



THE LOTOS GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND TWELVE MONTHS

ENDED DECEMBER 31ST 2007

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

THE LOTOS GROUP
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS – CONSOLIDATED

THE LOTOS GROUP	PLN '000		EUR '000	
	Four quarters cumulatively, Jan 1 2007 – Dec 31 2007	Four quarters cumulatively, Jan 1 2006 – Dec 31 2006	Four quarters cumulatively, Jan 1 2007 – Dec 31 2007	Four quarters cumulatively, Jan 1 2006 – Dec 31 2006
	(unaudited)	(comparable data)	(unaudited)	(comparable data)
Sales revenue	13,132,531	12,798,084	3,477,158	3,282,317
Operating profit	718,951	798,346	190,360	204,751
Pre-tax profit	984,353	915,891	260,631	234,898
Net profit	793,670	734,652	210,144	188,416
Net profit attributable to equity holders of the parent	763,547	679,912	202,168	174,377
Net profit attributable to minority interests	30,123	54,740	7,976	14,039
Net cash provided by/(used in) operating activities	201,792	654,441	53,429	167,844
Net cash provided by/(used in) investing activities	(815,073)	(721,514)	(215,810)	(185,046)
Net cash provided by/(used in) financing activities	481,732	(78,151)	127,550	(20,043)
Total net cash flow	(133,521)	(143,629)	(35,353)	(36,836)
Basic earnings per ordinary share (PLN/EUR)	6.72	5.98	1.78	1.53
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Dec 31 2007	As at Dec 31 2006	As at Dec 31 2007	As at Dec 31 2007
	(unaudited)	(comparable data)	(unaudited)	(comparable data)
Total assets	9,699,695	7,763,542	2,707,899	2,026,400
Equity attributable to equity holders of the parent	5,811,700	5,095,527	1,622,473	1,330,008
Equity attributable to minority interests	327,828	306,416	91,521	79,979
Total equity	6,139,528	5,401,943	1,713,994	1,409,987

FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED

GRUPA LOTOS S.A.	PLN '000		EUR '000	
	Four quarters cumulatively, Jan 1 2007 – Dec 31 2007	Four quarters cumulatively, Jan 1 2006 – Dec 31 2006	Four quarters cumulatively, Jan 1 2007 – Dec 31 2007	Four quarters cumulatively, Jan 1 2006 – Dec 31 2006
	(unaudited)	(comparable data)	(unaudited)	(comparable data)
Sales revenue	11,873,788	11,629,821	3,143,875	2,982,694
Operating profit	424,707	338,477	112,452	86,809
Pre-tax profit	873,666	491,511	231,324	126,058
Net profit	746,451	406,714	197,641	104,310
Net cash provided by/(used in) operating activities	36,958	(191,858)	9,786	(49,206)
Net cash provided by/(used in) investing activities	(640,330)	(227,272)	(169,543)	(58,288)
Net cash provided by/(used in) financing activities	445,930	-	118,071	-
Total net cash flow	(155,138)	(417,965)	(41,077)	(107,195)
Basic earnings per ordinary share (PLN/EUR)	6.57	3.58	1.74	0.92
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Dec 31 2007	As at Dec 31 2006	As at Dec 31 2007	As at Dec 31 2006
	(unaudited)	(comparable data)	(unaudited)	(comparable data)
Total assets	7,677,770	5,814,348	2,143,431	1,517,631
Equity	5,076,882	4,352,756	1,417,332	1,136,134

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at December 31st 2007 and December 31st 2006

(PLN '000)	Dec 31 2007	Dec 31 2006
	(unaudited)	(comparable data)
ASSETS		
Non-current assets		
Property, plant and equipment	3,470,043	3,336,839
Prepayment for tangible assets under construction	780,968	148,018
Goodwill	62,126	67,058
Intangible assets	64,968	55,858
Investment property	2,722	4,849
Investments in associated undertakings	35,527	83,381
Financial assets	21,553	23,642
Deferred tax asset	31,519	32,057
Other non-current assets	26,134	30,111
	-----	-----
Total non-current assets	4,495,560	3,781,813
	-----	-----
Current assets		
Inventories	2,588,373	1,707,442
Trade and other receivables, including:	1,539,115	1,276,475
- income tax receivables	1,670	33,068
Prepayments	28,604	13,562
Current financial assets	119,299	204,044
Cash and cash equivalents	924,478	772,387
	-----	-----
Total current assets	5,199,869	3,973,910
	-----	-----
Assets held for sale	4,266	7,819
	-----	-----
	=====	=====
Total assets	9,699,695	7,763,542
	=====	=====

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at December 31st 2007 and December 31st 2006

(PLN '000)	Dec 31 2007 (unaudited)	Dec 31 2006 (comparable data)
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Statutory reserve funds	970,951	970,951
Retained earnings/(deficit)	4,739,209	4,014,432
Translation reserve	(12,160)	(3,556)
	-----	-----
Equity attributable to equity holders of the parent	5,811,700	5,095,527
	-----	-----
Equity attributable to minority interests	327,828	306,416
	-----	-----
Total equity	6,139,528	5,401,943
	-----	-----
Non-current liabilities		
Interest-bearing loans and borrowings	842,940	330,706
Non-current provisions	209,146	208,082
Deferred tax liability	155,054	170,009
Other (financial) liabilities	9,108	10,801
	-----	-----
Total non-current liabilities	1,216,248	719,598
	-----	-----
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:		
- income tax expense	1,747,050	1,385,106
Interest-bearing loans and borrowings	20,093	3,413
Current provisions	517,177	173,526
Other financial liabilities	73,692	80,579
	6,000	2,790
	-----	-----
Total current liabilities	2,343,919	1,642,001
	-----	-----
Total liabilities	3,560,167	2,361,599
	=====	=====
Total equity and liabilities	9,699,695	7,763,542
	=====	=====

THE LOTOS GROUP
CONSOLIDATED INCOME STATEMENTS
for the three and twelve months ended December 31st 2007 and December 31st 2006

(PLN '000)	3 months ended Dec 31 2007	12 months ended Dec 31 2007	3 months ended Dec 31 2006	12 months ended Dec 31 2006
	(unaudited)	(unaudited)	(unaudited)	(comparable data)
Sales revenue	3,987,859	13,132,531	3,151,500	12,798,084
Cost of sales	(3,499,287)	(11,359,538)	(2,736,999)	(10,978,033)
Gross profit on sales	488,572	1,772,993	414,501	1,820,051
Other operating income	28,252	81,955	5,958	28,099
Goodwill impairment allowance	(18,188)	(18,188)	-	-
Selling costs	(185,457)	(696,416)	(190,912)	(665,553)
General and administrative expenses	(100,869)	(327,227)	(108,619)	(313,892)
Other operating expenses	(53,681)	(94,166)	(42,718)	(70,359)
Operating profit	158,629	718,951	78,210	798,346
Financial income	152,211	305,692	37,682	133,295
Financial expenses	(13,630)	(40,278)	(14,637)	(41,561)
Interest in investments in associated undertakings	-	(12)	25,808	25,811
Pre-tax profit	297,210	984,353	127,063	915,891
Corporate income tax	(55,942)	(190,683)	(23,455)	(181,239)
Net profit on continued operations	241,268	793,670	103,608	734,652
Attributable to:				
Equity holders of the parent	231,201	763,547	99,460	679,912
Minority interests	10,067	30,123	4,148	54,740
	241,268	793,670	103,608	734,652
Net earnings per share				
- basic	2.03	6.72	0.87	5.98
- diluted	-	-	-	-

THE LOTOS GROUP
CONSOLIDATED CASH FLOW STATEMENTS
for the twelve months ended December 31st 2007 and December 31st 2006

