007 (comparable data) (unaudited)
Settlement of financial instruments	269,487	5,213
Other	(77)	(4,437)
Total other, net	269,410	776

26. Share Capital

The structure of Grupa LOTOS S.A.’s share capital as at June 30th 2008 and December 31st 2007 was as follows:

	Number of shares	Number of votes	Par value of shares (PLN)	% of share capital
State Treasury	7,878,030	7,878,030	7,878,030	6.93 %
Nafta Polska S.A.	59,025,000	59,025,000	59,025,000	51.91 %
Other shareholders	46,796,970	46,796,970	46,796,970	41.16 %
Total	113,700,000	113,700,000	113,700,000	100.00 %

The share capital is fully paid up and is divided into 113,700,000 ordinary shares, with a par value of PLN 1 per share, each conferring the right to one vote at the General Shareholders Meeting and carrying dividend rights.

27. Dividends

On June 30th 2008, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the 2007 profit. Pursuant to the resolution, the Company's net profit for the year ended December 31st 2007, amounting to PLN 745,084 thousand, was distributed as follows:

- PLN 742,584 thousand was allocated to the Company's statutory reserve funds,
- PLN 2,500 thousand was allocated to the Company's special account designated for financing Grupa LOTOS S.A.'s corporate social responsibility (CSR) projects.

In these financial statements, the Company presented the distributed profit under Retained earnings. Additionally, the part of the distributed profit allocated to the special account was charged to costs of 2008 and presented under Current provisions.

28. Earnings per Share

	6 months ended Jun 30 2008	**6 months ended Jun 30 2007**
	(unaudited)	**(unaudited)**
Net profit attributable to equity holders of the parent (PLN '000) (A)	665,941	295,559
Weighted average number of shares (in thousands) (B)	113,700	113,700
	==========	=============
Earnings per share (PLN '000) (A/B)	5.86	2.60

Net earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in the reporting period. The Group does not disclose diluted earnings/loss per share, since it has no instruments with a potential dilutive effect.

29. Minority Interests

PLN '000	**6 months ended Jun 30 2008**	**6 months ended Jun 30 2007**
	(unaudited)	**(unaudited)**
Opening balance	**334,691**	306,416
Share in profit/(loss) of subsidiary undertakings	35,876	9,415
Changes in shareholder structure of subsidiary undertakings	(172)	(118)
Dividends paid out by subsidiary undertakings	(2,578)	(8,593)
	=========	=========
Balance as at end of period	**367,817**	**307,120**
	=========	=========

30. Interest-Bearing Bank Loans and Borrowings

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Bank loans	1,572,999	1,333,917
Other loans	41,032	26,219
Total	**1,614,031**	**1,360,136**
Including:		
Non-current portion	1,124,825	842,943
Current portion	489,206	517,193

Loans and Borrowings by Lender

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Non-current portion		
Kredyt Bank S.A.	35,987	38,987
Bank syndicate (PKO BP S.A. and Bank Pekao S.A)	260,683	260,683
Bank Pekao S.A	20,102	26,925
NFOŚiGW	35,782	21,969
Raiffeisen Bank Polska	7,000	8,000
Bank syndicate (Bank Pekao S.A., PKO BP S.A., BRE Bank S.A., Rabobank Polska S.A)	765,271	486,379
Total non-current portion	**1,124,825**	**842,943**
Current portion		
Kredyt Bank S.A.	6,000	6,000
Bank Pekao S.A	184,422	235,560
ING Bank Śląski S.A.	75,592	42,199
PKO BP S.A.	77,376	24,600
NFOŚiGW	5,250	4,250
Bank syndicate (PKO BP S.A. and Bank Pekao S.A)	43,447	43,505
Bank Millennium S.A.	43,608	72,341
Raiffeisen Bank Polska S.A.	2,000	4,000
BZ WBK S.A.	20,675	2,101
Bank Handlowy w Warszawie S.A.	-	62,040
Bank Gospodarki Żywnościowej S.A.	168	553
Bank BPH S.A.	-	20,044
BRE Bank S.A.	30,668	-
Total current portion	**489,206**	**517,193**
Total	**1,614,031**	**1,360,136**

Execution of Loan Agreement between Grupa LOTOS S.A. and a Bank Syndicate, and Execution of Pledge Agreements to Secure the Loan Agreement

On December 20th 2007, Grupa LOTOS S.A. and a syndicate of four banks, comprising BANK POLSKA KASA OPIEKI S.A. of Warsaw, PKO BP S.A. of Warsaw, BRE BANK S.A. of Warsaw and RABOBANK POLSKA S.A. of Warsaw, executed a loan agreement.

The agreement provides for a four-year revolving loan for a total amount of USD 400,000 thousand (PLN 1,004,600 thousand, translated at the mid exchange rate quoted by the National Bank of Poland for December 19th 2007), for refinancing and financing of Grupa LOTOS S.A.'s inventories. The agreement is the first element of the strategy for financing Grupa LOTOS S.A.'s operations in the coming years, related to the implementation of the 10+ Programme. Under the agreement, the parties may choose to extend the loan term by another year.

The basic security for the loan is an agreement creating a registered pledge over Grupa LOTOS S.A.'s inventories (along with the assignment of rights under agreements on storage of inventories and under insurance policies) and an agreement creating a pledge over cash receivables under the agreement for keeping Grupa LOTOS S.A.'s bank accounts, concluded in connection with the loan agreement (together with a power of attorney over those accounts). The other provisions of the agreement, including those pertaining to contractual penalties, do not differ from the provisions commonly applied in agreements of such type.

Maturity of Bank Loans and Borrowings by Currency, as at June 30th 2008

PLN '000	EUR loans	USD loans	PLN loans	Total
H2 2008	5,314	43,266	388,559	437,139
2009	3,383	4,844	69,279	77,506
2010	3,383	4,844	63,179	71,406
2011	3,383	765,961	60,479	829,823
2012	3,383	-	58,534	61,917
2013	306	-	57,229	57,535
after 2013	-	-	78,705	78,705
Total	**19,152**	**818,915**	**775,964**	**1,614,031**

The table above presents loans and borrowings by maturity.

As at June 30th 2008, the average effective interest rate of the loans was approx. 5.04% (Dec 31st 2007 – 5.56%).

Loans and borrowings as at June 30th 2008:

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
Bank Millennium S.A.	Warsaw	120,000	-	43,608	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
PKO BP S.A.	Warsaw	234,000	-	68,496	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	-		4,292	-	-	-		-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski	Warsaw	-	USD 40,000 or its equivalent	40,844	USD 19,272	-	-	Overdraft facility	-	1M LIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	-		5,314	EUR 1,584	-	-		-	1M EURIBOR + bank's margin	submission to enforcement
BZ WBK S.A.	Warsaw	30,000	-	20,675	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank Pekao S.A.	Warsaw	300,000	-	111,351	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank syndicate (Bank Pekao S.A., PKO BP S.A., BRE Bank S.A., Rabobank Polska S.A.)	Warsaw	-	USD 400,000	-	-	765,271	USD 361,209	-	Dec 20 2011	1W LIBOR + bank's margin	registered pledge on inventories, financial and registered pledge on accounts receivable under bank account agreements related to the agreement, power of attorney over the bank accounts, power of attorney for each bank to establish pledges on new accounts related to the agreement, assignment of rights under agreements for holding of the LOTOS Group S.A.'s inventories by third parties, assignment of rights under

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
											insurance policies covering inventories, representation on submission to enforcement
Kredyt Bank S.A.	Warsaw	60,000	-	6,000	-	35,987	-	Jun 30 2009	Jun 30 2015	1M WIBOR + bank's margin	mortgage
Bank syndicate (PKO BP S.A. i Bank Pekao S.A.)	Warsaw	340,000	-	43,447	-	260,683	-	Jun 30 2009	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Bank Pekao S.A.	Warsaw	25,000	-	24,321	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account
Bank Pekao S.A.	Warsaw	15,000	-	10,470	-		-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement, power of attorney over bank account
Raiffeisen Bank Polska S.A.	Rzeszów branch	10,000	-	2,000	-	7,000	-	Dec 31 2008	Dec 28 2012	1M WIBOR + bank's margin	power of attorney over bank account, security (deposit) mortgage (*hipoteka kaucyjna*)
Bank Gospodarki Żywnościowej S.A.	Kraków	2,642	-	168	-	-	-	Sep 30 2008	-	WIBOR + bank's margin	registered pledge on property, plant and equipment
Bank Pekao S.A.	Warsaw	5,000	-	4,102	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account
ING Bank Śląski S.A.	Kraków	10,000	-	9,340	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Katowice	23,500	-	8,777	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	mortgage, assignment of receivables

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
BRE Bank S.A.	Warsaw	80,000	-	30,668	-	-		Overdraft facility		WIBOR + bank's margin	promissory note
ING Bank Śląski S.A.	Katowice	19,000		7,025		-	-	Overdraft facility		1M WIBOR + bank's margin	mortgage, assignment
PKO BP S.A.	Warsaw	9,000	-	8,880	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	mortgage, pledge, promissory notes, assignment
NFOŚiGW	Warsaw	15,000	-	3,000	-	4,800	-	Apr 30 2009	Sep 30 2010	0.5% of the rediscount rate	surety, promissory note
Bank Pekao S.A.	Kraków	7,000		3,513		-		Overdraft facility		1M WIBOR + bank's margin	power of attorney over bank account, assignment of receivables
Bank Pekao S.A.	Kraków	26,837	EUR 7,060	1,691	EUR 504	12,146	EUR 3,621	Jun 30 2009	Dec 31 2015	1M EURIBOR + bank's margin	ordinary mortgage on real estate
Bank Pekao S.A.	Kraków	30,000	-	23,905	-	-	-	Jun 30 2009	-	1M WIBOR + bank's margin	deposit mortgage on real estate
Bank Pekao S.A.	Kraków	44,754	-	225	-	-		Mar 31 2009		1M WIBOR + bank's margin	ordinary mortgage on real estate
NFOŚiGW	Warsaw	35,000	-	2,250	-	30,982	-	Jun 30 2009	Dec 20 2014	0.8% of the rediscount rate	bank guarantee, promissory notes
Bank Pekao S.A.	Warsaw	56,409	14,800 USD	4,844	USD 2,286	7,956	USD 3,754	Jun 30 2009	Feb 28 2011	1M LIBOR + bank's margin	pledge on property, plant and equipment
TOTAL				**489,206**	**USD 21,558**	**1,124,825**	**USD 364,963**				
					EUR 2,088		**EUR 3,621**				

The banks' margins on the contracted loans are in the range of 0.08% - 2.30%.

