THE LOTOS GROUP

DIRECTORS' REPORT ON THE FINANCIAL RESULTS OF THE LOTOS GROUP

IN Q3 2007

Gdańsk, November 13th 2007

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1 INTRODUCTION

In Q3 2007, the Management Board of Grupa LOTOS S.A. pursued the LOTOS Group's Strategy until 2012 in the key areas of the Group's business, including:

- Exploration and production of crude oil.
- Oil refining and wholesale of refined petroleum products.
- Retail sale of fuels

As a result of implementing the Company's Strategy, from 2011 onwards the Group's annual oil throughput should rise to 10.5 million tonnes. This will improve the Company's position in the Baltic Sea basin, and its share of the domestic retail and wholesale markets is expected to reach 10% and 30%, respectively.

In Q3 2007, the LOTOS Group announced a change of the name of the Comprehensive Technical Upgrade Programme (PKRT) to the "10+ Programme".

The strategic development programmes implemented within the Group include:

- The 10+ Programme.
- The Programme for Development of Exploration and Production of Crude Oil.
- The Programme for Diversification of Crude Oil Supplies.
- The PROSTA Service Station Network Development Programme.
- The Sales Structure Development and Optimisation Programme.
- The Operational and Management Excellence Programme.
- The Programme for restructuring and consolidation of the Group's assets.

In Q3 2007 the LOTOS Group sold 340.5 thousand tonnes of motor gasolines, 804.3 thousand tonnes of diesel oil, 84.3 thousand tonnes of light fuel oil, 47.4 thousand tonnes of heavy fuel oil, 130.5 thousand tonnes of jet fuel, 340 thousand tonnes of bitumens and 145 thousand tonnes of other products. In Q3 2007, the Gdańsk refinery processed 1,554.9 thousand tonnes of crude oil, using 102.8% of its designed distillation capacity.

As regards upstream activities, in Q3 2007 crude oil was produced from the B3 oil field. The exploitation of the B8 oil field was being prepared to be resumed. Concurrently, new software for modelling production wells and conducting economic analysis of oil projects was being implemented. Preparatory work was also carried out to launch the operations of Grupa LOTOS S.A.'s subsidiary in Norway.

In Q3 2007, the LOTOS Group continued the process of signing contracts for the execution of the key installations of the 10+ Programme. In July 2007, the Company entered into an agreement with Lurgi regarding construction of the crude and vacuum distillation unit (CDU/VDU).

In August 2007, the Company and Technip signed an agreement for Project Management Support Service (PMSS).

As part of the 10+ Programme, the Company also worked on optimising the integration of the ROSE unit that is to be constructed based on the Kellog Brown & Root technology.

On July 23rd 2007, the building permit for the hydrocracking unit (HDS) came into force.

In Q3 2007, in cooperation with its advisers and financial institutions the Company worked on raising financing for the 10+ Programme.

In Q3 2007, as part of the efforts aimed at diversifying crude oil supplies, a shipment of 84.9 thousand tonnes of the Kuwait oil was supplied to the Gdańsk refinery.

In Q3 2007, in the retail area the Group continued to develop a modern countrywide LOTOS service station network by changing the network structure.

In Q3 2007, the average price of Brent oil was USD 74.74/bbl, and was higher than in Q2 2007 (by USD 5.99/bbl or 8.7%) and in Q3 2006 (by USD 5.14/bbl or 7.4%). The higher oil prices in Q3 2007 as compared with Q2 2007 were accompanied by a 25.8% drop in the benchmark Brent/Ural differential – from USD 3.72/bbl in Q2 2007 to USD 2.76/bbl in Q3 2007. In relation to Q3 2006, the Brent/Ural differential fell by 25.4% (from USD 3.70/bbl).

The increase in oil prices went hand in hand with a decrease in crack margins. In Q3 2007, the average benchmark refining margin fell to USD 5.49/bbl and was 28.4% lower than in Q2 2007 (when it amounted to USD 7.67/bbl) and 5% higher than in Q3 2006 (by USD 0.26/bbl). The drop in refining margins relative to Q2 2007 is attributable to the sales seasonality typical for this period.