(PLN '000)	12 months ended Dec 31 2007 (unaudited)	12 months ended Dec 31 2006 (comparable data)
Cash flows from operating activities		
Net profit	793,670	734,652
Adjustments:		
Share in net profit/(loss) of subordinated undertakings valued with equity method	12	(25,811)
Depreciation and amortisation	311,311	297,356
Foreign exchange gains/(losses)	(7,133)	(6,556)
Net interest and dividend paid	136	11,098
(Profit)/Loss on investing activities	(48,749)	27,651
Income tax paid	(156,619)	(290,568)
Current income tax	190,684	181,239
(Increase) in receivables	(245,417)	(189,154)
(Increase) in inventories	(873,761)	(274,491)
Increase in liabilities and accruals and deferred income	255,470	175,099
(Decrease)/Increase in provisions	(3,328)	19,201
(Increase) in prepayments and accrued income	(14,243)	(7,243)
Other, net	(241)	1,968
	-----	-----
Net cash provided by/(used in) operating activities	201,792	654,441
	-----	-----
Cash flows from investing activities		
Dividend received	49,848	2,527
Interest received	18,999	10,951
(Purchase)/Sale of property, plant and equipment and intangible assets	(399,428)	(540,625)
(Purchase) of non-current financial assets	-	(3,449)
(Purchase)/Sale of current financial assets	183,676	(44,866)
Acquisition of Krak-Gaz Sp. z o.o., net of acquired cash	(15,738)	-
Prepayments for tangible assets under construction	(632,950)	(148,018)
Other, net	(19,480)	1,966
	-----	-----
Net cash provided by/(used in) investing activities	(815,073)	(721,514)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	579,982	68,399
Repayment of loans and borrowings	(23,469)	(118,888)
Interest paid	(21,356)	(20,814)
Dividend paid to equity holders of the parent	(40,932)	-
Dividend paid to minority shareholders	(8,593)	(2,521)
Payment of financed lease liabilities	(950)	(2,151)
Other, net	(2,950)	(2,176)
	-----	-----
Net cash provided by/(used in) financing activities	481,732	(78,151)
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	(1,972)	1,595
	=====	=====
Change in net cash	(133,521)	(143,629)
	=====	=====
Cash at beginning of period	624,165	767,794
	=====	=====
Cash at end of period	490,644	624,165
	=====	=====
- restricted cash	17,296	23,143

LOTOS GROUP
STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
for the twelve months ended December 31st 2007 and December 31st 2006

(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 2006 (comparable data)	113,700	970,951	3,334,520	2,266	4,421,437	254,281	4,675,718
Net profit for 12 months ended Dec 31 2006	-	-	679,912	-	679,912	54,740	734,652
Dividend	-	-	-	-	-	(2,521)	(2,521)
Other	-	-	-	(5,822)	(5,822)	(84)	(5,906)
	=====	=====	=====	=====	=====	=====	=====
Dec 31 2006 (comparable data)	113,700	970,951	4,014,432	(3,556)	5,095,527	306,416	5,401,943
	=====	=====	=====	=====	=====	=====	=====
Jan 1 2007 (comparable data)	113,700	970,951	4,014,432	(3,556)	5,095,527	306,416	5,401,943
Net profit for 12 months ended Dec 31 2007	-	-	763,547	-	763,547	30,123	793,670
Dividend	-	-	(40,932)	-	(40,932)	(8,593)	(49,525)
Changes in the Group's structure*	-	-	2,162	-	2,162	(118)	2,044
Other	-	-	-	(8,604)	(8,604)	-	(8,604)
	=====	=====	=====	=====	=====	=====	=====
Dec 31 2007 (unaudited)	113,700	970,951	4,739,209	(12,160)	5,811,700	327,828	6,139,528
	=====	=====	=====	=====	=====	=====	=====

*See Note 10 to these interim condensed consolidated financial statements.

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at December 31st 2007 and December 31st 2006

(PLN '000)	Dec 31 2007 (unaudited)	Dec 31 2006 (comparable data)
ASSETS		
Non-current assets		
Property, plant and equipment	1,889,443	1,833,323
Prepayments for tangible assets under construction	765,546	122,558
Intangible assets	52,742	45,800
Financial assets	677,977	696,004
	-----	-----
Total non-current assets	3,385,708	2,697,685
	-----	-----
Current assets		
Inventories	2,469,814	1,575,668
Trade and other receivables, including:	1,603,771	1,533,448
- income tax receivables	-	15,182
Prepayments	14,063	2,348
Current financial assets	99,970	3,874
Cash and cash equivalents	104,444	1,325
	-----	-----
Total current assets	4,292,062	3,116,663
	-----	-----
	=====	=====
Total assets	7,677,770	5,814,348
	=====	=====

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at December 31st 2007 and December 31st 2006

(PLN '000)	<u>Dec 31 2007</u>	<u>Dec 31 2006</u>
	(unaudited)	(comparable data)
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Statutory reserve funds	970,951	970,951
Retained earnings/(deficit)	3,992,231	3,268,105
	-----	-----
Total equity	5,076,882	4,352,756
	-----	-----
Non-current liabilities		
Interest-bearing loans and borrowings	486,379	-
Non-current provisions	20,125	15,150
Deferred tax liability	122,804	134,897
	-----	-----
Total non-current liabilities	629,308	150,047
	-----	-----
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:	1,550,191	1,146,367
- income tax expense	5,219	-
Interest-bearing loans and borrowings	378,567	120,309
Current provisions	38,570	44,355
Other financial liabilities	4,252	514
	-----	-----
Total current liabilities	1,971,580	1,311,545
	-----	-----
Total liabilities	2,600,888	1,461,592
	=====	=====
Total equity and liabilities	7,677,770	5,814,348
	=====	=====

GRUPA LOTOS S.A.
NON-CONSOLIDATED INCOME STATEMENTS
for the three and twelve months ended December 31st 2007 and December 31st 2006

(PLN '000)	3 months ended Dec 31 2007	12 months ended Dec 31 2007	3 months ended Dec 31 2006	12 months ended Dec 31 2006
	(unaudited)	(unaudited)	(unaudited)	(comparable data)
Sales revenue	3,640,256	11,873,788	2,778,074	11,629,821
Cost of sales	(3,320,159)	(10,851,125)	(2,652,430)	(10,712,102)
Gross profit on sales	320,097	1,022,663	125,644	917,719
Other operating income	8,623	40,563	566	1,859
Selling costs	(94,808)	(394,349)	(112,204)	(412,368)
General and administrative expenses	(58,124)	(195,344)	(46,740)	(163,731)
Other operating expenses	(38,328)	(48,826)	(1,456)	(5,002)
Operating profit	137,460	424,707	(34,190)	338,477
Financial income	136,776	464,859	26,961	163,211
Financial expenses	(5,398)	(15,900)	(5,603)	(10,177)
Pre-tax profit	268,838	873,666	(12,832)	491,511
Corporate income tax	(53,633)	(127,215)	1,377	(84,797)
Net profit on continued operations	215,205	746,451	(11,455)	406,714
Net earnings per share				
- basic	1.89	6.57	(0.10)	3.58
- diluted	-	-	-	-

(Translation of a document originally issued in Polish)

GRUPA LOTOS S.A.
NON-CONSOLIDATED CASH FLOW STATEMENTS
for the twelve months ended December 31st 2007 and December 31st 2006

(PLN '000)	12 months ended Dec 31 2007 (unaudited)	12 months ended Dec 31 2006 (comparable data)
Cash flows from operating activities		
Net profit	746,451	406,714
Adjustments:		
Depreciation and amortisation	180,410	173,451
Foreign exchange (gains)/losses	(2,975)	(1,165)
Net interest and dividend paid	(206,730)	(63,232)
(Profit)/Loss on investing activities	(69,152)	7,251
Current income tax	127,215	84,797
Income tax paid	(117,899)	(159,445)
Decrease/(increase) in receivables	204,694	(451,855)
(Increase) in inventories	(893,181)	(317,332)
Increase in liabilities and accruals and deferred income	85,858	128,221
(Decrease)/Increase in provisions	(6,749)	1,063
(Increase) in prepayments and accrued income	(11,131)	(326)
Other items, net	147	-
	-----	-----
Net cash provided by/(used in) operating activities	36,958	(191,858)
	-----	-----
Cash flows from investing activities		
(Purchase)/Sale of financial assets	3,060	123,795
Dividend received	205,218	53,129
Interest received	1,594	411
(Purchase)/Sale of property, plant and equipment and intangible assets	(228,415)	(269,660)
(Purchase)/Sale of non-current financial assets	(4,537)	(4,389)
Prepayments for tangible assets under construction	(642,988)	(122,458)
Cash acquired as a result of merger with LOTOS Partner Sp. z o.o.	22,038	-
Other, net	3,700	(8,100)
	-----	-----
Net cash provided by/(used in) investing activities	(640,330)	(227,272)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	486,941	-
Decrease in loans and borrowings	-	-
Interest paid	(8)	-
Dividend paid	(40,932)	-
Other, net	(71)	-
	-----	-----
Net cash provided by/(used in) financing activities	445,930	-
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	2,304	1,165
	=====	=====
Change in net cash	(155,138)	(417,965)
	=====	=====
Cash at beginning of period	(118,984)	298,981
	=====	=====
Cash at end of period	(274,122)	(118,984)
- restricted cash	4,458	1,151