Loans and borrowings as at December 31st 2007:

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
Bank Millennium S.A.	Warsaw	120,000	-	72,341	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
PKO BP S.A.	Warsaw	234,000	-	16,705	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	-	USD 40,000 or its equivalent	-	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	-		1,741	USD 715	-	-		-	1M LIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	-		14,647	EUR 4,089	-	-		-	1M EURIBOR + bank's margin	submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-	USD 40,000 or its equivalent	586	-	-	-	overdraft facility	-	T/N WIBOR + bank's margin	submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-		60,844	USD 24,987	-	-		-	SW LIBOR + bank's margin	submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-		610	EUR 170	-	-		-	SW EURIBOR + bank's margin	submission to enforcement
Bank BPH S.A.	Warsaw	20,000 or its equivalent	-	20,044	-	-	-	overdraft facility	-	O/N WIBOR + bank's margin	submission to enforcement
Bank BPH S.A.	Warsaw		-	-	-	-	-		-	1M LIBOR + bank's margin	submission to enforcement
BZ WBK S.A.	Warsaw	30,000	-	2,101	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank Pekao S.A.	Warsaw	300,000	-	188,961	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
Bank syndicate (Bank Pekao S.A., PKO BP S.A., BRE Bank S.A., Rabobank Polska S.A.)	Warsaw		USD 400,000	-	-	486,379	USD 199,745	-	Dec 20 2011	1W LIBOR + bank's margin	registered pledge on inventories, financial and registered pledge on accounts receivable under bank account agreements related to the agreement, power of attorney over the bank accounts, power of attorney for each bank to establish pledges on new accounts related to the agreement, assignment of rights under agreements for holding of the LOTOS Group S.A.'s inventories by third parties, assignment of rights under insurance policies covering inventories, representation on submission to enforcement
Kredyt Bank S.A.	Warsaw	60,000	-	6,000	-	38,987	-	Dec 31 2008	Jun 30 2015	1M WIBOR + bank's margin	mortgage
Bank syndicate (PKO BP S.A. and Bank Pekao S.A.)	Warsaw	340,000	-	43,505	-	260,683	-	Dec 31 2008	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Bank Pekao S.A.	Warsaw	14,349	-	3,423	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account
Bank Pekao S.A.	Warsaw	8,687	-	8,687	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement, power of attorney over bank account
Raiffeisen Bank Polska S.A.	Rzeszów branch	10,000	-	2,000	-	8,000	-	Jan 31 2008	Dec 28 2012	1M WIBOR + bank's margin	power of attorney over bank account, security (deposit) on real estate
Raiffeisen Bank Polska S.A.	Rzeszów branch	10,000	-	2,000	-	-	-	Jan 31 2008	-	1M WIBOR + bank's margin	transfer of receivables, registered pledge on inventories, assignment
Bank Gospodarki Żywnościowej S.A.	Kraków	2,641	-	553	-	-	-	Sep 30 2008	-	1M WIBOR + bank's margin	registered pledge on non-current assets

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	PLN (' 000)	Foreign currency (' 000)	Current portion	Non-current portion		
Bank Pekao S.A.	Warsaw	20,000	-	18,381	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account
ING Bank Śląski S.A.	Kraków	10,000	-	9,797	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank Pekao S.A.	Warsaw	5,000	-	4,684	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	assignment of receivables
Bank Pekao S.A.	Warsaw	430	-	430	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	30,000	-	16,014	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	mortgage, assignment of receivables
PKO BP S.A.	Warsaw	9,000	-	7,895	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	mortgage, pledge, promissory notes, assignment
NFOŚiGW	Warsaw	15,000	-	3,000	-	6,300	-	Sep 30 2008	Sep 30 2010	0.5% of the rediscount rate	surety
Bank Pekao S.A.	Kraków	25,289	EUR 7,060	2	EUR 1	14,777	EUR 4,125	Mar 31 2008	Dec 31 2015	1M EUIBOR + bank's margin	ordinary mortgage on real estate
Bank Pekao S.A.	Kraków	20,000	-	5,426	-	-	-	Sep 30 2008	-	1M WIBOR + bank's margin	deposit mortgage on real estate
Bank Pekao S.A.	Kraków	44,754	-	-	-	225		-	Dec 31 2015	1M WIBOR + bank's margin	ordinary mortgage on real estate
NFOŚiGW	Warsaw	35,000	-	1,250	-	15,669	-	Oct 1 2008	Dec 20 2014	0.8% of the rediscount rate	bank guarantee, promissory notes
Bank Pekao S.A.	Warsaw	56,409	USD 14,800	5,566	USD 2,256	11,923	USD 4,895	Dec 31 2008	Feb 28 2011	1M LIBOR + bank's margin	registered pledge on property, plant and equipment
TOTAL				**517,193**	**USD 27,958**	**842,943**	**USD 204,640**				
					EUR 4.260		**EUR 4.125**				

The banks' margins on the contracted loans are in the range of 0.07% - 2.30%.

Contractual maturities of financial liabilities as at June 30th 2008:

(PLN '000)	Carrying value	Contractual cash flows	Up to 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Financial liabilities other than under derivative instruments:	**2,780,231**	**2,780,231**	**1,601,895**	**78,127**	**72,229**	**949,275**	**78,705**
Secured bank loans	1,212,355	1,212,355	35,463	77,506	71,406	949,275	78,705
Finance lease liabilities	1,444	1,444	-	621	823		
Overdraft facilities	401,676	401,676	401,676	-	-	-	-
Trade and other payables	1,164,756	1,164,756	1,164,756	-	-	-	-
Derivatives (liabilities)	**50,756**	**50,756**	**50,756**	-	-	-	-
	===========	===========	===========	===========	=====	===========	===========
Total	**2,830,987**	**2,830,987**	**1,652,651**	**78,127**	**72,229**	**949,275**	**78,705**
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Contractual maturities of financial liabilities as at December 31st 2007:

(PLN '000)	Carrying value	Contractual cash flows	Up to 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Financial liabilities other than under derivative instruments:	**3,060,079**	**3,060,079**	**2,168,875**	**47,632**	**66,479**	**674,884**	**102,209**
Secured bank loans	912,245	912,245	24,752	44,550	65,850	674,884	102,209
Finance lease liabilities	1,628	1,628	-	999	629	-	-
Overdraft facilities	447,891	447,891	447,891	-	-	-	-
Trade and other payables	1,698,315	1,698,315	1,696,232	2,083	-	-	-
Derivatives (liabilities)	**3,906**	**3,906**	**3,906**	**-**	**-**	**-**	**-**
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Total	**3,063,985**	**3,063,985**	**2,172,781**	**47,632**	**66,479**	**674,884**	**102,209**
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31. Provisions

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Non-current provisions		
Provision for land reclamation	33,795	33,795
Length-of-service awards and retirement severance pays	62,395	60,295
Provision for the Offshore Oil Rig	92,106	89,801
Other provisions*	23,029	24,703
Total non-current provisions	**211,325**	**208,594**
Current provisions		
Provision for land reclamation	5,090	5,210
Length-of-service awards and retirement severance pays	9,273	8,888
Provision for the Offshore Oil Rig	2,400	2,400
Other provisions*	64,655	57,770
Total current provisions	**81,418**	**74,268**
Total	**292,743**	**282,862**

Calculation of the provisions for employee benefits was based on the following assumptions:

- the long-term annual growth rate of remuneration is 6% for 2008 and 3.3 % for subsequent years (December 31st 2006: 3.4% and 1.8%),
- the discount rate for future payments of employee benefits is 6.0% (i.e. it equals the return on the safest long-term securities traded on the Polish capital market as at the valuation date) (December 31st 2006: 5%),
- the probability of employee attrition is based on the historical employee turnover rate at the Company and statistical data on employee attrition in the industry,
- the adopted mortality and life expectancy are based on the Life Expectancy Tables of Poland for 2006 published by the Polish Central Statistics Office (GUS), assuming that the Group's employee population is representative of the average Polish population in terms of mortality (December 31st 2006: Life Expectancy Tables of Poland for 2005),
- it is assumed that the Group's employees will retire according to the standard system, i.e. men – after reaching the age of 65, women – after reaching the age of 60, except for those employees who - based on the information provided by the Group companies - meet the conditions for early retirement.

The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of-service awards and retirement severance pays	Provision for the Offshore Oil Rig [(1)]	Other provisions*	Total
As at Jan 1 2007 (audited)	**40,322**	**61,704**	**94,917**	**91,718**	**288,661**
Increase	-	2,748	-	9,230	11,978
Decrease	(1,242)	(2,956)	-	(38,037)	(42,235)
As at Jun 30 2007 (unaudited)	**39,080**	**61,496**	**94,917**	**62,911**	**258,404**
As at Jan 1 2007 (audited)	**40,322**	**61,704**	**94,917**	**91,718**	**288,661**
Increase	242	14,183	-	27,355	41,780
Decrease	(1,559)	(6,704)	(2,716)	(36,600)	(47,579)
As at Dec 31 2007 (audited)	**39,005**	**69,183**	**92,201**	**82,473**	**282,862**
As at Jan 1 2008 (audited)	**39,005**	**69,183**	**92,201**	**82,473**	**282,862**
Increase	-	4,737	2,305	10,887	17,929
Decrease	(120)	(2,252)	-	(5,676)	(8,048)
As at Jun 30 2008 (unaudited)	**38, 885**	**71,668**	**94, 506**	**87,684**	**292,743**

(1) As at December 31st 2007, the Management Board of Petrobaltic S.A. analysed the costs needed to be incurred to liquidate the Offshore Oil Rig in the B-3 and B-8 mining areas, which were also worked in the previous years. The analysis found that the costs necessary to be incurred in future on the liquidation of the Offshore Oil Rig in the B-3 mining area increased relative to the value of the provision created for this purpose and presented in the balance sheet as at December 31st 2006. The increase amounted to PLN 3,510 thousand and reflected, on the one hand, the changes in the expected expenses due to price changes, and on the other – the passage of time and the related change in the time value of money. The change in the time value of money was determined by applying a 5% discount rate to the value of the provision for the liquidation of the B-3 Offshore Oil Rig as at December 31st 2006 (PLN 87,150 thousand).
The amount so computed, i.e. PLN 4,358 thousand, was charged to financial expenses for 2007, while the balance of PLN 848 thousand decreased the value of the relevant asset related to the provision for the liquidation of the rig, in accordance with IFRIC 1.
The value of the provision created for the first time as at December 31st 2006 in connection with the launch of production activities in the B-8 mining area was, following the cost analysis, increased by PLN 313 thousand as at the end of 2007. The change in the time value of money was determined by applying a 5% discount rate to the value of the provision for the liquidation of the B-8 Offshore Oil Rig as at December 31st 2006 (PLN 7,767 thousand). The discount amount so computed, i.e. PLN 388 thousand, was charged to financial expenses for 2007 in correspondence with a relevant asset related to the provision for the liquidation of the B-8 Offshore Oil Rig, reducing the asset by PLN 76 thousand. Another change in the provision resulted from the fact that the amount corresponding to the contributions calculated and transferred into the bank account of the Oil Rig Decommissioning Fund (pursuant to the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002) was released from the provision. For 2007, the contribution was calculated at PLN 2,093 thousand in the case of the B3 field and PLN 263 thousand in the case of the B8 field. Moreover, due to the abandonment of the B3-16 well in 2007, the amount corresponding to the abandonment costs (PLN 4,183 thousand) was also released from the provision.

As at December 31st 2007, the provision for the liquidation of the B-3 and B-8 Offshore Oil Rig totalled PLN 92,201 thousand, and the value of the related asset was PLN 58,314 thousand.
As at June 30th 2008, due to unwinding of the discount rate, the value of the provision for the liquidation of the Offshore Oil Rig was increased by PLN 2,305 thousand (annual discount rate applied: 5%).

(*)the item "Other provisions" includes the following items:

PLN '000	Provision for RN Glimar (1)	Provision for Energobaltic	Special Account (2)	Other	Total
As at Jan 1 2007	**41,107**	**24,188**	**-**	**26,423**	**91,718**
Increase	-	2,157	-	7,073	9,230
Decrease	(26,107)	-	-	(11,930)	(38,037)
As at Jun 30 2007 (unaudited)	**15,000**	**26,345**	**-**	**21,566**	**62,911**
As at Jan 1 2007 (audited)	**41,107**	**24,188**	**-**	**26,423**	**91,718**
Increase	-	2,239	-	25,116	27,355
Reclassification	853			(853)	-
Decrease	(26,107)	(2,478)	-	(8,015)	(36,600)
As at Dec 31 2007 (audited)	**15,853**	**23,949**	-	**42,671**	**82,473**
As at Jan 1 2008 (audited)	**15,853**	**23,949**	-	**42,671**	**82,473**
Increase	-	-	2,500	8,387	10,887
Decrease	-	-	-	(1,760)	(1,760)
Reclassification	-	(3,916)	-	-	(3,916)
As at Jun 30 2008 (unaudited)	**15,853**	**20,033**	**2,500**	**49,298**	**87,684**

(1) Grupa LOTOS S.A. and Rafineria Nafty Glimar S.A. signed loan agreements for the financing of operating and investing activities, including, in particular, the Glimar Hydrocomplex investment project, for an aggregate amount of PLN 90m. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under these agreements. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. As at June 30th 2008 and December 31st 2007, the assets under the loans advanced were fully covered by an impairment charge. As at June 30th 2008 and December 31st 2007, the Company also created a provision for the remaining receivables under these agreements, in the amount of PLN 15,853 thousand. In the year ended December 31st 2007, the Company released a provision of PLN 26.107 thousand (see Note 21).