In Q3 2007, the LOTOS Group posted consolidated sales revenue of PLN 3,535.4m, operating profit of PLN 256.5m, net profit on continued operations of PLN 247.4m and net profit attributable to shareholders of the dominant entity in the amount of PLN 236.8m. In comparison with Q3 2006, sales revenue fell by 4.5%, operating profit went up by 0.8%, net profit on continued operations increased by 14.1%, and net profit attributable to shareholders of the dominant entity by 18.6%.

The LOTOS Group's revenue was materially affected by significant appreciation of the Polish currency. The average product net selling price fell by 7.6%, from PLN 2,022/tonne in Q3 2006 to PLN 1,869/tonne in Q3 2007. The sales volume in Q3 2007 amounted to 1,892.1 thousand tonnes, which translates into growth of 61.3 thousand tonnes (3.3%) year on year.

2 10+ PROGRAMME

As part of implementation of the 10+ Programme, the largest investment project of the LOTOS Group of key importance for the future growth of the Company's value, the Company's activities in Q3 2007 focused on performing the execution contracts, signing further contracts and on carrying out activities related to arrangement of financing, such as technical, market, legal and insurance analyses of the 10+ Programme, work on the financing concept for the Programme, and cooperation with financial institutions.

In Q3 2007, the activities aimed at commencing the construction of a new crude and vacuum distillation unit (CDU/VDU) continued. On August 1st 2007, the Company extended the agreement with Lurgi for the supplies of unit components on a lump sum basis, dated July 19th 2007. The value of the agreement rose to EUR 101.5m.

As part of the 10+ Programme, the Company also worked on optimising the integration of the ROSE unit that is to be constructed based on Kellog Brown & Root technology in the 10+ Programme. On July 25th 2007, a meeting with the licensor was held in London. In August, samples of vacuum residue were sent to Houston, USA, and an agreement on carrying out technological analyses was signed. In September, a reference visit to an American refinery took place and tests were carried out on a comparable unit. These actions were aimed at developing assumptions to be used to verify the basic design of the unit in question.

As regards the other units, the Company continued to work on technical design and order main components of the units. The work was carried out as budgeted and in compliance with the schedule of the investment project.

On July 23rd 2007, the building permit for the hydrocracking unit (HDS) came into force. On August 20th 2007 the building permit for a new driveway to Grupa LOTOS S.A.'s site came into force.

In Q3 2007, in cooperation with its advisers and financial institutions the Company worked on raising financing for the 10+ Programme.

Stone & Webster conducted a technical analysis of the 10+ Programme for the financing institutions. In the preliminary due diligence report, the Programme was assessed positively. The final due diligence, concerning the concluded EPC contracts, inclusion of the ROSE unit in the Programme, involving also a detailed technical analysis of the refinery and the Programme, is underway.

A market analysis of the 10+ Programme, commissioned to Wood MacKenzie, confirmed the possibility of placing on the European market additional quantities of products manufactured by the LOTOS Group without having to enter into long-term contracts. The domestic sales volumes assumed by the LOTOS Group were also positively assessed. A comparative analysis of the LOTOS Group's competitiveness against 107 European refineries before and after implementation of the 10+ Programme was conducted.

The Company selected and retained advisers to conduct a legal review and due diligence for the insurance purposes. Based on received bids, Linklaters, a law firm, was chosen to act as the legal adviser for the financial institutions. It will be responsible for the legal due diligence of the 10+ Programme and the LOTOS Group. The adviser to financial institutions will participate in drafting the final wording of financial documents related to the financing of the 10+ Programme, including loan agreements and a package of legal and other security. Miller was chosen as the insurance adviser to financial institutions and is currently completing the work on the insurance strategy for the Programme and on the insurance due diligence.

A special team cooperating with the Risk Management Committee of Grupa LOTOS S.A. is developing a concept for hedging the refining margin over the construction period of the Programme.

Grupa LOTOS S.A. is recruiting employees who – after receiving appropriate training and gaining experience at the refinery – will operate units constructed as part of the 10+ Programme.