(Translation of a document originally issued in Polish)

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN EQUITY
for the twelve months ended December 31st 2007 and December 31st 2006

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings/ (deficit)	Total equity
Jan 1 2006 (comparable data)	113,700	970,951	2,861,391	3,946,042
	-----	-----	-----	-----
Net profit for 12 months ended Dec 31 2006	-	-	406,714	406,714
	=====	=====	=====	=====
Dec 31 2006 (comparable data)	113,700	970,951	3,268,105	4,352,756
	=====	=====	=====	=====
Jan 1 2007 (comparable data)	113,700	970,951	3,268,105	4,352,756
	-----	-----	-----	-----
Net profit for 12 months ended Dec 31 2007	-	-	746,451	746,451
Dividend to shareholders from 2006 profit	-	-	(40,932)	(40,932)
Merger with LOTOS Partner Sp. z o.o.*	-	-	18,607	18,607
	=====	=====	=====	=====
Dec 31 2007 (unaudited)	113,700	970,951	3,992,231	5,076,882
	=====	=====	=====	=====

*See Note 10 to these interim condensed consolidated financial statements.

THE LOTOS GROUP
Notes to the condensed consolidated financial statements
for the three and twelve months ended December 31st 2007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31ST 2007

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 Parent Undertaking’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 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.

2. Composition of the Group

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2007	Dec 31 2006
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
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%
LOTOS Partner Sp. z o.o.	Gdańsk	Sale of fuels and provision of services for retail networks of international concerns; logistic services	full	- ⁽¹⁾	100.00%
LOTOS Gaz S.A. (parent undertaking of another group, formerly LOTOS Mazowsze S.A.) ⁽²⁾	Mława	Wholesale and retail sale of LPG	full	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%
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the condensed consolidated financial statements
for the three and twelve months ended December 31st 2007

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2007	Dec 31 2006
LOTOS Ekoenergia S.A.	Gdańsk	Construction of basic units under the 10+ Programme; the company has not commenced operations	full	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	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%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00% ⁽³⁾
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Jasło	Wholesale of petroleum products	full	100.00% ⁽⁴⁾	86.01%
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice	Storage and distribution of fuels ⁽⁵⁾	full	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%
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	Acquisition of reserves, crude oil and natural gas production	full	69.00%	69.00%
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	full ⁽⁶⁾	100.00%	100.00%
BiproRaf Sp. z o.o.	Gdańsk	Design services for oil industry	not consolidated	- ⁽⁷⁾	50.00%
Rafineria Nafty Glimar S.A. (Glimar Refinery) in bankruptcy	Gorlice	Refining (currently discontinued due to the company's bankruptcy)	not consolidated due to lack of control	91.54%	91.54%
LOTOS Hydrokompleks Sp. z o.o.	Gorlice	Construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated	100.00%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	Business and management consultancy services	full	86.91%	86.91%
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 ⁽⁶⁾	100.00% ⁽⁸⁾	-
Indirect Subsidiary Undertakings					

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Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2007	Dec 31 2006
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	Services	full	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Not operating	full	80.04%	80.04%
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	Services	⁽⁹⁾	86.91%	86.91%
RCPaliwa Sp. z o.o. in liquidation	Czechowice-Dziedzice	Trading (not commenced)	equity method	⁽¹⁰⁾	80.04%
Plastekol Organizacja Odzysku S.A.	Jasło	Services	full	53.61%	53.61%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated	⁽¹¹⁾	80.01%
Chemipetrol Sp. z o.o.	Jasło	Trading – assets transferred to LOTOS Parafiny in exchange for shares	full ⁽⁶⁾	80.01%	80.01%
KRAK-GAZ Sp. z o.o. ⁽¹²⁾	Bochnia	Wholesale and retail sale of LPG	full	100.00%	-
Miliana Shipping Company Ltd.	Cyprus	Services	full	68.93%	68.93%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Services	full ⁽⁶⁾	69.00%	69.00%

⁽¹⁾ As described in Note 10 to these interim condensed consolidated financial statements, 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⁾ Name changed to LOTOS Gaz S.A. with effect from July 5th 2007.

⁽³⁾ On December 20th 2006, the LOTOS Group acquired the remaining 12.56% of shares in LOTOS Ochrona Sp. z o.o. under a share purchase agreement (see Note 10 to these interim condensed consolidated financial statements).

⁽⁴⁾ As described in Note 10 to these interim condensed consolidated financial statements, 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.

⁽⁵⁾ On March 31st 2006, the Company discontinued the processing of crude oil.

⁽⁶⁾ 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 (see Note 10 to these interim condensed consolidated financial statements).

⁽⁷⁾ As described in Note 10 to these interim condensed consolidated financial statements, 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.

⁽⁸⁾ 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 (see Note 10 to these interim condensed consolidated financial statements).

⁽⁹⁾ Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by the LOTOS Czechowice Group on January 2nd 2006.

⁽¹⁰⁾ 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 (see Note 10 to these interim condensed consolidated financial statements).

⁽¹¹⁾ On December 27th 2007 LOTOS Jasło S.A. sold 100% of shares in PETROSOFT.pl Technologie Informatyczne Sp. z o.o. to Petrossoft.eu. Sp. z o.o. (see Note 10 to these interim condensed consolidated financial statements).

⁽¹²⁾ As described in Note 10 to these interim condensed consolidated financial statements, 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. LOTOS Gaz S.A. acquired 100% of shares in KRAK – GAZ Sp. z o.o.

As at December 31st 2007 and December 31st 2006, 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.

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3. Changes in the Composition of the Parent Undertaking's Management Board

On November 13th 2007, the Supervisory Board of Grupa LOTOS S.A. revoked Mr Jaroslaw Kryński from the position of Vice-President of the Management Board of Grupa LOTOS S.A., Chief Commercial Officer.

As at the date of publication of these consolidated financial statements, the Management Board of Grupa LOTOS S.A. is composed of:

Mr Paweł Olechnowicz – President of the Management Board, Chief Executive Officer

Mr Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer

Mr Marek Sokółowski – Vice-President of the Management Board, Production and Development.

4. Rules of Presentation

These interim condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU. The IFRS include the standards and interpretations adopted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and in compliance with the EU accounting standards applicable to interim financial reporting, published and binding at the time of preparation of these interim consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements of the Lotos Group for 2006, prepared in accordance with the IFRS.

The financial data as at December 31st 2007 and for the three and twelve months ended on that date, as well as the comparable financial data for the three months ended on December 31st 2006, contained in these interim condensed financial statements, were not audited.

In these interim condensed 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 twelve months ended December 31st 2007, based on the assumption that GK Petrobaltic accounts for the shares in Naftos Gavyba ("NG"), its associated undertaking, using the equity method, as at December 31st 2006 and after adjustment for dividend paid (in the amount of PLN 47,854 thousand). 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 measurement and reporting currency of these interim condensed 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 zlotys, unless indicated otherwise.

These interim condensed consolidated financial statements were approved for publication by the Management Board on February 26th 2008.

5. Accounting Policies

The accounting policies and calculation methods adopted by the Company and the Group in the preparation of these interim condensed consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2006 (see Note 10 of the Consolidated Financial Statements for the year ended December 31st 2006, prepared in accordance with the IFRS), with the exception of the accounting policies concerning the disclosure of the perpetual usufruct right to land obtained free of charge, i.e. by virtue of an administrative decision, as described above.

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As at January 1st 2004, which is the date of transition to the IFRS, i.e., the perpetual usufruct rights to land, acquired free of charge by virtue of an administrative decision, were recognised in the accounting records at fair value under property, plant and equipment.

In these interim condensed consolidated financial statements, the perpetual usufruct rights to land received free of charge are classified by the Group and the Company as operating lease and disclosed at fair value as an off-balance-sheet item.