(2) On June 30th 2008, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the 2007 net profit. Under the resolution, a portion of the Company's net profit of PLN 2,500 thousand was transferred to the special account designated for financing corporate social responsibility (CSR) projects. The Company created a provision for the special account and charged it against other operating expenses.

32. Other (Financial) Liabilities

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Other liabilities	8,852	8,694
Liabilities under lease agreements	823	629
Total other (financial) liabilities	**9,675**	**9,323**

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Negative valuation of financial instruments, including:	50,756	3,906
- futures	-	251
- full barrel swaps	46,549	740
- IRS	1,408	-
- currency forwards	2,799	2,915
Liabilities under lease agreements	1,444	1,628
Total financial liabilities	**52,200**	**5,534**
Non-current liabilities	823	629
Current liabilities	51,377	4,905

Finance lease liabilities

PLN '000	Minimum lease payments	Present value of minimum lease payments
Up to 1 year	694	621
1 year to 5 years	893	823
More than 5 years	-	-
Total	**1,587**	**1,444**
Less future financial charges	143	-
Present value of minimum lease payments	**1,444**	**1,444**
Current portion	694	621
Non-current portion	893	823

33. Liabilities, Accruals and Deferred Income

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited) (comparable data)
Trade payables, including:	1,164,756	1,107,023
to related undertakings	1,121	1,331
Tax and social security payable, including[1]:	566,538	465,970
- income tax	54,035	20,446
Special accounts	13,643	13,646
Salaries and wages payable	10,243	10,615
Accrued expenses	58,918	39,768
Deferred income under subsidies	20,014	19,368
Investment liabilities	142,912	80,734
Other liabilities	9,114	20,327
Total	**1,986,138**	**1,757,451**

[1] The value of tax liabilities as at June 30th 2008 and December 31st 2007 was reduced by the fuel charge of PLN 20,087 thousand incurred in relation to imported diesel oil. The Parent Undertaking will apply to the relevant customs office for reimbursement of the amount, which in the Company's opinion is recoverable.

Transactions with related undertaking are described in Note 48.

Trade payables do not bear interest and are, as a rule, settled on a 7–30 day basis. Other liabilities do not bear interest, and their average payment period is three months. The amount resulting from the difference between VAT receivable and VAT payable is paid to the relevant tax authorities on a monthly basis. Interest payable is usually settled on a monthly basis during a financial year.

Pursuant to Art. 4.1.2. of the Excise Tax Act of January 23rd 2004 (Dz. U. No. 29, item 257, of February 26th 2004), a tax liability arises e.g. at the moment of taking harmonised excise goods out of a bonded warehouse. The Parent Undertaking and some other Group companies operate registered bonded warehouses, in which harmonised excise goods are subject to suspended-excise-tax procedure and may be the object of the actions provided for in the Excise Tax Act.

34. The Company's Social Benefits Fund's Assets and Liabilities

The Act on Employee Benefits Fund of March 4th 1994, as amended, stipulates that each employer of more than 20 staff (in full-time job equivalents) should create the Social Benefits Fund. In accordance with the statute and internal rules of procedure, the Group creates such fund and makes regular contributions to it, which are charged to costs. The purpose of the Social Benefits Fund is to subsidise social activities of the Group companies, finance loans to employees and other social spending.
The Group offset the Fund's assets against its liabilities towards the Fund as the assets are not fully controlled by the Group companies.

The table below sets forth the Company's Social Benefits Fund's assets and liabilities.

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Assets related to the Company's Social Benefits Fund		
Cash in separate bank account of the Company's Social Benefits Fund	7,154	1,838
Receivables from employees under the Company's Social Benefits Fund	4,892	5,294
Other	139	233
Total	**12,185**	**7,365**
Liabilities related to the Company's Social Benefits Fund		
Liabilities under the Company's Social Benefits Fund	12,185	7,324
Other	-	41
Total	**12,185**	**7,365**

35. Sales Revenue

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Sales of products	9,879,634	7,999,124
Sales of services	48,704	39,676
Total sales of products	9,928,338	8,038,800
Sales of goods for resale	565,050	230,583
Sales of materials	6,325	1,377
Total sales of goods for resale and materials	571,375	231,960
Total	**10,499,713**	**8,270,760**
- including to related undertakings	1,359	4,710
Elimination of excise tax and fuel charge	(2,720,322)	(2,656,176)
Total	**7,779,391**	**5,614,584**

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Domestic sales of products	8,113,982	6,641,010
Export sales of products	1,814,356	1,397,790
Total sales of products	9,928,338	8,038,800
Domestic sales of goods for resale and materials	519,002	210,227
Export sales of goods for resale and materials	52,373	21,733
Total sales of goods for resale and materials	571,375	231,960
Total	**10,499,713**	**8,270,760**
- including to related undertakings	1,359	4,710
Elimination of excise tax and fuel charge	(2,720,322)	(2,656,176)
Total	**7,779,391**	**5,614,584**

The transactions with associated undertakings are presented in Note 48 to the financial statements.

36. Cost by Type

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Depreciation and amortisation	157,683	150,489
Raw materials and energy used	6,026,496	4,698,146
Contracted services	370,296	318,838
Taxes and charges	45,387	40,965
Salaries and wages	179,906	160,533
Social security and other benefits	55,331	55,070
Other costs by type	48,482	54,324
Goods for resale and materials sold	562,203	226,291
Total	**7,445,784**	**5,704,656**
Adjustments:		
Change in products and adjustments in cost of sales	(171,249)	(372,781)
Total operating expenses, including:	**7,274,535**	**5,331,875**
Cost of sales	6,764,766	4,848,883
Selling costs	347,003	334,721
General and administrative expenses	162,766	148,271

37. Other Operating Income

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Gain on disposal of property, plant and equipment	2,298	590
Subsidies	344	284
Release of provisions	2,747	31,957
Reversal of impairment charges for non-financial assets	625	8,744
Compensation received	1,548	1,676
Other operating income	6,271	4,895
Total	**13,833**	**48,146**

38. Other Operating Expenses

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Loss on disposal of property, plant and equipment	38	682
Revaluation of non-financial assets	19,989	13,814
Created provisions	9,836	2,369
Other operating expenses	8,424	10,138
Total	**38,287**	**27,003**

39. Financial Income

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Dividend received	1,118	2,173
Interest	24,191	18,085
Foreign exchange gains	210,728	40,405
Gains on disposal of investments	13	4,902
Revaluation of financial assets	149	24,468
Settlement of derivatives	253,506	5,213
Other	3,438	582
Total financial income	**493,143**	**95,828**

40. Financial Expenses

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Interest	35,554	13,516
Amounts disclosed as cost of assets meeting conditions for capitalisation	(19,664)	(509)
Revaluation of financial assets	80,263	512
Other	4,499	1,635
Total financial expenses	**100,652**	**15,154**

41. Corporate Income Tax

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Corporate income tax	193,288	81,977
Deferred tax	(22,212)	(2,437)
Total tax	**171,076**	**79,540**
Income tax expense recognised in the income statement	171,076	79,540
Income tax expense recognised in equity	-	-

The current portion of the income tax was calculated at the rate of 19% on the tax base.

The difference between the tax amount disclosed in the income statement and the amount calculated by applying the tax rate to pre-tax profit results from the following items:

PLN '000	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (comparable data) (unaudited)
Profit before tax	872,893	384,514
Corporate income tax at the applicable rate (19%)	165,850	73,058
Permanent differences	(13,199)	(3,552)
Share in investments in associated undertakings	-	12
Other differences	157,611	50,480
Tax effect of differences	27,438	8,919
Corporate income tax	193,288	81,977
Effective tax rate	0.22	0.21

As at June 30th 2008 and December 31st 2007, the net deferred tax liability comprises the following items:

PLN '000	Jun 30 2008 (unaudited)	Dec 31 2007 (audited)
Deferred tax asset:		
Provision for employee benefits	11,023	12,920
Difference between current tax value and book value of fixed assets	7,092	6,941
Impairment charge for inventories	1,875	3,145
Negative valuation of derivatives	9,928	-
Tax loss amortised over time	9,765	5,421
Impairment charge for accounts receivable	14,049	12,155
Unrealised margin assets	17,854	11,995
Other	35,122	35,023
Total deferred tax asset	**106,708**	**87,600**
Deferred tax liability:		
Difference between current tax value and book value of fixed assets	201,758	206,281
Positive valuation of derivatives	2,895	1,407
Other	2,900	2,969
Total deferred tax liability	**207,553**	**210,657**
Net deferred tax asset/(liability)	**(100,845)**	**(123,057)**

Since the Group companies are separate taxpayers, deferred tax asset and deferred tax liability are calculated at each company individually. Deferred tax asset and deferred tax liability are offset by the Group companies. Consequently, consolidated balance-sheets present deferred tax assets and liabilities as follows:

PLN '000	Jun 30 2008 (audited)	Dec 31 2007 (audited)
Deferred tax asset:	40,512	31,732
Deferred tax liability:	(141,357)	(154,789)
Net deferred tax asset/(liability)	**(100,845)**	**(123,057)**

Taxable temporary differences are expected to expire in 2008–2085.

42. Contingent and Off-Balance-Sheet Liabilities

Material Contingent and Off-Balance-Sheet Liabilities of Grupa LOTOS S.A.

Surety Agreement of February 9th 2004 Concluded with the National Fund for Environmental Protection and Water Management

Under the agreement, the Company issued an irrevocable surety to repay the loan contracted by Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) from the National Fund for Environmental Protection and Water Management under a loan agreement of December 10th 2003. The surety covers the loan amount of up to PLN 15,000 thousand. In connection with the surety agreement, on February 6th 2004 Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) and the Company signed an agreement on securing the Company's interest with respect to the surety.

As at the date of these consolidated financial statements, the surety issued with respect to the loan, subject to annex of October 20th 2005, is secured by a registered pledge on the plastics processing units, owned by LOTOS Jasło S.A. The pledge was established under the registered pledge agreement of February 18th 2004.

Irrespectively of the above, under the agreement LOTOS Jasło S.A. will seek to obtain a bank guarantee or surety to replace the surety issued by the Company. Should LOTOS Jasło S.A. breach the provisions of the agreement, it will pay the Company a contractual penalty in the amount of 10% of the surety; with the proviso that if the damage exceeds the contractual penalty, the Company is entitled to seek compensation for the total amount of the damage.

The surety expires on November 30th 2010. As at June 30th 2008, the value of liabilities under the loan agreement which are secured by the surety stands at PLN 7,800 thousand.

Material Contingent Liabilities of the Parent Undertaking

1. The validity of the blank promissory note of July 5th 2005 for PLN 200,000 thousand, issued to secure Grupa LOTOS S.A.'s tax liability connected with the suspended excise tax collection procedure, was extended until July 7th 2009. The original validity term of the blank promissory note, which expired on July 7th 2006, was extended until July 5th 2007 and then again until July 7th 2008.

2. The validity of the blank promissory note of March 16th 2006 for PLN 200,000 thousand, issued to secure the Company's tax liability connected with the suspended excise tax collection procedure, was extended until June 16th 2009. The original validity term of the blank promissory note, expiring on March 16th 2007, was first extended until June 16th 2008.