3 PETROBALTIC AND THE E&P SEGMENT

In the exploration and production segment, in Q3 2007 oil and gas production continued at the B3 oil field. The crude oil and natural gas outputs amounted to 48,123 tonnes and 4,655,100 cubic meters, respectively. The sales of crude oil to the LOTOS Group (actual supplies by oil tanker) amounted to 57,564 tonnes. Petrobaltic shipped the entire crude oil output by oil tanker to Grupa LOTOS S.A. and the natural gas was sent via pipeline to Energobaltic Sp. z o.o.'s power plant in Władysławowo.

In Q3 2007, the key tasks carried out in the exploration and production segment included:

- completion of the first phase of workover of the B3-9 and B3-15 wells,

- workover of the B3-7 wells and resumption of production with the use of down-hole pump,
- preparatory work for drilling the B8-Z1 well and resumption of production in the B8 well,
- implementation of new software for modelling the production wells and conducting economic analyses of oil projects,
- preparations to launch the operations of Grupa LOTOS S.A.'s subsidiary in Norway.

4 PROSTA PROGRAMME

In Q3 2007, the Group was developing its retail service station network through subsidiary LOTOS Paliwa under the *PROSTA* project, which focused on continued expansion of the COCO and CODO station network and the development of the DOFO station network.

In the reporting period, the Group continued the following activities commenced in the previous quarters:

- on July 24th 2007 a new COCO/CODO service station in Opole was put into operation;
- the comprehensive LPG module installation programme was continued with regard to the service stations acquired from ExxonMobil and Slovnaft;
- five new service stations – in Serock, Sczecin, Koszalin, Nidzica and Kozienice – joined the LOTOS Family Commercial Partnership Programme.

As at September 30th 2007, the LOTOS Paliwa service station network comprised 373 locations, including 132 COCO/CODO stations, 64 DOFO stations, and 177 DODO stations. A total of 86 franchise agreements were signed. In line with the assumptions of the PROSTA Programme regarding transition of DODO stations to another operational platform, as of Q1 2007 the aggregate number of high-margin COCO/CODO and DOFO service stations exceeds the number of DODO stations.

5 SOUTHERN REFINERIES (LOTOS CZECHOWICE AND LOTOS JASŁO)

In Q3 2007, further restructuring work was carried out to adapt LOTOS Jasło S.A. and LOTOS Czechowice S.A. to operate within the LOTOS Group

LOTOS Biopaliwa Sp. z o.o., a subsidiary owned by LOTOS Czechowice, continued the construction of a methyl ester production plant. Construction of the core part of the unit was completed and the assembly of technological facilities is underway. Furthermore, the work on the infrastructure required for proper operation of the project as a whole (tanks, electrical service lines, etc.) is underway. The investment project is scheduled for completion in April 2008.

LOTOS Jasło conducted the work related to the inclusion of part of the land owned by the refinery in the Tarnobrzeg Special Economic Zone. The land is designed to be a site for new investment projects of the marketing companies of the LOTOS Group in Jasło: LOTOS Asfalt Sp. z o.o. plans to build a plant for manufacturing tar paper, while LOTOS Parafiny intends to erect a candle production plant.

LOTOS Czechowice and LOTOS Jasło performed stocktaking and valuation of redundant assets (real estate) and presented a proposal regarding their use to interested parties.

6 MARKET ENVIRONMENT AND OPERATIONS

6.1 Petroleum and Fuel Market

In Q3 2007, the average price of Brent crude stood at USD 74.74 per barrel and was higher (up by USD 5.99 per barrel, i.e. 8.7%) relative to Q2 2007 and also higher than in the corresponding period of 2006 (up by USD 5.14 per barrel, i.e. 7.4%).

The increase in Q3 2007 vs. Q2 2007 was accompanied by a decline in the benchmark Brent/ Ural differential, from USD 3.72 per barrel in Q2 2007 to USD 2.76 per barrel (-25.8%) in Q3 2007. Compared with Q3 2006, the differential fell from USD 3.70 per barrel (-25.4%).

In Q3 2007, the average benchmark refining margin fell by 28.4%, to USD 5.49 per barrel, compared with Q2 2007 (USD 7.67 per barrel). Compared with the corresponding period of 2006, the refining margin rose by USD 0.26 per barrel (up by 5.0%).

The average benchmark crack margin on gasoline declined by 34.0% on Q2 2007, to USD 154.9 per tonne, while the average benchmark crack margin on diesel oil went up by 5.9%, to USD 119.7 per tonne.