In connection with the classification of the land perpetual usufruct rights obtained free of charge as an off-balance-sheet item, the Group and the Company adjusted the comparable data presented in these financial statements. As a result of the adjustment of the consolidated and non-consolidated comparable data, the value of property, plant and equipment as at December 31st 2006 and January 31st 2005 fell by PLN 163,446 thousand, the value of the deferred tax liability – by PLN 31,055 thousand, and the value of equity (retained earnings) – by PLN 132,391 thousand, taking into account the effect of deferred income tax. The adjustment had no impact on the net earnings per share.

Moreover, the Group and the Company changed the presentation of the fair value of assets and liabilities related to valuation of derivative instruments. As at December 31st 2007, the Group and the Company disclosed financial assets and liabilities separately, treating them as resources or obligations. Therefore, the value of financial assets and liabilities in the consolidated and the non-consolidated financial statements as at December 31st 2006 increased by PLN 513 thousand (December 31st 2005 – PLN 1,745 thousand).

Moreover, in connection with IAS 18 *Revenue*, the Group's sales revenue for the three and twelve months ended December 31st 2007 was disclosed taking into account trade and volume rebates given by the Group companies. In the financial statements for 2006, 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 three and twelve months ended December 31st 2006 by PLN 2,831 thousand and PLN 12,799 thousand, respectively.

Concurrently, during the three and twelve months ended December 31st 2007 the Company and the Group reclassified the costs of loading equipment. For the three and twelve months ended December 31st 2006, cost of sales and general and administrative expenses fell by (PLN 2,559 thousand; PLN 572 thousand for the three months ended December 31st 2006 and PLN 9,966 thousand; PLN 2,209 thousand for the twelve months ended December 31st 2006), whereas selling costs for the three and twelve months ended December 31st 2006 rose by PLN 3,131 thousand and PLN 12,175 thousand, respectively.

Starting from January 1st 2007, the following standard was amended by the International Accounting Standards Board:

- IAS 1 *Presentation of Financial Statements: Capital Disclosures*.

The following standards and interpretations entered into force on January 1st 2007:

- IFRS 7 *Financial Instruments: Disclosures*.

The Company 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.

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The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee, but have not entered into force yet:

- 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 IFRS 27 *Consolidated and Separate Financial Statements* (applies to annual periods beginning after July 1st 2009, not yet adopted by the European Union),
- IFRIC 11 *Group and Treasury Share Transactions* (applies to annual periods beginning after March 1st 2007),
- IFRIC 12 *Service Concession Arrangements* (applies to annual periods beginning after January 1st 2008),
- 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).

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 stipulated in IAS 14 *Segment Reporting*.

6. Rules of Translation of the Financial Highlights into the Euro

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 for the four quarters of 2007 were translated using the rate of exchange of EUR 1= PLN 3.7768 (the arithmetic mean of the mid-exchange rates determined by the National Bank of Poland for the last day of each month in the period from January 1st to December 31st 2007).

The balance-sheet items as at December 31st 2006 were translated using the euro mid-exchange rate published by the National Bank of Poland for that date, i.e. EUR 1 = PLN 3.8312.

Items of the income statement and the cash flow statement for the four quarters of 2006 were translated using the rate of exchange of EUR 1= PLN 3.8991 (the arithmetic mean of the mid-exchange rates determined by the National Bank of Poland for the last day of each month in the period from January 1st to December 31st 2006).

7. Operations in the Interim Period

The Group's operations are not subject to seasonality or cyclicity in interim periods.

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8. Dividends

On May 28th 2007, the Annual General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the 2006 net profit of Grupa LOTOS S.A. Pursuant to the resolution, the Company's entire net profit for the year ended December 31st 2006, amounting to PLN 406,714 thousand, was allocated to:

- statutory reserve funds – PLN 365,782 thousand
- dividend payment – PLN 40,932 thousand.

The dividend was paid on July 31st 2007. The dividend amount per share was PLN 0.36.

In Q4 2007, the Company did not pay or declare to pay any dividend.

In these condensed financial statements, the Company presented the distributed profit under "Retained earnings".

9. Earnings per Share

	12 months ended Dec 31 2007	12 months ended Dec 31 2006
	(unaudited)	
Net profit attributable to equity holders of the parent (PLN '000) (A)	763,547	679,912
Weighted average number of shares (in thousands) (B)	113,700	113,700
	=====	=====
Earnings per share (PLN '000) (A/B)	6.72	5.98

10. Changes in the LOTOS Group Structure

Share Capital Increase at LOTOS Park Technologiczny Sp. z o.o.

On January 19th 2007, the District Court for Kraków-Śródmieście, XII Commercial Division of the National Court Register, registered a share capital increase at LOTOS Park Technologiczny Sp. z o.o. up to the amount of PLN 17,307 thousand. Following the increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 34,614 shares with a par value of PLN 500 per share, which confer the right to 34,634 votes. The share capital was increased following a contribution in kind made by LOTOS Jasło S.A., in the amount of PLN 4,933 thousand. The value of the contributed assets as disclosed in the accounting books of LOTOS Jasło S.A. is PLN 2,323.5 thousand.

Following the registration of the share capital increase, the shareholder structure of LOTOS Park Technologiczny Sp. z o.o. is as follows:

- LOTOS Jasło S.A. holds 9,866 shares with the aggregate value of PLN 4,933 thousand
- Grupa LOTOS S.A. holds 9,500 shares with the aggregate value of PLN 4,750 thousand
- LOTOS Czechowice S.A. holds 9,782 shares with the aggregate value of PLN 4,891 thousand
- CBA Racer Sp. z o.o. holds 2,532 shares with the aggregate value of PLN 1,266 thousand
- LOTOS Serwis Sp. z o.o. holds 2,834 shares with the aggregate value of PLN 1,417 thousand
- Kolaja&Partners Sp. z o.o. holds 100 shares with the aggregate value of PLN 50 thousand.

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Change in the Share Capital Structure of LOTOS Park Technologiczny Sp. z o.o.

On January 31st 2007, the District Court for Kraków-Śródmieście of Kraków, XII Commercial Division of the National Court Register, registered a change in the structure of the share capital of LOTOS Park Technologiczny Sp. z o.o. The share capital of LOTOS Park Technologiczny Sp. z o.o. amounts to PLN 17,307 thousand and is divided into 34,614 equal and indivisible shares with a par value of PLN 500 per share, which confer the right to 34,614 votes. The change in the share capital structure occurred as result of incorporation of CBA Racer Sp. z o.o. into LOTOS Czechowice S.A., whereby LOTOS Czechowice S.A. came to hold a total of 35.58% of shares in the share capital of LOTOS Park Technologiczny Sp. z o.o. Following registration of the change, the shareholder structure of LOTOS Park Technologiczny Sp. z o.o. is as follows:

- LOTOS Czechowice S.A. holds 12,314 shares with the aggregate value of PLN 6,157 thousand
- LOTOS Jasło S.A. holds 9,866 shares with the aggregate value of PLN 4,933 thousand
- Grupa LOTOS S.A. holds 9,500 shares with the aggregate value of PLN 4,750 thousand
- LOTOS Serwis Sp. z o.o. holds 2,834 shares with the aggregate value of PLN 1,417 thousand
- Kolaja&Partners Sp. z o.o. holds 100 shares the aggregate total value of PLN 50 thousand.

Disposal of Shares in Przedsiębiorstwo Projektowo-Uslugowe BiproRaf Sp. z o.o. (Associated Undertaking)

On January 15th 2007, Grupa LOTOS S.A. disposed of 35 shares in Przedsiębiorstwo Projektowo-Uslugowe BiproRaf Sp. z o.o. (PPU BiproRaf Sp. z o.o.) to KTI Poland S.A. of Warsaw. The shares, with the total par value of PLN 35 thousand, are equal and indivisible and represent 50% of the share capital of PPU BiproRaf Sp. z o.o. Grupa LOTOS S.A. sold the shares for PLN 2,750 thousand. The transaction was executed as part of the programme aimed at streamlining the structure of the LOTOS Group.

Change the Share Capital Structure of LOTOS Ochrona Sp. z o.o.