3. On January 3rd 2007, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a letter of credit for the benefit of CB&I LUMMUS GmbH for the amount of EUR 19,034 thousand (the equivalent of PLN 72,843 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for January 3rd 2007). The original validity term of the letter of credit was to expire on June 30th 2008. On June 24th 2008, the validity term of the letter of credit was extended until September 30th 2008. As a result of successive draws under the letter of credit, as at June 30th 2008, its value was EUR 2,408 thousand (the equivalent of PLN 8,077 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2008).

4. On April 27th 2007, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a bank guarantee for the benefit of the Customs Chamber to secure liabilities under customs-duty debts, taxes and other customs-related charges for the amount of PLN 160,000 thousand. The guarantee expired on May 4th 2008, while the guarantor's liability continued until July 3rd 2008. On May 5th 2008, the value of the guarantee rose to PLN 200,000 thousand. The guarantee expires on May 4th 2009, while the guarantor's liability continues until July 3rd 2009.

5. On July 10th 2007, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a bank guarantee in the form of a stand-by letter of credit for EUR 45,000 thousand (the equivalent of PLN 169,448 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for July 10th 2007) for the benefit of Technip Italy S.p.a. The letter of credit was issued to secure the provision of services connected with the construction of an MHC unit and an amine complex. On October 19th 2007, the validity term of the letter of credit was extended until June 30th 2008 and the total amount of the letter of credit was raised to EUR 52,313 thousand in the period January 1st – March 31st 2008, and subsequently up to EUR 53,462 thousand in the period April 1st – June 30th 2008. The amount of the stand-by letter of credit in the period July 1st – September 30th 2008 will be EUR 47,355 thousand, and in the period October 1st–December 31st 2008 – EUR 45,515 thousand. The original validity term of the guarantee expired on December 31st 2007.

6. On January 2nd 2008, at the request of Grupa LOTOS S.A., Bank Pekao S.A. issued a stand-by letter of credit for EUR 39,085 thousand (the equivalent of PLN 140,608 thousand at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for January 2nd 2008) for the benefit of Technip KTI S.p.a, valid through March 31st 2008. The letter of credit was issued to secure the performance of a construction contract related to the amine complex. On April 1st 2008, the validity period of the letter of credit was extended until June 30th 2008 and its amount decreased to EUR 37,634 thousand. The amount of the stand-by letter of credit in the period July 1st – September 30th 2008 will be EUR 38,668 thousand, and in the period October 1st–December 31st 2008 – EUR 38,595 thousand.

7. On April 1st 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 5,195 thousand (the equivalent of PLN 18,240 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 1st 2008) for the benefit of LURGI S.A., valid through September 30th 2008. The letter of credit was issued to secure the performance of a contract related to the construction of a hydrogen generation unit (HGU). On July 1st 2008, the validity period of the letter of credit was extended until August 30th 2008, and its value was increased to EUR 10,979 thousand. On October 1st 2008, the validity period of the letter of credit will be extended until December 31st 2008, and its value will be increased to EUR 14,923 thousand.

8. On April 30th 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 7,230 thousand (the equivalent of PLN 25,019 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2008) for the benefit of LURGI S.A., valid through July 31st 2008. The letter of credit was issued to secure the performance of the EPC contract for the crude and vacuum distillation units (CDU/VDU). On July 31st 2008, the validity period of the letter of credit was extended until October 31st 2008. The value of the stand-by letter of credit was increased to EUR 15,356 thousand.

9. On June 2nd 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a documentary letter of credit for EUR 19,034 thousand (the equivalent of PLN 64,403 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for June 2nd 2008) for the benefit of CB&I LUMMUS GmbH. The letter of credit will expire on December 31st 2008.

10. On June 26th 2008, at the request of Grupa LOTOS S.A., Deutsche Bank Polska S.A. issued a payment guarantee for USD 12,000 thousand (the equivalent of PLN 25,704 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for June 26th 2008) for the benefit of TOTAL DEUTSCHLAND GmbH in connection with the supply of gasoline. The guarantee will expire on December 31st 2008.

11. On June 27th 2008, at the request of Grupa LOTOS S.A., Bank Millenium S.A. issued a guarantee for PLN 14,500 thousand for the benefit of the Customs Office of Pruszków as excise security. The guarantee expired on August 10th 2008.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Asfalt Sp. z o.o.

On April 30th 2008, LOTOS Asfalt Sp. z o.o issued a blank promissory note for the benefit of BRE Bank S.A., valid through the date of repayment of debt and/or termination or expiry of the overdraft facility agreement. The overdraft facility agreement expires on November 27th 2008. The promissory note was issued as security for repayment of the PLN 80,000 thousand overdraft facility.

Material Contingent and Off-Balance-Sheet Liabilities of Petrobaltic S.A.

Liabilities to Bank Ochrony Środowiska S.A.

In connection with the loans advanced by Bank Ochrony Środowiska S.A. (the "Bank") to Energobaltic Sp. z o.o. (Energobaltic) under (i) the investment loan agreement of September 11th 2001, and (ii) the preferential investment loan agreement of September 11th 2001 for environmental protection purposes, on December 12th 2001 Petrobaltic S.A. made a representation to the Bank, amended by a representation made by the shareholders on November 6th 2006, whereby it agreed (below are presented currently binding terms and conditions):

- to apply a part of net profit (whose amount in a given year may not exceed the amounts shown in the Bank-approved final financial projection for the project financed with the loan) towards share capital increase at Energobaltic Sp. z o.o.;
- not to dispose of or encumber its shares in Energobaltic Sp. z o.o. without prior consent of the Bank, with the proviso that the Bank's consent may not be unreasonably withheld.

Failure to discharge the Shareholders' Obligation may result in termination of the loan agreements by the Bank. Concurrently, Petrobaltic S.A. will be relieved from the Shareholders' Obligation if both of the following conditions are met:

- Petrobaltic S.A. provides the Bank and Energobaltic Sp. z o.o. with a written notification to the effect that oil production from the B-8 reservoir has commenced, and – after the first three months of production from the B-8 reservoir – Petrobaltic S.A. confirms in the same manner that the gas volume estimates for the reserve – contained in the gas supply forecast of December 7th 2005 submitted to the Bank by Energobaltic Sp. z o.o. – were correct,
- the economic and financial standing of Energobaltic Sp. z o.o. poses no threat to timely repayment of the loans.

Liabilities to Rolls-Royce Power Ventures Limited (Władysławowo)

Under the Shareholder Agreement, in the event that the aggregate amount of waste gas supplied by Petrobaltic S.A. to Energobaltic Sp. z o.o. is lower than the minimum offtake amount provided for in the gas supply agreement for the year, Petrobaltic S.A. is obliged to offer to the other shareholder and lender of Energobaltic Sp. z o.o., that is Rolls-Royce Power Ventures (Władysławowo) Limited ("RRPV"), to purchase the claims under the loan advanced by RRPV to Energobaltic.

In connection with the expected reduction of the volume of waste gas supplied to Energobaltic Sp. z o.o. by Petrobaltic S.A. in 2005, on September 22nd 2005, RRPV sent a letter stating that if Petrobaltic S.A. did not comply with the provisions of Art. 16.1.6 of the Gas Supply Agreement, it would issue a default notice under Art. VIII Section 1 of the Shareholder Agreement.
Following receipt of the notice, under the Shareholder Agreement Petrobaltic S.A. is obliged to offer to RRPV to purchase the claims under the loan advanced by RRPV to Energobaltic. If RRPV accepts the offer, Petrobaltic will be obliged to gradually (2012–2016) purchase RRPV's claims under the loan, at maturity of each principal instalment, at a 2% discount. As at June 30th 2008, the total amount of the loan advanced by RRPV to Energobaltic Sp. z o.o. was USD 6.6m (USD 5m in principal, plus interest), which is an equivalent of PLN 13.9m (as at December 31st 2007 the total amount was USD 6.4m (USD 5m in principal, plus interest), which was an equivalent of PLN 15.6m).

Following the purchase of RRPV's shares in Energobaltic Sp. z o.o., Petrobaltic S.A. would hold 1,598 shares representing 88.04% of the aggregate number of the shares.
As at the publication date of these consolidated financial statements, no such notice has been issued. Therefore, as we were advised in an opinion issued by an external law firm, the conditional offer could be executed only in 2009 if Petrobaltic S.A. is in breach of the terms and conditions of the Gas Supply Agreement in 2008. However, in view of the poor financial standing of Energobaltic Sp. z o.o. and the level of gas supplies lower than expected as a result of delays in the commencement of production at the B8 reservoir, the Management Board of Petrobaltic S.A., guided by the conservative valuation principle, maintained the provision for future liabilities which might arise under the Shareholder Agreement. The provision covers the loan advanced by RRPV to Energobaltic Sp. z o.o. (less the 2% discount) and the par value of RRPV's shares in Energobaltic Sp. z o.o.

Liabilities of Petrobaltic S.A. towards REVUS ENERGY ASA of Norway

On June 17th 2008, Petrobaltic S.A. issued an unconditional and irrevocable guarantee, payable on first request, for the benefit of REVUS ENERGY ASA, securing the performance by LOTOS Exploration & Production Norge AS of its obligations under the agreement concluded with REVUS ENERGY ASA concerning transfer of interests in PL 316, PL 316B. PL 316CS and PL 316DS licences on the Norwegian Continental Shelf. Petrobaltic S.A. undertook to pay any amounts which may become due to REVUS ENERGY ASA as if it they were owed by Petrobaltic S.A.

The guarantee expires one month after the date of completion of the settlement of the purchase transaction contemplated by the agreement on the purchase of the 10% interest in production licences No. 316, 316B, 316CS and 316DS in the North Sea. If the notification date does not occur by December 31st 2008, the guarantee will expire on January 31st 2009.

Liabilities of Petrobaltic S.A. towards the Government of Norway

On June 17th 2008, Petrobaltic S.A. issued an unconditional and irrevocable guarantee for the benefit of the government of Norway covering all the activities undertaken by LOTOS Exploration & Production Norge AS as part of its exploration and production operations on the Norwegian Continental Shelf. In the guarantee, Petrobaltic S.A. confirmed that it undertakes to assume full financial liability which may arise in connection with LOTOS Exploration & Production Norge AS' activities consisting in exploration for and extraction of the natural resources from the sea bottom, including storage and transport on the Norwegian Continental Shelf using means of transport other than ships.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Jasło S.A.

Liabilities under Promissory Notes towards Nafta Polska S.A.

Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) has issued nine blank promissory notes to Nafta Polska S.A. Under the promissory note declarations of January 19th 2000, the promissory notes secure the liabilities of the Rafineria Jasło S.A. under claims concerning environmental damage on the property specified in the agreement of January 19th 2000 between Rafineria Jasło S.A. and Carbon Black Polska Sp. z o.o. The promissory notes may be filled in by Nafta Polska if Rafineria Jasło S.A. fails to perform any of its obligations under the agreement. As provided for in the declarations, each promissory note may be filled in with up to PLN 1,000 thousand.

Under an agreement of January 19th 2000 between Nafta Polska S.A. and Rafineria Jasło S.A., if no obligation arises on the part of Nafta Polska S.A. to provide any performance, in whole or in part, under the performance bond agreement relating to the agreement on environmental issues with Carbon Black Polska Sp. z o.o. by the time Nafta Polska S.A. is removed from the enterprise register, Nafta Polska S.A. will place the unrealised promissory notes in court deposit so that they can be returned after the court's decision on removing Nafta Polska S.A. from the enterprise register becomes final. Similarly, the unrealised promissory notes will be returned to Rafineria Jasło S.A. after 10 years following the agreement date if Nafta Polska S.A. is not removed from the enterprise register and is not obliged to any performance under the surety agreement.