6.2 Operational Review

In Q3 2007, 1,554.9 thousand tonnes of crude oil were processed by the Gdańsk refinery, which represents capacity utilisation of 102.8% of its design capacity.

Crude oil processing amounted to 1,387.6 thousand tonnes of Ural crude in the reporting period, which accounted for 89.2% of the total processing volume. The balance comprised Rozewie crude oil produced by Petrobaltic – 77.6 thousand tonnes (5.0% of the processing volume), Kuwait crude oil – 84.9 thousand tonnes (5.5% of the processing volume), Forties crude oil – 3.7 thousand tonnes (0.2% of the processing volume) and Troll crude oil – 1.1 thousand tonnes (0.1% of the processing volume).

In Q3 2007, the LOTOS Group sold 340.5 thousand tonnes of motor gasolines, 804.3 thousand tonnes of diesel oil, 84.3 thousand tonnes of light fuel oil, 47.4 thousand tonnes of heavy fuel oil, 130.5 thousand tonnes of jet fuel, 340 thousand tonnes of bitumens, and 145 thousand tonnes of other products (including 64.3 thousand tonnes of LPG, 11.8 thousand tonnes of lubricant oils, 28.7 thousand tonnes of base oils, 11.5 thousand tonnes of other oils, 15 thousand tonnes of paraffin/slack wax, 9.7 thousand tonnes of sulphur, 1.1 thousand tonnes of plasticizers, 2.9 thousand tonnes of other oil products).

Compared with Q2 2007, the employment at the LOTOS Group in Q3 2007 fell to 5,159 staff (367 employees left). The headcount decrease was mainly caused by the ongoing restructuring processes at LOTOS Paliwa and LOTOS Jasło.

7 REVIEW OF CONSOLIDATED RESULTS OF THE LOTOS GROUP

7.1 Income Statement

In Q3 2007, the sales revenue of the LOTOS Group amounted to PLN 3,535.4m and was down by 4.5% year on year, mainly due substantial strengthening of the złoty. In Q3 2007, the USD average exchange rate fell by 0.35 PLN/USD i.e. by 11.2% on the USD average exchange rate quoted in Q3 2006. The average net selling price for products fell by 7.6%, from PLN 2,022 per tonne in Q3 2006 to PLN 1,869 per tonne in 2007. The Q3 2007 sales volume of the LOTOS Group amounted to PLN 1,892.1 thousand tonnes, which represented a year on year increase of 61.3 thousand tonnes (3.3%). In the analysed quarter, the sales volume of engine oils, bitumens, bitumen components, and liquefied gasses increased considerably, while the sales volume of gasolines, light and heavy fuel oils, diesel oils, and JET A-1 fuel declined.

Compared with the corresponding period of the previous year, the Q3 2007 cost of sales went down by 5.9% and amounted to PLN 3,014.7m. The Q3 2007 unit cost of sales was PLN 1,593 per tonne, i.e. 9.0% less than in Q3 2006. A larger decrease in the unit cost of sales compared with the decrease in the net unit price of sold products resulted in a PLN 520.8m rise in the Q3 2007 gross profit on sales (4.8%) relative to Q3 2006. The higher gross profit on sales was mainly a result of higher average crack margin, which rose from USD 5.23 per barrel in Q3 2006 to USD 5.49 per barrel in Q3 2007.

Selling costs incurred by the LOTOS Group in Q3 2007 amounted to PLN 178.3m (down by 3.7% year on year). In the analysed period, general and administrative expenses increased by 27.0% compared with Q3 2006 – to PLN 78.1m – as a result of business scope expansion.

The LOTOS Group's operating profit for Q3 2007 stood at PLN 256.5m, representing an increase of PLN 2.0m from the Q3 2006 figure.

The Q3 2007 net financial income of the LOTOS Group amounted to PLN 46.2m and was PLN 26.4m higher relative to Q3 2006. The net financial income was driven by the substantial appreciation of the zloty, which resulted in a high level of positive foreign-exchange differences.

The Q3 2007 profit before tax amounted to PLN 302.6m, up by PLN 28.4m year on year. The Q3 2007 net profit on continued operations posted by the LOTOS Group amounted to PLN 247.4m, which represented a year-on-year increase of 14.1%. The Q3 2007 profit attributable to shareholders of the dominant entity was PLN 236.8m.