On March 8th 2007, the District Court Gdańsk-Północ of Gdańsk, VII Commercial Division of the National Court Register, registered a change in the share capital of LOTOS Ochrona Sp. z o.o. The share capital of LOTOS Ochrona Sp. z o.o. amounts to PLN 302.5 thousand and is divided into 605 equal indivisible shares with a par value of PLN 500 per share, conferring rights to 605 votes. The share capital structure was changed pursuant to a share purchase agreement of December 20th 2006, whereby Grupa LOTOS S.A. acquired LOTOS Ochrona Sp. z o.o. shares from minority shareholders. As part of the transaction Grupa LOTOS S.A. acquired 12.56% of shares, and became the owner of 100% of shares in LOTOS Ochrona Sp. z o.o. (prior to the transaction Grupa LOTOS S.A. held 87.44% of the share capital of LOTOS Ochrona Sp. z o.o.).

Acquisition of Shares in LOTOS Tank Sp. z o.o. by Grupa LOTOS S.A.

On April 11th 2007, Grupa LOTOS S.A. and LOTOS Jasło S.A. executed an agreement providing for the purchase of 700 shares of 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. The shares were acquired by Grupa LOTOS S.A. in pursuance of its strategy. The acquisition is a part of the consistently implemented programme aimed at streamlining the structure of the LOTOS Group, and the programme for the restructuring of the Southern Refineries. The value of the assets purchased under the agreement as disclosed in the accounting books of LOTOS Jasło S.A. is PLN 355.2 thousand.

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Merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o.

On February 27th 2007, the Management Board of Grupa LOTOS S.A. signed the plan of merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o., prepared in accordance with Art. 499.1 of the Commercial Companies Code. The two companies will be merged pursuant to Art. 492.1.1 of the Commercial Companies Code, through the transfer of all assets of LOTOS Partner Sp. z o.o. to Grupa LOTOS S.A. As the acquirer held 100% of shares in the acquired company, the merger was executed pursuant to Art. 515.1 of the Commercial Companies Code, i.e. without increasing the share capital of Grupa LOTOS S.A. The District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, issued a decision to register the merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o. on June 29th 2007.

The merger is executed as part of the restructuring of the LOTOS Group, aimed at streamlining its organisational structure. The objective of the restructuring programme is to provide the LOTOS Group with more operating flexibility and facilitate quicker response to changes in the market environment. The merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o. is an element of the restructuring of the sales division within the entire LOTOS Group and should not have a material effect on the consolidated financial results of the LOTOS Group.

The merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o. was accounted for using the acquisition method.

The merger was accounted for in the balance sheet of Grupa LOTOS S.A. by disclosing the assets and equity and liabilities of LOTOS Partner Sp. z o.o. as at the merger date, after eliminating mutual settlements between the acquirer and the acquiree and the value of shares and equity until the control takeover date in 2002 (Grupa LOTOS S.A. took control over LOTOS Partner Sp. z o.o. – formerly Preem Terminale Rzeczne – in 2002 through purchase of shares). Furthermore, goodwill of PLN 1,862 thousand was disclosed in the balance sheet of Grupa LOTOS S.A. The value of net assets acquired at the merger date and generated by LOTOS Partner Sp. z o.o. from the takeover of control in 2002 until the merger settlement date was charged to “Retained earnings/(deficit)”.

The key items of net assets of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o. as at the merger settlement date (June 30th 2007), along with the eliminations made, are as follows:

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(PLN '000)	Grupa LOTOS S.A.	LOTOS Partner Sp. z o.o.	Eliminations	Total (after eliminations)
ASSETS				
Non-current assets				
Property, plant and equipment	1,820,149	6,326	-	1,826,475
Prepayments for tangible assets under construction	449,122	410	-	449,532
Intangible assets	46,059	96	1,862	48,017
Financial assets	696,655	-	(13,641)	683,014
Deferred tax asset	-	1,008	(1,008)	-
	-----	-----	-----	-----
Total non-current assets	3,011,985	7,840	(12,787)	3,007,038
	-----	-----	-----	-----
Current assets				
Inventories	2,053,490	964	-	2,054,454
Trade and other receivables	1,403,861	286,836	(283,059)	1,407,638
Prepayments and accrued income	13,699	936	-	14,635
Current financial assets	34,575	-	-	34,575
Cash and cash equivalents	51,057	22,038	-	73,095
	-----	-----	-----	-----
Total current assets	3,556,682	310,774	(283,059)	3,584,397
	-----	-----	-----	-----
	=====	=====	=====	=====
Total assets	6,568,667	318,614	(295,846)	6,591,435
	=====	=====	=====	=====

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(PLN '000)	Grupa LOTOS S.A.	LOTOS Partner Sp. z o.o.	Eliminations	Total (after eliminations)
EQUITY AND LIABILITIES				
Equity				
Share capital	113,700	11,860	(11,860)	113,700
Statutory reserve funds	970,951	-	-	970,951
Retained earnings/(deficit)	3,612,767	18,526	81	3,631,374
Total equity	4,697,418	30,386	(11,778)	4,716,025
Non-current liabilities				
Non-current provisions	14,904	3,007		17,911
Deferred tax liability	134,303	-	(1,008)	133,295
Total non-current liabilities	149,207	3,007	(1,008)	151,206
Current liabilities				
Trade payables, accruals and deferred income, and other liabilities	1,483,823	282,289	(283,059)	1,483,053
Interest-bearing loans and borrowings	217,670	-	-	217,670
Current provisions	15,562	2,932	-	18,494
Other financial liabilities	4,987	-	-	4,987
Total current liabilities	1,722,042	285,221	(283,059)	1,724,204
Total liabilities	1,871,249	288,228	(284,067)	1,875,410
Total equity and liabilities	6,568,667	318,614	(295,846)	6,591,435

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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 condensed consolidated financial statements, LOTOS Gaz S.A., in accordance with the above policies, performed a valuation of goodwill and 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.

Following the acquisition of KRAK-GAZ Sp. z o.o., a goodwill of PLN 13,255 thousand, representing the difference between the acquisition cost and the value of acquired assets, was recognised.

(PLN '000)	<u>Dec 31 2007</u>
Merger cost (acquisition cost)	17,329
Interest in the equity of acquired undertakings	100.00%
Current assets, including:	42,746
Cash and cash equivalents	91
Non-current assets	20,832
Total assets	63,578
Provisions and other	798
Current liabilities and accruals and deferred income	58,706
Total liabilities	59,504
Net assets	4,074
The Company's share in net assets	4,074
Excess of the share in net assets over acquisition cost	13,255

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By December 31st 2007, LOTOS Gaz S.A. had discharged the liabilities related to the acquisition of the shares in the amount of PLN 15,711 thousand.

Registration of LOTOS Exploration and Production Norge AS (Grupa LOTOS S.A.'s Subsidiary)

On September 22nd 2007, LOTOS Exploration and Production Norge AS of Stavanger, Norway, was registered by the Central Register of Establishments and Enterprises in Brønnøysund. The company's share capital is divided into 8,000 thousand shares with a par value of NOK 1 per share, carrying the right to 8,000 thousand votes. Grupa LOTOS S.A. acquired a 100% interest in the new undertaking by paying up the entire share capital worth NOK 8,000 thousand, or PLN 3,871 thousand (translated using the mid-exchange rate quoted by the National Bank of Poland for September 17th 2007). The company was set up to conduct operations involving exploration and production of oil on the Norwegian continental shelf as well as provide services related to oil exploration and production. As at the end of 2007, the company was consolidated with the full method.

Completion of the Liquidation Proceedings of RC Paliwa w likwidacji Sp. z o.o.

By virtue of the decision of November 27th 2006, issued in response to the petition for the opening of liquidation proceedings of November 9th 2006, the opening of the liquidation proceeding concerning RC Paliwa Sp. z o.o. was registered by the District Court of Katowice, VIII Commercial Division of the National Court Register. On October 4th 2007, RC Paliwa w likwidacji Sp. z o.o. was deleted from the National Court Register by the District Court for Katowice Wschód in Katowice, VIII Commercial Division of the National Court Register. The liquidation proceedings were instituted in performance of the programme aimed at streamlining the structure of the LOTOS Group and the programme for the restructuring of the Southern Refineries.