Liabilities under Promissory Notes towards the Minister of Economy

Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) has also issued a blank promissory note to the Minister of Economy. Under the promissory note declaration issued on November 13th 2002, the promissory note is to secure performance of LOTOS Jasło S.A.'s obligations under an agreement on financial support for a new investment project (a fuel terminal), concluded between the Minister of Economy and LOTOS Jasło S.A. on November 1st 2002. The promissory note may be filled in with an amount of up to PLN 5,675 thousand.

Other Liabilities under Promissory Notes

Furthermore, as at June 30th 2008, LOTOS Jasło S.A. had:

- a liability under a blank promissory note issued to secure a working capital overdraft facility granted by PKO BP S.A., the Krosno branch, for the amount of PLN 18,000 thousand, with the validity term expiring on July 29th 2011,
- a liability under a blank promissory note issued to secure an excise guarantee for PZU, the Rzeszów branch, for the amount of PLN 5,000 thousand, with the validity term which originally expired on July 29th 2008 and was subsequently extended until July 29th 2009,
- a liability under a blank promissory note issued to secure the repayment of interest and contractual penalties, if any, under a loan agreement with NFOŚIGW (The National Fund for Environmental Protection and Water Management) of Warsaw, with the validity term expiring on March 30th 2011.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Oil S.A.

On March 18th 2007, LOTOS Oil S.A. issued and submitted to the Customs Office a blank promissory note with a promissory note declaration, for the amount of PLN 10,000 thousand in order to secure an excise tax liability. The promissory note was issued to replace a bank guarantee. It is valid until October 31st 2008.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Gaz S.A.

On December 19th 2007, LOTOS Gaz S.A. and Pekao S.A. concluded a surety agreement whereby LOTOS Gaz S.A. issued a surety for the repayment of a PLN 5,000 thousand loan contracted by Krak – Gaz Sp. z o.o. under loan agreement dated May 16th 2006. The surety was issued for the amount of up to PLN 7,500 thousand.

On June 30th 2008, LOTOS Gaz S.A. and ING Bank Śląski concluded a surety agreement whereby LOTOS Gaz S.A. issued a surety for the repayment of a PLN 10,000 thousand loan contracted by Krak – Gaz Sp. z o.o. under loan agreement dated June 24th 2004.
By virtue of a resolution of LOTOS Gaz S.A.'s Supervisory Board of July 8th 2008, the Management Board of LOTOS Gaz S.A. was authorised to issue on behalf of the company a surety for the amount of PLN 15m, securing the repayment of liabilities under the aforementioned loan, contracted by Krak – Gaz Sp. z o.o. on June 29th 2004.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Biopaliwa Sp. z o.o.

On August 7th 2007, LOTOS Biopaliwa Sp. z o.o. issued a blank promissory note with the "no protest" clause for the benefit of NFOŚIGW (The National Fund for Environmental Protection and Water Management), valid through June 30th 2015. The promissory note was issued to secure the repayment of interest, contractual penalties (if any) and other liabilities under a loan agreement concluded on June 29th 2007 by LOTOS Biopaliwa Sp. z o.o. with NFOŚIGW. The amount of the loan was PLN 35,000 thousand. The repayment of the loan is secured with a bank guarantee issued for the benefit of NFOŚIGW on August 7th 2007 by Pekao S.A. against the loan limit under an investment loan agreement of December 14th 2006.

Other Contingent Liabilities of the Group

As at June 30th 2008, the Group's liabilities arising from the material agreements related to expenditure on property, plant and equipment (the 10+ Programme) amounted to PLN 1,840m (relative to PLN 2,735m as at December 31st 2007).

43. Carbon Credits

As at June 30th 2008 and December 31st 2007, the Group reported an excess of carbon credits granted to it over the actual carbon dioxide emissions.

The aggregate annual average carbon allowance granted to the Group companies (for the years 2008-2012) is 1,217.3 thousand tonnes.

The actual volume of carbon dioxide emissions in the six months to June 30th 2008 was 592.7 thousand tonnes.

44. Material Events Subsequent to the Balance-Sheet Date

No material events occurred in the period from the balance-sheet date until the date of these consolidated interim financial statements, except for the following:

1. On July 24th 2008, Grupa LOTOS S.A., which exercises full control over LOTOS Tank Sp. z o.o., signed a declaration on acquisition of shares in the increased share capital of LOTOS Tank Sp. z o.o. The shares will be fully paid up with cash. The share capital of LOTOS Tank Sp. z o.o. was increased from PLN 500 thousand to PLN 6,945 thousand, i.e. by PLN 6,445 thousand; the share capital increase was effected by increasing the par value of the 1,000 existing shares from PLN 500 to PLN 6,945 per share. Following the acquisition of the shares in the increased share capital of LOTOS Tank Sp. z o.o., Grupa LOTOS S.A. will continue to hold 100% of the equal and indivisible shares in the company and will be entitled to exercise 100% of the voting rights attached to the shares at the General Shareholders Meeting of LOTOS Tank Sp. z o.o. Grupa LOTOS S.A. treats the acquisition of the shares in the increased share capital of LOTOS Tank Sp. z o.o. as a long-term equity investment. The increase in the share capital of LOTOS Tank Sp. z o.o. was effected as part of its efforts to expand JET fuel sales. On July 31st 2008, Grupa LOTOS S.A. paid the amount due of PLN 6,445 thousand.

2. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. Upon consideration on March 11th 2008 of the case of bankruptcy of Rafineria Nafty GLIMAR S.A. of Gorlice in connection with the motion for discontinuation of bankruptcy proceedings submitted by bankruptcy administrator Capricorn Sp. z o.o. of Nowy Sącz, the District Court of Nowy Sącz, Commercial Court Division V, decided to discontinue the bankruptcy proceedings pursuant to Art. 361.2 of the Bankruptcy and Recovery Law. The decision issued by the District Court of Nowy Sącz, Commercial Court Division V, was appealed against to the Regional Court of Kraków, Appellate Commercial Division XII. On July 25th 2008, the Regional Court of Kraków, Appellate Commercial Division XII, issued a decision (court docket No. XII Gz 242/08) dismissing the appeals. The decision of the District Court of Nowy Sącz, Commercial Court Division V, on discontinuation of the bankruptcy proceedings became final. The Management Board of Rafineria Nafty GLIMAR S.A. of Gorlice immediately took steps to take over the company's assets from the bankruptcy administrator.

3. On August 5th 2008, Grupa LOTOS S.A., which exercises full control over LOTOS Serwis Sp. z o.o. acquired shares in the increased share capital of LOTOS Serwis Sp. z o.o. Grupa LOTOS S.A. acquired the shares at a price equal to their par value and the shares will be fully paid up with cash. The share capital of LOTOS Serwis Sp. z o.o. was increased from PLN 2,500 thousand to PLN 4,000 thousand, i.e. by PLN 1,500 thousand, through the creation of 3,000 new shares with the par value of PLN 500 per share. After acquiring the shares in the increased share capital of LOTOS Serwis Sp. z o.o., Grupa LOTOS S.A. will continue to hold 100% of the equal and indivisible shares in the company and 100% of the total vote at its General Shareholders Meeting. The core business of LOTOS Serwis Sp. z o.o. comprises maintenance of continuous operation and repair of equipment and installations for Grupa LOTOS S.A. and its subsidiaries. Grupa LOTOS S.A. treats the acquisition of the shares in the increased share capital of LOTOS Serwis Sp. z o.o. as a long-term equity investment. On August 8th 2008, Grupa LOTOS S.A. paid the amount due for the shares of PLN 1,500 thousand.

   On September 17th 2008, the District Court of Gdańsk-Północ in Gdańsk registered a capital increase at LOTOS Serwis Sp. z o.o. Following the increase, the share capital of LOTOS Serwis Sp. z o.o. amounts to PLN 4,000 thousand and is divided into 8,000 equal and indivisible shares, with a par value of PLN 500 per share. The shares issued confer the rights to a total of 8,000 votes at the company's General Shareholders Meeting.

4. On August 26th 2008, LOTOS Exploration and Production Norge AS (wholly-owned by Petrobaltic S.A., which in turn is controlled by Grupa LOTOS S.A. in 69%) entered into an agreement concerning purchase of a 20% interest in exploration licence PL455, covering an area of 1,365 km^2 located in the southern part of the Norwegian sector of the North Sea.

   LOTOS Exploration and Production Norge AS signed the agreement with Noreco, a Norwegian exploration and production company. LOTOS Exploration and Production Norge AS will acquire a 20% interest in the licence in exchange for covering 40% of the estimated expenditure to be incurred by Noreco on the performance of seismic surveys under the PL455 licence, i.e. approx NOK 38m (PLN 15.9m, as translated using the mid exchange rate for NOK quoted by the National Bank of Poland for August 26th 2008). The transaction will take effect once relevant approvals are obtained from the Norwegian authorities.
   Licence PL455 was granted to Noreco as part of the pre-qualification round APA2007. Noreco is also the licence operator and – after the transaction with LOTOS Exploration and Production Norge AS – holds a 50% interest in the licence. The seismic survey is scheduled for the years 2008-2009, and in 2010 the licence area will be drilled to confirm its potential. In accordance with the Norwegian tax law, if the exploration proves unsuccessful, 78% of the incurred expenditure may be reimbursed.

5. On August 26th 2008, the Management Board of Petrobaltic S.A. resolved to commence the procedure for registration of a share capital increase at LOTOS Exploration and Production Norge AS and of acquisition of the new issue shares in the company by Petrobaltic S.A.
   The share capital of LOTOS Exploration &Production Norge AS was increased from NOK 40m to NOK 190m. The new shares comprising the increased share capital, whose aggregate par value amounts to NOK 150m, are equal and indivisible, and represent 78.9% of the increased share capital of LOTOS Exploration & Production Norge AS. Petrobaltic S.A. treats the shares as a long-term equity investment.
   Petrobaltic S.A. covered the 150 million new shares in LOTOS Exploration & Production Norge AS with cash. The purchase price for the shares was equal to their par value, i.e. NOK 150m (PLN 62.8m, as translated at the mid exchange rate for NOK quoted by the National Bank of Poland for August 26th 2008) and was covered with Petrobaltic's internally-generated funds.

6. On May 20th 2008, LOTOS Exploration and Production Norge AS signed an agreement with Norwegian company Revus Energy concerning purchase of 10% of interests in the North Sea production licences No. 316, 316B, 316CS and 316DS. Upon the fulfilment of all the conditions precedent, on August 29th 2008 LOTOS Exploration and Production Norge AS acquired all rights and obligations connected with the ownership of the 10% interest in the production licences. The purchased licences cover the Yme field (110 km off the coast in the southern part of the Norwegian sector of the North Sea) and an additional exploration area. The value of the abovementioned agreement is USD 52.5m (or PLN 119.1m, translated at USD/PLN mid exchange rate quoted by the National Bank of Poland for August 29th 2008). That value will be increased by the amount of investment expenditure made by Revus Energy during the jointly agreed period preceding the assumption of rights and obligations connected with the licences, which will reach approximately USD 12m (or PLN 27.2m, translated at USD/PLN mid exchange rate quoted by the National Bank of Poland for August 29th 2008). The investment expenditure which remains to be made after August 29th 2008 (corresponding to the 10% interest in the YME field) before production can be started is estimated at about USD 65m (or PLN 147.5m, translated at USD/PLN mid exchange rate quoted by the National Bank of Poland for August 29th 2008).

45. Material Court, Arbitration or Administrative Proceedings, and Other Risks of the Parent Undertaking or Its Subsidiaries

Material Proceedings Pending before Public Administration Authorities in Connection with the Parent Undertaking's Business

On March 21st 2005, the President of the Competition and Consumer Protection Office issued a decision whereby anti-trust proceedings were instigated *ex officio* to investigate the issue of a suspected agreement between Polski Koncern Naftowy ORLEN S.A. of Płock and Grupa LOTOS S.A. of Gdańsk, concerning a simultaneous discontinuation of the production and distribution of the universal U95 gasoline. In the opinion of the Company's Management Board, given that in fact the production and sale of the U95 universal gasoline were not discontinued, the allegations of the Competition and Consumer Protection Office are unfounded. In April 2005, the Management Board motioned for issuing a decision to the effect that Grupa LOTOS S.A. has not been found to use competition inhibiting practices.

In July 2005, the Company appealed to the Anti-Monopoly Court against the Competition and Consumer Protection Office's decision limiting access to a part of the evidence gathered in the case. Independent of the appeal, in September 2005, the Company filed another request with the Court to issue a decision to the effect that Grupa LOTOS S.A. does not use monopolistic practices. In October 2005 the Company received another decision of the Competition and Consumer Protection Office concerning limitation of access to a part of the evidence, against which the Company appealed to the Anti-Monopoly Court. The Regional Anti-Monopoly Court dismissed the appeals. Grupa LOTOS S.A. appealed to the Warsaw Court of Appeals against the Regional Anti-Monopoly Court's decisions, but these appeals were dismissed as well.

Pursuant to the Court's Decision of April 18th 2007, Grupa LOTOS S.A.'s right of access to evidence in the anti-trust proceedings, namely to the materials obtained during inspections at PKN ORLEN S.A.'s offices, was restricted on the basis of a petition submitted by PKN ORLEN S.A. The restriction concerned the report on inspection of the offices in Warsaw together with appendices to the report, and a part of appendices to the report on inspection of the offices in Płock. Under the same Decision, PKN ORLEN S.A.'s petition was rejected to the extent concerning restriction of Grupa LOTOS S.A.'s right of access to the report on inspection of PKN ORLEN S.A.'s offices in Płock. On April 26th 2007, Grupa LOTOS S.A. filed a complaint against the Decision restricting Grupa LOTOS S.A.'s right of access to the evidence. On May 9th 2007, Grupa LOTOS S.A. received a notice from the Competition and Consumer Protection Office (UOKiK) to provide information on changes to U-95 and Pb95 gasoline prices. The information was sent to UOKiK on the same day. On August 2nd 2007, Grupa LOTOS S.A. sent a notification to UOKiK to the effect that the production of the U95 gasoline had been discontinued. On December 31st 2007, the President of UOKiK imposed a fine of PLN 1,000 thousand on Grupa LOTOS S.A. Consequently, on January 17th 2008 an appeal against the decision was filed with the Regional Court of Warsaw. The case is pending.

Material Proceedings Pending before Public Administration Authorities in Connection with LOTOS Czechowice S.A.'s Business

Tax Proceedings and Court and Administrative Proceedings Related to Taxes

Proceedings Related to Value Added Tax for Certain Months of 1998

In connection with the tax inspections and the resulting decisions related to the value added tax, on December 29th 2003 Rafineria Czechowice S.A. (currently LOTOS Czechowice S.A.) filed complaints with the Supreme Administrative Court against three decisions of the Director of the Tax Chamber of Katowice, concerning the value added tax for October 1998, July 1998 and May 1998. The total value of the disputed claims amounted to PLN 1,229 thousand. Decisions were issued in all of the above cases. Cassation complaints have been filed against all of the above decisions by Rafineria Czechowice S.A. (currently LOTOS Czechowice S.A.), in the case of the tax for July 1998, and by the Tax Chamber Director, in the case of the tax for October 1998, for July 1998 and for May 1998.

LOTOS Czechowice S.A. paid the amounts of VAT together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest.

In December 2005, LOTOS Czechowice S.A. received the following decisions of the Supreme Administrative Court:

- a decision repealing the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for October 1998) in the part concerning determination of the tax liability, tax arrears and default interest; the above issues were submitted for re-examination to the Provincial Administrative Court, and with respect to other issues the cassation complaint was dismissed;
- a decision repealing the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for May 1998) in the part concerning determination of the tax liability, tax arrears and default interest; the above issues were submitted for re-examination to the Provincial Administrative Court, and with respect to other issues the cassation complaint was dismissed;
- a decision upholding the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for July 1998); the Supreme Administrative Court resolved not to award costs of cassation proceedings.

LOTOS Czechowice S.A. filed cassation complaints with the Supreme Administrative Court against rulings by the Provincial Administrative Court of Gliwice of April 27th 2006 in the following cases:

- the case relating to the tax for May 1998 (PLN 318 thousand),
- the case relating to the tax for October 1998 (PLN 618 thousand).

By virtue of decision of November 27th 2006, the Provincial Administrative Court of Gliwice dismissed the cassation complaint concerning the tax for October 1998. Currently, the proceedings are pending before the Constitutional Court concerning breach of the Constitution, committed by issuing a decision on dismissal of a cessation complaint.

With respect to the case concerning overpayment of VAT for August 1998, in the amount of PLN 292.7 thousand, the Provincial Administrative Court of Gliwice dismissed the complaint against the decision of the Tax Chamber Director by virtue of the ruling of June 26th 2007. The ruling was appealed against by LOTOS Czechowice S.A. to the Supreme Administrative Court; the case is pending.

On December 29th 2007, the Supreme Administrative Court dismissed the cassation complaint concerning the tax for May 1998. The Company appealed to the last instance authority and lodged a complaint to the Constitutional Court, which may repeal the decisions of the tax authorities as issued on the basis of unconstitutional provisions of the regulations of the Minister of Finance. The objection in the complaint concerns exceeding the statutory competence of the Minister of Finance as regards issuing regulations.

The proceedings do not pose any financial threat to the Company as additional liabilities resulting from the decisions issued by the tax authorities were paid along with interest in the previous years and may only be a source of additional income for LOTOS Czechowice S.A.

Proceedings Related to Excise Tax for Certain Months of 1998

As a result of the inspections carried out by the tax authorities, there are six tax proceedings pending against LOTOS Czechowice S.A., related to the decisions concerning excise tax for certain months of 1998, against which the LOTOS Czechowice S.A. submitted appeals to the administrative court. The total value of the claims disputed under appeal proceedings is PLN 2,881 thousand.
The Supreme Administrative Court set October 26th 2005 as the date for the court hearing concerning excise tax for September 1998, August 1998 and June 1998. By virtue of the Supreme Administrative Court's ruling, the Provincial Administrative Court's decision regarding excise tax for September 1998, August 1998 and June 1998 was repealed in full and remanded for re-examination.
LOTOS Czechowice S.A. paid the amounts of excise tax together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest

LOTOS Czechowice S.A. filed cassation complaints with the Supreme Administrative Court against the decisions of the Provincial Administrative Court of Gliwice dated April 27th 2006 in the cases concerning taxes for:
- September 1998 – PLN 52.5 thousand,
- August 1998 – PLN 842 thousand,
- June 1998 – PLN 468.8 thousand,

Considering the case of the tax for October 1998, in the amount of PLN 1,138.8 thousand, the Provincial Administrative Court of Gliwice suspended the proceedings.

No negative tax consequences for LOTOS Czechowice S.A. may arise in connection with these proceedings; they may only be a source of additional income.

By virtue of the decision of the Provincial Administrative Court of Gliwice, dated October 16th 2006, issued in the proceedings regarding tax for August 1998 (with respect to the request for returning the difference between the court fee actually paid and the court fee due), the Provincial Administrative Court decided to return PLN 57.9 thousand to LOTOS Czechowice S.A.

On December 29th 2007, the Supreme Administrative Court issued a ruling dismissing the cassation complaints in the following cases:
- the case relating to the tax for September 1998 (PLN 52.5 thousand),
- the case relating to the tax for August 1998 (PLN 842 thousand),
- the case relating to the tax for June 1998 (PLN 468.8 thousand).

The company appealed to the last instance authority and lodged a complaint to the Constitutional Court, which may repeal the decisions of the tax authorities as issued on the basis of unconstitutional provisions of the regulations of the Minister of Finance. The objection stated in the complaint refers to the fact that in issuing the regulations the Minister of Finance acted beyond the scope of his statutory mandate.

The proceedings do not pose any financial threat to the company, and may only be a source of additional income (as additional liabilities resulting from the decisions issued by the tax authorities were paid along with interest in the previous years).

Inspection Related to Excise Tax for Certain Months of 2004

The Head of the Customs Office of Bielsko-Biała conducted an inspection at LOTOS Czechowice S.A. in order to determine the correct amount of the excise tax payable for the period January 1st 2004 – September 30th 2004. As a result of the inspection, tax proceedings were instigated *ex officio* on May 18th 2005. On May 5th 2006, LOTOS Czechowice S.A. received four decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the amount of the excise tax liability for January, February, and March 2004. The proceedings concerning determination of the amount of excise tax liability for April 2004 were discontinued. On May 19th 2006, the company appealed to the Director of the Customs Chamber against the abovementioned decisions and filed motions for staying their execution. In August 2006, LOTOS Czechowice S.A. received decisions issued by the Head of the Customs Office and discontinuing the proceedings concerning the tax liability for May–September 2004. On October 17th 2006, LOTOS Czechowice S.A. received a decision issued by the Director of the Customs Chamber of Katowice and setting December 13th 2006 as the deadline for the examination of the appeals against the decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the amount of excise tax liability for January, February, and March 2004. In the decision of February 9th 2007, the Director of the Customs Chamber of Katowice set April 13th 2007 as the date for concluding the proceedings. By virtue of the decision of June 17th 2007, Director of the Katowice Customs Chamber set yet another deadline for resolving the case – August 13th 2007, and pursuant to its most recent decision of August 13th 2007, the Director of the Customs Office of Katowice set October 13th 2007 as the deadline for considering the appeal. On October 19th 2007, LOTOS Czechowice S.A. received three decisions issued by the Director of the Customs Chamber of Katowice, repealing in full the decisions determining the amount of excise tax liability for January, February, and March 2004, passed by the Head of the Customs Office of Bielsko-Biała. The case is to be reconsidered by the first instance body. On November 19th 2007, the Company filed with the Provincial Administrative Court three complaints against the decisions issued by the Director of the Customs Chamber of Katowice which repealed the decisions of the Head of the Customs Office of Bielsko-Biała and remanded the cases back to the Head of the Customs Office of Bielsko-Biała. On April 2nd 2008, court hearings were held concerning the aforementioned complaints, and rulings were issued whereby the complaints were dismissed. LOTOS Czechowice S.A. requested written statements of reasons to be prepared for the said rulings. Upon the receipt of the said statements of reasons, the Management Board decided not to lodge complaints with the Supreme Administrative Court. As a consequence, the cases were referred back for re-examination to the first instance body, i.e. the Head of the Customs Office of Bielsko-Biała.

In relation to the potential excise tax liabilities for the period January – March 2004, taking into account the results of the legal and tax analyses conducted to date, including the analyses carried out by external tax advisers as well as an expert witness designated by the Director of the Customs Chamber, LOTOS Czechowice S.A. is of the opinion that there is very little risk of unfavourable outcome of the dispute with the tax authorities, therefore no provisions were created in the financial statements with regard to these potential liabilities.

Proceedings Concerning Excise Tax Liabilities for the Period September 1st – December 31st 2003

On April 12th 2006, the Head of the Customs Office in Bielsko-Biała instigated proceedings concerning LOTOS Czechowice S.A. to determine the correct amount of the excise tax payable for the period September 1st – December 31st 2003. Before the proceedings are concluded, it is difficult to determine whether the excise tax liabilities will be reassessed, and if so, what their amounts will be. By virtue of the decision of March 19th 2006, the Head of the Customs Office in Bielsko-Biała set the deadline for resolving the matter at May 30th 2007. By virtue of the decision of August 13th 2007, the Head of the Customs Office in Bielsko-Biała set another deadline for resolving the case – October 17th 2007. By virtue of the decision issued on January 1st 2008, the Head of the Customs Office of Bielsko-Biała set June 30th 2008 as the new date for resolving the case.
In his decisions of June 27th 2008, the Head of the Customs Office in Bielsko-Biała set August 31st 2008 as yet another deadline for concluding the proceedings concerning the excise tax for the period September – December 2003. By virtue of subsequent decisions the deadline was extended until October 31 2008.