Sale of Shares in PETROSOFT.pl Technologie Informatyczne Sp. z o.o. by LOTOS Jasło S.A.

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. The shares, whose aggregate par value amounts to PLN 68 thousand, are equal and indivisible and represent 100% of PETROSOFT.pl Technologie Informatyczne Sp. z o.o.'s share capital. The shares were sold for the price of PLN 675 thousand. Their value as disclosed in the accounting books of LOTOS Jasło S.A. was PLN 70.4 thousand. The shareholders in Petrosoft.eu. Sp. z o.o. are employees of PETROSOFT.pl Technologie Informatyczne Sp. z o.o. The transaction is part of the programme aimed at restructuring and streamlining the structure of the LOTOS Group.

Consolidation of Selected Companies

As of December 31st 2007, UAB LOTOS Baltija, a subsidiary in which Grupa LOTOS S.A. holds directly a 100% equity interest, Aphrodite Offshore Services Ltd. of the Petrobaltic Group, and Chemipetrol Sp. z o.o. of the LOTOS Jasło Group are consolidated with the full method.

11. Supplementary Information

Goodwill Impairment Test

Based on IAS 36 as at December 31st 2007, the Group performed an impairment test with respect to goodwill arising from the acquisition of an organised part of business from ExxonMobile Poland and Sloznaft. As the test showed that the carrying value of the acquired assets was higher than their value in use determined in a goodwill valuation made by the Group, the Group created a goodwill impairment charge for the total amount of PLN 18,188 thousand.

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Production Licence for B4 Natural Gas Reservoir

On July 19th 2007, Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. ("PPiEZRiG Petrobaltic S.A.") received the licence, issued by the Minister of Natural Environment on May 11th 2007, for the production of gasoline gas from reservoir B4. The licence was granted for 25 years. The operations covered by the licence should commence within 24 month from the licence date. On May 11th 2007, the Minister of Natural Environment also signed with PPiEZRiG Petrobaltic S.A. an agreement for the establishment of mining usufruct to produce gasoline gas from reservoir B4. The agreement stipulates conditions to be met by the business entity holding the licence. Reservoir B4 is situated within the Polish exclusive economic zone of the Baltic Sea, approximately 104 km to the north-east of Łeba. The reservoir's developed reserves of gasoline gas amount to around 2,000 million m³.

Extension of Seven Exploration and Prospecting Licences by Petrobaltic S.A.

On December 17th 2007, Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. received decisions issued by the Minister of Natural Environment, extending the term of seven licences for exploration and prospecting of oil and gas deposits situated at the sea areas of the Republic of Poland.

The terms of the licences were extended as follows:

- in the Rozewie, Łeba, Sambia E, Sambia W, and Gaz Północ areas – by three years (until December 14th 2010);
- in the Gaz Południe area – by five years (until December 14th 2012);
- in the Wolin area – by six months (until June 14th 2008).

The Minister of Natural Environment and Petrobaltic S.A. executed annexes to agreements on establishment of mining usufruct with a view to prospecting and exploring oil and gas deposits in the above areas. The annexes extend the term of the agreements to reflect the changes in the license terms as described above.

Commencement of Production at the B8 Reservoir by Petrobaltic S.A.

On December 17th 2007, Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. commenced production at the B8 reservoir, situated nearly 68 kilometres off the shore line, north of the Hel peninsula.

Oil is present in the Cambrian strata, approximately 2,600 metres under the sea bed. During the next six months, oil from the reservoir will be produced from three drilling wells. Subsequently, based on the data obtained in the course of production, decisions will be made concerning further development of and production at the reservoir.

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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 plant
- amine sulphur recovery unit
- infrastructure expansion (tanks, utilities, inter-facility connections)

The heavy residue gasification unit for treating the residue from crude oil processing is to be constructed after 2012, depending on conditions prevailing on the bitumen market.

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

- reduce the risk resulting from shortages of staff and materials as well as from limited availability of contractors,
- Reduce the costs of the Programme and better adapt the financing strategy for the Programme to the Company's capabilities,
- take advantage of favourable trends on the asphalt market by Grupa LOTOS S.A.

A growing trend on the asphalt market will be observed at least until 2012, both in terms of product volumes and prices (or margins). Following the completion of the 10+ Programme, Grupa LOTOS S.A. plans to increase the annual sales of asphalts to no less than 1,100 thousand (or 1,200 thousand) tonnes. At the same time, the Company will continue preparations to the heavy residue gasification and the integrated gasification combined cycle (IGCC) project, which will enable it to launch the second phase of the 10+ Programme if there are any signs of deteriorating conditions on the heavy (or residual) product markets.

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

In order to finance the expenditure to be incurred until 2010, the Company plans to take out an investment loan of approx. USD 1.5bn.

Execution of the 10+ Programme – Conclusion of the EPCM Contract (Engineering, Procurement and Construction Management Services, to build the utilities and off-sites under the 10+ Programme)

On June 19th 2007, Grupa LOTOS S.A. and FLUOR S.A. signed an engineering, procurement and construction management services contract to build the utilities and off-sites under the 10+ Programme. The construction of the utilities and off-sites will enable the Company to comply with the EU requirements concerning the quality of diesel oils, which will be in force as of 2009. The scope of the construction is adjusted to the planned annual oil processing volume of 10.5 million tonnes. The contract is to be executed over a period of 34 months. The contract is an element of the growth strategy of the LOTOS Group, providing for the construction of the Programme's production installations. The contract is the second of a series of contracts, after the EPC contract for the construction of a hydrodesulphurisation unit (HDS) for diesel oil.

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Execution of the Contract for Engineering Design, Procurement and Construction of the Hydrocracking Unit and Amine Sulphur Recovery Unit under the 10+ Programme

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, procurement 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 implementation 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 amounts to 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 payable to Grupa LOTOS S.A. for a delay or failure to achieve the agreed parameters of the units built under the contract. The contractor's total liability towards Grupa LOTOS S.A. is limited to 8% of the contract value.

Conclusion of an Engineering, Procurement and Construction Lump-Sum Turnkey Contract for a Hydrogen Production Unit Signed as Part of the 10+ Programme

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, procurement 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.

Conclusion of an Engineering, Procurement and Construction Contract for an Oil Distillation Unit Signed as Part of the 10+ Programme

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

It will be the second unit of this type to be constructed at Grupa LOTOS S.A.'s Gdańsk Refinery. Its annual capacity will be 4.5 m tonnes of crude oil, which will make it possible to increase the oil throughput capacity at Grupa LOTOS S.A. to approx. 10.5 million 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 performance of the contract 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, procurement and management of the construction work for an oil distillation unit (Current Report No. 37/2007). Under the annex, Lurgi S.A. of Kraków will also deliver the installations for the planned oil distillation unit.

The execution of the annex made the contract for the construction of an oil distillation facility covering the engineering design, delivery of installations and management of construction work on the oil distillation unit the largest transaction concluded between the two parties, with the value of approx. EUR 101m (approx. PLN 385m at the mid-exchange rate quoted by the National Bank of Poland for August 1st 2007).

The agreement provides for contractual penalties. The limit of financial liability for failure by Lurgi S.A. to properly perform the contract is equal to 8% of the contract value.

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

On December 20th 2007, Grupa LOTOS S.A. and a consortium 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 the inventories of Grupa LOTOS S.A. The agreement is the first element of the financing strategy for the operations of Grupa LOTOS S.A. in the coming years, related to the execution of the 10+ Programme. The lending term under the agreement may be extended by the parties by one year.

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

On December 20th 2007, Grupa LOTOS S.A. entered into two registered pledge agreements in order to secure liabilities incurred by Grupa LOTOS S.A. Pursuant to the agreements, the registered pledge created for the benefit of the lenders covers the inventories of Grupa LOTOS S.A. and cash receivables under an agreement for keeping Grupa LOTOS S.A.'s bank accounts related to the loan agreement.

As at December 31st 2007, the Company's liability under the aforementioned loan agreement totalled USD 200,000 thousand.