In relation to the potential excise tax liabilities for the period September – December 2003, taking into account the results of the legal and tax analyses conducted to date, including the analyses carried out by external tax advisers as well as an expert witness designated by the Director of the Customs Chamber, LOTOS Czechowice S.A. is of the opinion that there is very little risk of unfavourable outcome of the dispute with the tax authorities, therefore no provisions were created in the financial statements with regard to these potential liabilities.

Material Proceedings Pending before Public Administration Authorities in Connection with LOTOS Paliwa Sp. z o.o.'s Business

On March 30th 2006, LOTOS Paliwa Sp. z o.o received a decision of the Gdańsk Tax Office of March 28th 2006 relating to the determination of the value added tax liability for January 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office assessed an additional tax liability of the company, related to the settlement of the purchase of an organised part of the business of LOTOS Gaz S.A. (formerly LOTOS Mazowsze S.A.). On July 25th 2006, LOTOS Paliwa Sp. z o.o. received a decision of the Director of the Gdańsk Tax Chamber, dated July 21st 2006, in which the Director of the Gdańsk Tax Chamber repealed in full the decision of the first instance body (i.e. the Gdańsk Tax Office) determining the value added tax liability for January 2005 and assessing an additional tax liability, and remanded the case for re-examination by the Gdańsk Tax Office. On July 6th 2007, LOTOS Paliwa Sp. z o.o. was notified of decision no. PV/4400-96/124/VT/06/AR issued by the Head of the Gdańsk Tax Office, stating that the amount of tax difference to be refunded to the company was exceeded by PLN 23 thousand and requiring the company to additionally pay PLN 7 thousand on account of tax. LOTOS Paliwa Sp. z o.o. decided not to appeal against the decision as it considered it favourable for the company. According to a previous decision relating to the same matter and issued on March 28th 2006 (decision no. Nr PV/440-95/124/VT/AG), the Head of the Gdańsk Tax Office decided that the company had understated its tax liability by PLN 24,055 thousand and obliged the company to additionally pay PLN 7,850 on account of tax (the decision was later repealed by virtue of a decision issued by the Director of the Tax Chamber in Gdańsk on July 21st 2006).
On July 6th 2007, the Head of the Gdańsk Tax Office issued decision No. VT/440-185/07/WP/DP on instigation of tax proceedings against LOTOS Paliwa Sp. z o.o to investigate the correctness of VAT settlements for March 2005. On September 11th 2007, LOTOS Paliwa Sp. z o.o. received a decision of the Gdańsk Tax Office of September 10th 2007 relating to the determination of the value added tax liability for March 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office assessed an additional tax liability of the company, related to the settlement of the purchase of an organised part of the business of LOTOS Gaz S.A. Decision No. PV/4400-170/185/VT/07/DP stated that the amount of tax difference to be refunded was exceeded by PLN 26,141 thousand and required the company to pay an additional PLN 7,842 thousand on account of tax for March 2005. The amounts specified in the decision were paid by LOTOS Paliwa Sp. z o.o. On September 24th 2007, the company appealed against the decision of the Gdańsk Tax Office.

On January 18th 2008, the Director of the Tax Chamber of Gdańsk issued decision No. PC/4407-660/07/13 upholding decision No. PV/4400-170/185/VT/07/DP of the Head of the Gdańsk Tax Office, dated September 10th 2007, stating that the excess of input VAT over output VAT for March 2005 was PLN 5,292 thousand and that the amount of tax difference to be returned was PLN 5,292 thousand, and requiring the company to additionally pay PLN 7,842 thousand on account of value added tax for March 2005. On February 1st 2008, LOTOS Paliwa Sp. z o.o. appealed to the Provincial Administrative Court of Gdańsk against decision No. PC/4407-660/07/13 issued by the Director of the Tax Chamber of Gdańsk.

The decision concerns the right to reduce the tax amount due as settlement for the month in which the seller was provided by the buyer with a confirmation of receipt of an adjusting invoice, arising from settlement of the acquisition of an organised part of LOTOS Gaz S.A.'s business and compliance of additional tax sanctions in this respect with the constitution. As regards potential tax liabilities under the sanctions connected with the settlement of acquisition of an organised part of LOTOS Gaz S.A.'s business and corrections of the VAT-7 tax returns, taking into account the results of the legal and tax analyses, including the analyses carried out by external tax advisers, the Management Board of LOTOS Paliwa is of the opinion that there is hardly any risk of unfavourable outcome of the dispute with the tax authorities, therefore no provisions were created in the financial statements with regard to these potential additional liabilities.

On June 24th 2008, a hearing was held before the Provincial Administrative Court of Gdańsk, whose judgement reversed the appealed decision of the Director of the Tax Chamber of Gdańsk and declared it unenforceable, awarding the costs of the proceedings against the Director of the Tax Chamber of Gdańsk.

Material Proceedings Instigated against the Company

Proceedings upon Action Brought by PETROECCO JV Sp. z o.o. for Compensation for Damages Incurred as a Result of Monopolistic Practices

On May 18th 2001, PETROECCO JV Sp. z o.o. brought an action against the Company whereby it seeks the courts' decision awarding an amount of PLN 6,975 thousand, together with statutory interest as at May 1st 1999, as compensation for damages incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o.
The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Competition and Consumer Protection Office of September 26th 1996, in which the Authority ordered the Company to abandon such practices. The Company appealed against the decision. The Provincial Court of Warsaw – the Anti-Monopoly Court, changed, by virtue of its decision of October 22nd 1997, only the wording of the decision and ordered the Company to abandon monopolistic practices. The cassation complaint against this decision filed by the Company was dismissed by the Supreme Court by virtue of its decision of June 2nd 1999.
The Regional Court of Gdańsk, by virtue of its decision of December 21st 2002, dismissed the action for compensation, fully complying with the Company's objection referring to the statute of limitation. However, this decision was overruled on December 4th 2003 by the Gdańsk Court of Appeals, in case No. I ACa 824/03, and submitted for re-examination by the District Court of Gdańsk. The Court of Appeals found that the reference to the statute of limitation was not justified. According to the Court, it was only on June 2nd 1999 (the date of the Supreme Court's ruling) that PETROECCO JV Sp. z o.o. became aware that the damage it incurred resulted from monopolistic practices giving rise to the Company's liability in tort, and it is as of that date, in the Court's opinion, that the three-year period of limitation of compensation claims should be counted.
The case is pending before the Regional Court of Gdańsk (First Instance Court) and its file No. is IX GC 134/04. The Company defends itself by raising substantive charges (it questions the fact that any damage was incurred by PETROECCO JV Sp. z o.o., the amount of the alleged damage, and the existence of the cause and effect relationship between the monopolistic practices and the damage). Following the hearing of June 2005, the Regional Court of Gdańsk ordered a court expert in accountancy and economics to draw up a report concerning the extent of damages which the plaintiff incurred as a result of Grupa LOTOS S.A.'s activities. In the issued opinion, the expert witness indicated that based on the materials presented by PETROECCO JV Sp. z o.o. it was impossible to establish the amount of the losses or even state whether the losses were actually incurred. Besides, the expert pointed out that an opinion should be requested from an expert witness in a field other than accountancy. The lack of evidence required to issue such an opinion prevented the plaintiff from causing the appointment of another expert witness. The hearing was held on March 27th 2007. The ruling was scheduled to be announced on April 10th 2007, then postponed until April 20th 2007. Pursuant to the ruling of April 20th, the suit was dismissed. On May 17th 2007, the Company filed an appeal against the decision on the cost of the proceedings. On June 4th 2007 PETROECCO JV Sp. z o.o. filed an appeal against the ruling issued on April 20th 2007. On August 12th 2007, the Company submitted its response to the appeal.
On December 20th 2007, the Court dismissed PETROECCO JV Sp. z o.o.'s appeal against the decision of the Regional Court. On March 19th 2008, an enforcement motion was filed with a Court Enforcement Officer against PETROECCO JV Sp. z o.o. The enforcement proceedings are pending. On April 17th 2008, PETROECCO JV Sp. z o.o. lodged a cassation complaint against the ruling issued on December 20th 2007. The complaint was delivered to Grupa LOTOS S.A. on June 17th 2008. On June 30th 2008, Grupa LOTOS S.A. sent a response to the complaint. As at the date of publication of these interim condensed consolidated financial statements, the case was pending.

Proceedings upon Action Brought by the Minister of State Treasury for Invalidation of the Share Purchase Agreement Concerning Shares in Naftoport Sp. z o.o.

On November 3rd 2005, Grupa LOTOS S.A. was served a nullity suit submitted by the Minister of State Treasury, concerning the agreement of August 18th 1998 between Grupa LOTOS S.A. and Polska Żegluga Morska, a state-owned company, providing for the sale of two shares in Naftoport Sp. z o.o., valued at PLN 3,340 thousand. On April 21st 2006, the Regional Court in Gdańsk, IX Commercial Division, issued a ruling dismissing the claim in its entirety. On June 8th 2006, the Minister of State Treasury appealed against the ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998. On June 30th 2006, the Company filed its response to the appeal. On December 28th 2006, the Court of Appeals passed a ruling reversing the challenged decision of April 21st 2006 and declaring the agreement on the sale of two shares in Naftoport Sp. z o.o. as invalid. On April 6th 2007, the Company filed a cassation complaint and a request to arrest enforcement of the decision of the second instance. By virtue of the ruling of the Court of Appeals of Szczecin dated April 20th 2007, the request to arrest enforcement of the decision of the second instance was dismissed. On August 10th 2007, the Supreme Court issued a decision to accept the cassation complaint for consideration. On November 21st 2007, the Supreme Court issued a decision to remand the case back to the Court of Appeals in Szczecin. The hearing was held on May 7th 2008. The Court dismissed the claim in its entirety and decided that the costs of the proceedings in the amount of PLN 100 thousand would be returned to Grupa LOTOS S.A. The Court's decision became final with effect from May 7th 2008.

Tax Settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the construction of tax legislation are frequent, both within governmental authorities and between those authorities and enterprises, leading to uncertainty and conflicts. Consequently, the tax-related risk in Poland is significantly higher than in countries where tax systems are better developed.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company. As at June 30th 2008, relevant provisions for identified and measurable tax risk have been created.

Court Proceedings Instigated by or against the Company or the Companies of Its Group

Court Proceedings Instigated by Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) against a Private Individual

On December 4th 2003, in the course of payment order proceedings, the Regional Court of Krosno issued a decision in favour of Rafineria Jasło S.A. (currently LOTOS Jasło S.A.), whereby it ordered payment of PLN 4,829 thousand, together with interest, representing claims under unpaid invoices for goods sold (file No. VIII GNc 292/03). The order for payment became final. Due to the fact that on April 2nd 2004 the debtor was declared bankrupt, with a possibility of concluding an arrangement, Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) submitted to the judge-commissioner its claims in the total amount of PLN 7,668 thousand, including: (i) PLN 6,138 thousand – outstanding principal of the payment due for the goods sold; (ii) PLN 1,498 thousand – delayed payment interest; and (iii) PLN 32 thousand – costs of litigation before the Regional Court of Krosno related to the case. The claims of up to PLN 2,580 thousand, including the principal and interest, are not subject to the arrangement as they are secured on the bankruptcy estate by a security (deposit) mortgage (*hipoteka kaucyjna*).
As at June 30 2008, subject to the execution of the terms of the arrangement, the amount receivable was PLN 1,295 thousand.