12. Material Events Subsequent to Q4 2007

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

- 1 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 (PLN 140,608 thousand, translated at the mid exchange rate quoted by the National Bank of Poland for January 2nd 2008) for the benefit of Technip KTI S.p.a. with the expiry date of March 30th 2008. The letter of credit was issued to secure the provision of services connected with the construction of an amine complex.
- 2 On January 16th 2008, at the request of Grupa LOTOS S.A. Deutsche Bank PBC S.A. issued a payment guarantee of USD 10,800 thousand (PLN 26,214 thousand, translated at the mid exchange rate quoted by the National Bank of Poland for January 16th 2008) for the benefit of Total Deutschland GmbH in connection with the supply of gasoline. The guarantee expires on May 31st 2008.

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13. Contingent Liabilities

No material changes occurred with respect to contingent liabilities in the period from the end of the previous financial year, i.e. December 31st 2006 (see Note 38 to the consolidated financial statements for 2006, prepared in accordance with IFRS), except for those listed below:

- 1 On January 3rd 2007, at the request of Grupa LOTOS S.A. Bank PKO BP S.A. issued a bank guarantee for the benefit of ABB Lummus Global GmbH in the form of a letter of credit for the amount of EUR 19,034 thousand. The guarantee expires on April 30th 2008. On May 8th 2007 and on October 16th 2007 the amounts of EUR 13,436 thousand and EUR 43 thousand, respectively, were drawn down under the letter of credit, while on October 25th another EUR 31 thousand was drawn thereunder. The balance as at the date of these interim condensed financial statements was EUR 5,524 thousand.
- 2 On January 26th 2007, at the request of Grupa LOTOS S.A. Bank Handlowy w Warszawie S.A. issued a bank guarantee in the form of a letter of credit for the amount of USD 42,600 thousand. The letter of credit was issued to secure a commercial transaction. The contingent liability related to the letter of credit expired on April 10th 2007.
- 3 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.
- 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 expires on July 3rd 2008.
- 5 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 2008. The original validity term of the blank promissory note expired on March 16th 2007
- 6 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 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. As of October 19th 2007, the validity term of the letter of credit was extended until June 30th 2008 and the amount of the letter of credit was raised to EUR 52,313 thousand in the period January 1st – March 31st 2008 (inclusive), and subsequently up to EUR 53,462 thousand in the period April 1st – June 30th 2008. The original validity term of the guarantee was to expire on December 31st 2007.
- 7 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 the benefit of Technip KTI S.p.a. for EUR 6,000 thousand, valid until September 30th 2007. The guarantee was increased to EUR 20,000 thousand as of October 1st 2007. The letter of credit was issued to secure the provision of services connected with the construction of an MHC unit and an amine complex. The contingent liability expired on December 31st 2007.
- 8 On August 10th 2007, at the request of Grupa LOTOS S.A. Deutsche Bank PBC S.A. issued a bank guarantee for the benefit of the Customs Chamber to secure liabilities under customs duty, taxes and other customs charges for the amount of PLN 7,000 thousand. The contingent liability expired on January 31st 2008.

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- 9 As the repayment date of the working capital overdraft facility granted to LOTOS Jasło S.A. by PKO BP S.A., the Jasło branch, was prolonged, the validity term of the blank promissory note for PLN 12,000 thousand, securing liabilities under the facility and issued for the benefit of PKO BP S.A., the Jasło branch, was extended until July 28th 2009. The original validity term expired on August 30th 2006. As a consequence of having raised the facility limit by PLN 3,000 thousand, the contingent liability to PKO BP S.A. in the form of the blank promissory note increased to PLN 15,000 thousand. Following the execution of an annex to the credit facility agreement, the facility limit was decreased to PLN 10,000 thousand and the contingent liability under a blank promissory note issued for the benefit of PKO BP S.A. rose to PLN 20,000 thousand.
- 10 On August 7th 2007, LOTOS Biopaliwa Sp. z o.o. issued a blank promissory note with the “no protest” clause for the benefit of 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 the National Fund for Environmental Protection and Water Management. 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 the National Fund for Environmental Protection and Water Management on August 7th 2007 by Pekao S.A. against the loan limit under an investment loan agreement of December 14th 2006.
- 11 The validity of the blank promissory note of July 7th 2005 for PLN 200,000 thousand, issued to secure the Company’s tax liability connected with the suspended excise tax collection procedure, was extended until July 7th 2008. The original validity term of the blank promissory note expired on July 7th 2006 and was extended to July 5th 2007.
- 12 On December 19th 2007, LOTOS Gaz S.A. and Pekao S.A. concluded a surety agreement whereby LOTOS Gaz S.A. granted a surety for the repayment of a PLN 5,000 thousand loan contracted by Krak – Gaz Sp. z o.o. under loan agreement No. 12/2006/CKK, dated May 16th 2006. The surety amounts up to PLN 7,500 thousand.

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

No changes have occurred with respect to pending court, arbitration, or administrative proceedings or with respect to other risks of the Parent Undertaking or its subsidiaries since the end of the previous financial year, i.e. December 31st 2006 (see Note 41 to the consolidated financial statements for 2006), except for those listed below:

1. 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-limiting practices.

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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 competition-limiting 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. The Company 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. At the same time, 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.

2. 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.

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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 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. As at the date of publication of these condensed consolidated financial statements, PETROECCO JV Sp. z o.o. did not lodge a cassation complaint against the decision.

3. 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 District Court of Szczecin. As at the date of these condensed consolidated financial statements, the case is pending.

4. 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 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 suspending 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

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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. As at the date of these interim condensed consolidated financial statements, the dates of hearings concerning the complaints have not been set.

In relation to the potential excise tax liabilities for the period January – March 2004, taking into account the conducted legal and tax analysis, 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 opinion that there is very little 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 liabilities.

5. On January 21st 2005, LOTOS Czechowice S.A. received from the Head of the Second Tax Office of the Katowice Province in Bielsko-Biała a decision of January 19th 2005, on instigation *ex officio* of tax proceedings related to the 1999 corporate income tax. On June 20th 2005, the Head of the Second Tax Office of the Katowice Province issued a decision closing the proceedings. On July 15th 2005, PLN 856 thousand was transferred to the bank account of Rafineria Czechowice S.A. (currently LOTOS Czechowice S.A.) as payment under the challenged decision. In July 2005 Rafineria Czechowice S.A. (currently LOTOS Czechowice S.A.) appealed against the decision, as a result of which the amount to be reimbursed may be increased by approximately PLN 241 thousand. On September 15th 2005, LOTOS Czechowice S.A. was notified that the appeal would be dealt with by November 18th 2005.

On November 2nd 2005, LOTOS Czechowice S.A. submitted a request for the prolongation of the time allowed for presenting its position with respect to the evidence gathered in the case up until November 10th 2005. On November 21st 2005, LOTOS Czechowice S.A. received a decision of the Director of the Tax Chamber, dated November 18th 2005, upholding the challenged decision issued by the first instance authority. On December 21st 2005, LOTOS Czechowice S.A. filed a complaint against the decision issued by the Director of the Tax Chamber of Katowice on November 18th 2005. The value of the disputed claims was PLN 282,932. In February 2006, LOTOS Czechowice S.A. received from the Provincial Administrative Court of Gliwice a letter of the Director of the Tax Chamber, dated January 19th 2006, in which he requested that the Czechowice Refinery's appeal be dismissed.

By virtue of its decision I SA/GI 125/06 of June 9th 2006, the Provincial Administrative Court of Gliwice reversed the decision appealed against and awarded the return of the costs of proceedings in the amount of PLN 9.6 thousand for the benefit of LOTOS Czechowice S.A. from the Director of the Tax Chamber of Katowice.

The decision of the Director of the Tax Chamber of Katowice of March 13th 2007 reversed the decision of the Head of the Second Tax Office of the Katowice Province in Bielsko-Biała and determined the return of PLN 241.5 thousand for the benefit of LOTOS Czechowice S.A. The Company received the aforementioned amount in April 2007.

6. 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 conclusion of the proceedings, 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 the settlement of 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 November 16th 2007, the Head of the Customs Office of Bielsko-Biała set January 31st 2008 as the new date for resolving the case.

In relation to the potential excise tax liabilities for the period September – December 2003, taking into account the conducted legal and tax analysis, including the analyses carried out by external tax advisers as well as an

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expert witness designated by the Director of the Customs Chamber, LOTOS Czechowice S.A. is of 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.

7. In connection with the tax inspections and the issued 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 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 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 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 tax for May 1998 (PLN 318 thousand),
- the case relating to 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 cassation 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 intends to appeal to the last instance authority and lodge 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 will concern 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 the Company.