Material Proceedings Pending before Competent Arbitration Bodies in Connection with the Activities of Petrobaltic S.A. and its Subsidiary

AB Geonafta, a subsidiary of Naftos Gavyba (hereinafter referred to as the Subsidiary) is a party to court proceedings against AB Svenska Petroleum Exploration (hereinafter referred to as SPE) related to the establishing of UAB Genciu Nafta, whose founders and shareholders are the Subsidiary and SPE. The litigation concerns applying the provisions of the Subsidiary's Articles of Association, and it was referred to the International Court of Arbitration at the International Chamber of Commerce in Copenhagen (hereinafter referred to as the Arbitrator), which reached a final decision on October 30th 2003. The award of the International Court of Arbitration in Copenhagen became final in three EU states: the United Kingdom, Denmark and Germany. However, it has not taken effect in the Lithuanian jurisdiction yet.

Once the Arbitrator's decision has been confirmed and allowed in Lithuania, the Subsidiary will bear the following costs:

a. The Subsidiary together with the Lithuanian government will reimburse SPE for the amount of USD 12,579 thousand along with interest calculated at the rate of 6% annually on that amount for the period from January 1st 2002 to the reimbursement date. If the Arbitrator's decision is confirmed in the Lithuanian jurisdiction, the Subsidiary will seek to have the Lithuanian government cover the liability in its entirety;
b. The Subsidiary shall reimburse SPE for the amount of USD 312 thousand to cover the costs of court proceedings.

Once the Arbitrator's decision has been confirmed and allowed in Lithuania, the Subsidiary will obtain the following sums:

a. SPE will reimburse the Subsidiary for the amount of USD 1,325 thousand along with interest calculated at the rate of 6% annually on that amount for the period from April 6th 2002 to the reimbursement date;
b. The Subsidiary will have the right to demand that the elected President of the Management Board and the Chief Executive Officer of UAB Genciu Nafta be the candidates put forward by the Subsidiary's representatives;
c. The Subsidiary will have the right to demand that its share in the profits from oil production by UAB Genciu Nafta be increased from 50% to 75%, with effect as of January 1st 2002;
d. The Subsidiary will have the right to demand that UAB Genciu Nafta repay the debt which it owes to the Subsidiary in the amount of LTL 664 thousand.

Material Court Proceedings Instigated by ENERGOBALTIC Sp. z o.o. against Petrobaltic S.A.

On July 30th 2007, Petrobaltic S.A. received a decision issued by the Permanent Court of Arbitration at the District Chamber of Legal Counsels in Gdańsk on June 11th 2007 in a case brought by Energobaltic Sp. z o.o. against Petrobaltic S.A. The dispute concerned performance of contract No. EB/PKT – 02/01/2001 of December 17th 2001, whereunder Petrobaltic S.A. was to design and construct a gas transmission line that would deliver gas from its drilling platform to the heat and power plant operated by the plaintiff in Władysławowo. The plaintiff alleged a delay in performance of the contract by the defendant and demanded payment of contractual penalties, whereas the defendant claimed to have performed the contract by the prescribed deadline. The aforementioned decision granted Energobaltic Sp. z o.o.'s claim in its entirety and awarded against the defendant an amount of PLN 1,424 thousand plus statutory interest for the period from July 3rd 2003 until the payment date, as well as an amount of PLN 30 thousand on account of court fees and PLN 7 thousand as reimbursement of the legal representation costs. In view of substantial uncertainty as to the success of a possible appeal, a provision of PLN 2,157 thousand was created in connection to the award. On October 29th 2007, Petrobaltic S.A. lodged a complaint with the Regional Court of Gdańsk to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk. A hearing concerning Petrobaltic S.A.'s claim to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk was held on April 9th 2008. By virtue of the decision of March 12th 2008, the Regional Court of Gdańsk, IX Commercial Division, dismissed the motion to stay enforcement of the decision of the Permanent Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk, and by virtue of the decision of April 9th 2008, the Court dismissed Petrobaltic S.A.'s claim to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk. On April 10th 2008, Petrobaltic S.A. paid a part (PLN 666 thousand) of the amount awarded against it to the bank account of Energobaltic Sp. z o.o. Petrobaltic S.A. decided that the remaining portion of the amount awarded against it would be paid through a set-off of mutual claims under the electricity sales agreement, assuming that a result of the payment and the set-off, the claim expires. However, Energobaltic Sp. z o.o. refused to acknowledge the set-off; it decided to apply the amount paid by Petrobaltic S.A. towards the settlement of default interest, and to collect the remaining part of the principal amount due in court enforcement proceedings. On June 13th 2008, Petrobaltic S.A.'s bank account was attached and the amount of PLN 1,671 thousand was seized based on a notification on commencement of enforcement proceedings (file. ref. No. KM 1233/08). The enforcement was carried out by Court Enforcement Officer for Area III in Gdańsk at the request of Energobaltic Sp. z o.o. Petrobaltic S.A. filed action for payment of PLN 1,620 thousand against Energobaltic Sp. z o.o., which is pending before the Regional Court of Gdańsk, IX Commercial Division, file ref. No. IX GNc 257/08. The action was brought in connection with Energobaltic Sp. z o.o. having enforced an amount earlier paid by Petrobaltic S.A. in connection with the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk of June 11th 2007. On August 18th 2008, in the course of admonition proceedings, the Regional Court issued an order for payment against Energobaltic Sp. z o.o. for the amount of PLN 1,620 thousand plus statutory interest for the period from June 30th 2008 until the payment date, as well as PLN 27 thousand on account of court fees, including PLN 7 thousand as reimbursement of the legal representation costs, to be paid to Petrobaltic S.A. The decision is not final.

As at the date of these interim consolidated financial statements, the decision has not become final.

46. Remuneration of the Management Board and the Supervisory Board and Information on Loans and Other Similar Benefits Advanced to Members of the Parent Undertaking's Management and Supervisory Staff

The remuneration payable to the members of the Management Board and the Supervisory Board of the Parent Undertaking was as follows:

(PLN '000)	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Management Board	350	449*
Supervisory Board	130	105
Management Board – subsidiary or associated undertakings	315	34
Total	**795**	**588**

[*] Including remuneration due for the period preceding appointment to the Management Board of Grupa LOTOS S.A.
[**] The value of remuneration reflects changes in the composition of the Management and Supervisory Boards of Grupa LOTOS S.A. which took place in the course of the reporting period.

As at June 30th 2008, the Parent Undertaking not grant any loans or similar benefits to the management and supervisory staff.

47. Employment Structure

Average employment by category:

	6 months ended Jun 30 2008 (unaudited)	6 months ended Jun 30 2007 (unaudited)
Blue-collar workers	2,557	3,365
White-collar workers	2,222	2,233
Total	**4,779**	**5,598**

48. Transactions with Related Undertakings (including Associated Undertakings Valued with Equity Method and Non-Consolidated Undertakings)

Transactions with related undertakings are executed on arms length terms.

(PLN '000)	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
	6 months ended Jun 30 2008	6 months ended Jun 30 2008	As at Jun 30 2008	As at Jun 30 2008
Associated undertakings valued with equity method	1,345	1,588	13,893	3,203
Non-consolidated undertakings	14	107	3	16
Total	**1,359**	**1,695**	**13,896**	**3,219**

In the period January 1st – June 30th 2008, no property, plant and equipment or intangible assets of the LOTOS Group were sold to related undertakings.

In the period January 1st – June 30th 2008, the total value of property, plant and equipment and intangible assets purchased by the LOTOS Group from related undertakings was PLN 1 thousand.

In the period January 1st – June 30th 2008, the total value of financial income from transactions with related undertakings amounted to PLN 104 thousand (including PLN 54 thousand of income from dividends and other profit distributions and PLN 50 thousand of interest income).

In the period January 1st – June 30th 2008, no financial expenses were incurred on transactions with related undertakings.

In the period January 1st – June 30th 2008, no other operating income or other operating expenses from transactions with related undertakings were posted.

(PLN '000)	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
	6 months ended Jun 30 2007	6 months ended Jun 30 2007	As at Jun 30 2007	As at Jun 30 2007
Associated undertakings valued with equity method	1,213	1,713	21,291	1,184
Non-consolidated undertakings	3,143	1,801	457	314
Total	**4,356**	**3,514**	**21,748**	**1,498**

In the period January 1st – June 30th 2007, the total income on sale of property, plant and equipment and intangible assets of the LOTOS Group to related undertakings was PLN 16 thousand.

In the period January 1st – June 30th 2007, the total value of property, plant and equipment and intangible assets purchased by the LOTOS Group from related undertakings was PLN 112 thousand.

In the period January 1st – June 30th 2007, the total value of financial income from transactions with related undertakings amounted to PLN 497 thousand (profit distributions in the form of dividends).

In the period January 1st – June 30th 2007, the total value of financial expenses incurred in connection with transactions with related undertakings amounted to PLN 695 thousand (other financial expenses).

In the period January 1st – June 30th 2007, no other operating income from transactions with related undertakings was posted.

In the period January 1st – June 30th 2007, the total value of other operating expenses incurred in connection with transactions with related undertakings amounted to 1,462 thousand (other operating expenses).

49. Entity with Significant Influence over the Group

As at June 30th 2008, Nafta Polska S.A. held a 51.91% stake in Grupa LOTOS S.A. Nafta Polska S.A. is controlled by the State Treasury, which as at June 30th 2008 directly held a 6.93% stake in Grupa LOTOS S.A. As at June 30th 2008, the State Treasury held, directly and indirectly, 58.84% of shares in Grupa LOTOS S.A.

During the six months ended June 30th 2008 the value of transactions between Grupa LOTOS S.A. and Nafta Polska S.A. amounted to PLN 7 thousand.

During the six months ended June 30th 2007 the value of transactions between Grupa LOTOS S.A. and Nafta Polska S.A. amounted to PLN 1 thousand.

50. Other Information

The Act on Special Rights Vested in the State Treasury and How These Rights Should Be Exercised in Companies of Material Importance to Public Order or Safety ("strategic companies"), dated June 3rd 2005 (Dz.U. No. 132, item 1108) ("the Act") introduced the institution of observers on behalf of the State Treasury. Grupa LOTOS S.A. was included in the list of strategic companies referred to in Art. 8 of the Act, published in the Polish Council of Ministers' Regulation on the list of companies of material importance to public order or safety, dated December 13th 2005 (Dz.U. of December 29th 2005). The responsibility of the observers acting on behalf of the State Treasury at strategic companies is to monitor the operations of these companies regarding, among other things, the following issues:

- management of company assets of material importance to its operations,
- changes of the actual business profile, changes of the intended use or discontinuation of the use of a company's asset of material importance,
- adoption by the General Shareholders Meeting of resolutions concerning dissolution of the company, relocation of its registered office abroad, change of its business profile, sale or lease of its business or an organised part of its business, or encumbrance of the business or its organised part with limited property rights,

if there is reasonable suspicion that such a legal action would violate public order or safety.

The assumptions of the state's policies concerning social or economic life spheres of material importance to public order or safety will be published in *Monitor Polski*.

The observers are authorised to request from companies any documents or explanations regarding the above issues, and, having analysed them, they are required to submit the obtained materials to the Minister of the State Treasury, together with their position expressed in writing and the statement of reasons.

The State Treasury Minister is required in certain cases, and in other cases he is authorised, to voice his objection to an action of a given strategic company of which he has been notified by the observers. Provided that it is not appealed against, such an objection renders a given legal action invalid as of the date on which it was performed.

Until the approval of these consolidated financial statements, Grupa LOTOS S.A. has received no statement on the appointment of an observer for the Company.

51. Signatures of the Management Board Members and the Person Responsible for Keeping the Accounting Books of Grupa LOTOS S.A.

President of the Management Board, CEO	Paweł Olechnowicz
Vice-President of the Management Board, Chief Financial Officer	Mariusz Machajewski
Vice-President of the Management Board, Production and Development Director	Marek Sokołowski
Chief Accountant	Tomasz Południewski