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8. 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 reversed in whole and remanded for reconsideration.

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 intends to appeal to the last instance authority and lodge 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 will concern 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.

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9. 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 business of LOTOS Gaz S.A. (formerly LOTOS Mazowsze S.A.). On July 25th 2006, LOTOS Paliwa Sp. z o.o. received decision of the Head of the Gdańsk Tax Chamber, dated July 21st 2006, in which the Head of the Gdańsk Tax Chamber revoked in full the decision of 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 Head 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 business of LOTOS Gaz S.A. (formerly LOTOS Mazowsze 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 Head of the Tax Chamber of Gdańsk issued decision No. PC/4407-660/07/13 upholding decision No. PV/4400-96/124/VT/06/AR 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 Head 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 LOTOS Mazowsze S.A. (currently LOTOS Gaz S.A.), 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 Mazowsze S.A.'s. (currently LOTOS Gaz S.A.) business and corrections related to the VAT-7 tax returns, taking into account the results of legal and tax analyses, including the analysis carried out by external tax advisers, the Management Board of LOTOS Paliwa is of 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.

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10. 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 District Court of Gdańsk to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk. The hearing was set at the end of the first quarter of 2008.

15. Issue, Redemption and Repayment of Debt and Equity Securities

No issue, redemption or repayment of debt or equity securities occurred between January 1st and December 31st 2007.

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SUPPLEMENTARY INFORMATION PROVIDED UNDER THE REGULATION OF THE MINISTER OF FINANCE ON CURRENT AND PERIODIC INFORMATION TO BE PUBLISHED BY ISSUERS OF SECURITIES, DATED OCTOBER 19TH 2005

Pursuant to Par. 91 of the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated October 19th 2005, (Dz.U. of 2005, No. 209, item 1744), the Management Board of Grupa LOTOS S.A. hereby releases the following information:

I Organisation of the LOTOS Group and Consolidated Undertakings

The structure of the LOTOS Group as well as the consolidated undertakings are presented in Note 2 to these interim condensed consolidated financial statements for the three and twelve months ended December 31st 2007.

II Effects of Changes in the Structure of the LOTOS Group

Q4 2007 saw no changes in the structure of the LOTOS Group, except for those disclosed in Note 10 to these interim condensed consolidated financial statements for the three and twelve months ended December 31st 2007.

III Opinion of the Management Board on the Possibility of Meeting Published Forecasts of Financial Results for a Given Year

In Current Report No. 46/2007 of November 12th 2007, the Management Board of Grupa LOTOS S.A. revised the forecasts of financial results for 2007 which were presented by the Company in Current Report No. 41/2007.

The table below shows selected items of the consolidated income statement of the LOTOS Group as indicated in the 2007 forecast, the actual results after the four quarters of 2007, as well as the forecast performance expressed as percentage.

(PLNm)	2007 Forecast	Actual results after four quarters of 2007	Forecast performance (%)
Sales revenue	12,935	13,133	101.53%
Operating profit	795	719	90.44%
Gross profit	927	984	106.15%
Net profit attributable to equity holders of the parent	713	764	107.15%

The Q4 2007 results shown in these condensed consolidated financial statements do not differ materially from the forecast figures.

The final forecast performance will be presented in the 2007 annual report.

IV Seasonal or Cyclical Nature of the Company's Business in Q4 2007

In Q4 2007, the operations of Grupa LOTOS S.A. were not affected by seasonality or cyclicity.

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V Issue, Redemption and Repurchase of Debt and Equity Securities in Q4 2007

In Q4 2007, Grupa LOTOS S.A. did not issue, redeem or repurchase any debt or equity securities.

VI Shareholders Holding 5% or More of the Total Vote at the General Shareholders Meeting of the Parent Undertaking as at the Date of this Report

As at the date of this report, the shareholder structure of Grupa LOTOS S.A. was as follows:

	Number of shares	Number of votes	Par value of shares (PLN)	% share of the share capital ⁽¹⁾
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	40,920,381	40,920,381	40,920,381	41.16 %
Total	113,700,000	113,700,000	113,700,000	100.00 %

⁽¹⁾ Percentage of share capital held equals the share of total vote.

As a result of the disposal of Company shares in transactions carried out on the Warsaw Stock Exchange, which were settled on October 18th 2007, the share of ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny in the total vote at the Company's General Shareholders Meeting dropped below the 5% threshold.

Prior to the aforementioned transactions, ING Nationale-Nederlanden Polska OFE held 5,701,348 shares in Grupa LOTOS S.A., representing 5.01% of the Company's share capital and 5,701,348 votes at its General Shareholders Meeting (5.01% of the total vote).

As at October 19th 2007, 5,575,269 Grupa LOTOS S.A. shares were registered in the securities account of ING Nationale-Nederlanden Polska OFE, accounting for 4.90% of the Company's share capital and 5,575,269 votes at its General Shareholders Meeting (4.90% of the total vote).

As at January 22nd 2008, 4,500,000 Grupa LOTOS S.A. shares were registered in the securities account of ING Nationale-Nederlanden Polska OFE, accounting for 3.96% of the Company's share capital and 4,500,000 votes at its General Shareholders Meeting (3.96% of the total vote), see Current Report No. 16/2008.

VII Changes in the Number of the Company Shares or Rights to the Company Shares Held by the Management and Supervisory Staff, in Accordance with the Information Available to the Company

	As at the date of previous quarterly report	Acquisition	Sale	Other	As at Feb 20 2008
Management Board:					
Marek Sokołowski	8,636	-	-	-	8,636
Total	8,636	-	-	-	8,636

To the Company's knowledge, members of the Supervisory Board do not hold any Company shares or rights to the Company shares.

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VIII Material Court, Arbitration or Administrative Proceedings and other Risks Concerning the Parent Undertaking or its Subsidiary Undertakings

There are no pending court, arbitration or administrative proceedings concerning the liabilities or claims with a value equal to or exceeding 10% of the Company's equity.

Material court, arbitration or administrative proceedings and other risks concerning the Parent Undertaking or its subsidiary undertakings are described in Note 14 to these interim condensed consolidated financial statements.

IX Information on Non-Recurring Transactions between Related Undertakings of the Group

In the period January 1st – December 31st 2007, no non-recurring transactions with a value exceeding EUR 500 thousand occurred between the related undertakings of the Group, except for the ones described in Note 10 to these interim condensed consolidated financial statements, and the transaction described below:

- 1 On December 19th 2007, LOTOS Gaz S.A. and Pekao S.A. concluded a surety agreement whereby LOTOS Gaz S.A. granted a surety for the repayment of a loan contracted by Krak – Gaz Sp. z o.o. The surety amounts up to PLN 7,500 thousand (see Note 13 to these interim condensed consolidated financial statements).

X Information on Loan Sureties or Guarantees Issued by the Parent Undertaking or Its Subsidiaries, where the Value of Such Sureties or Guarantees Issued to a Single Entity or Its Subsidiaries Represents 10% or More of the Company's Equity

In the period from January 1st to December 31st 2007, the Parent Undertaking and its subsidiaries issued no loan sureties or guarantees to any entity or its subsidiary whose value would represent 10% or more of the Company's equity.

XI Information Material for the Assessment of the Personnel, Assets, Financial Standing and the Financial Result of the Group and their Changes, and for the Assessment of the Parent Undertaking's Ability to Fulfil Its Obligations

There is no other information material for the assessment of the personnel, assets, financial standing and the financial result of the Group and their changes, or for the assessment of the Group's ability to fulfil its obligations, apart from the information contained in other sections of these interim condensed consolidated financial statements and in the notes to these financial statements.

XII Factors with a Bearing on the LOTOS Group's Results in the Next Quarter or in a Longer Term, according to Grupa LOTOS S.A.'s Assessment

The Management Board believes that the factors presented below will have a bearing on the Company's and the Group's results in the next quarter of 2008 or in a longer time horizon:

- quotations of oil and petroleum products prices,
- PLN/USD exchange rate,
- supply and demand for petroleum products,
- PLN/EUR exchange rate,
- since January 1st 2008, the manufacturers and importers have been required to achieve the National Indicative Target specifying the minimum content of bio-components in fuels marketed in Poland.

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XIII 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