7.2 Balance Sheet

As at September 30th 2007, the balance-sheet total of the LOTOS Group was PLN 9,152.5m, up by PLN 1,388.9m during the first nine months of 2007. The growth was caused by an increase in stocks (up by PLN 661.3m) caused by the higher requirement concerning the volume of mandatory stocks provided for in the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, and by higher prices of crude oil and petroleum products at the end of Q3 2007 compared with the prices reported at the end of 2006. Moreover, due to the ongoing projects executed as part of the 10+ Programme, there occurred a substantial rise in prepayments for tangible assets under construction (by PLN 395.7m). The first three quarters of 2007 saw a PLN 283.9m increase in trade receivables and a PLN 175.5m increase in cash and cash equivalents, driven by higher prices of products at the end of Q3 2007 compared to the end of 2006. At the same time, current financial assets fell by PLN 152.2m, and the value of equity holdings in associated companies decreased by PLN 47.9m.

As at September 30th 2007, the Group's equity amounted to PLN 5,900.8m, which means a PLN 498.9m rise from January to September 2007, mainly as a result of higher retained earnings. Non-current liabilities in the first three quarters of 2007 fell by 2.5%, chiefly due to a lower level of non-current loans and borrowings, and amounted to PLN 701.3m as at the end of September 2007.

As the first nine months of 2007 saw a PLN 540.1m increase in current loans and borrowings as well as a PLN 382.2m rise in liabilities and accruals, attributable primarily to higher prices of crude oil, current liabilities went up by PLN 908.3 in the first nine months of 2007 and reached PLN 2,550.3m at the end of the period.

7.3 Cash Flow

As at the end of September 2007, the cash balance recorded by the LOTOS Group amounted to PLN 287.1m, having decreased by PLN 623.8m relative to the end of September 2006.

In Q3 2007, net cash provided by operating activities amounted to PLN 25.6m, down by PLN 226.1m relative to Q3 2006. The Q3 2007 low level of net cash provided by operating activities was driven primarily by a PLN 188.9m increase in receivables and a PLN 163.8m rise in inventories. The key factors with a positive impact on the operating cash flows in the reporting period included net profit of PLN 247.4m, amortisation and depreciation of PLN 76.8m, a PLN 29.2m rise in liabilities, and a PLN 11.3m decrease in prepayments and deferred income.

Cash used in investing activities in Q3 2007 amounted to PLN -180.5m, and relative to PLN -185.4m recorded in Q3 2006, its level changed by PLN 5.0m. The change resulted mainly from Q3 2007 expenditure on acquisition of property, plant and equipment and intangible assets, which was lower by PLN 15.7m compared to Q3 2006. The negative balance of net cash from investing activities in Q3 2007 was a result of the expenditure related to investing activities, totalling PLN 206.3m, mainly on the acquisition of property, plant and equipment and intangible assets, prepayments for tangible assets under construction, and acquisition of Krak Gaz Sp. z o.o. At the same time, Q3 2007 saw also a PLN 25.8m increase in the cash balance as a result of received dividends and interest.

In Q3 2007, the balance of cash from financing activities conducted by the LOTOS Group was PLN -36.2m, which, compared with the positive balance of PLN 18m recorded in Q3 2006, represents a substantial decline. The difference was caused mainly by dividends paid in Q3 2007 to shareholders of the dominant entity, amounting to PLN 40.9m, and cash provided by contracted loans and borrowings, which in Q3 2007 was lower by PLN 11.4m compared with corresponding period of 2006.

8 OPERATING RESULTS BY BUSINESS SEGMENTS

The operating activities of the LOTOS Group are divided into four business segments: exploration and production, refining and marketing, retail network, and other business. A detailed description of the business segments is provided in the Directors' Report on the Financial Results of the LOTOS Group for Q1 2006.

The sales revenue and operating expenses of the individual business areas are presented before eliminations of transactions between business segments.

The adjustments related to the results on intra-group transactions were appropriately allocated to the business segment which acts as the seller in a given transaction.

Table 1 **Operating result by business segments**

PLN million	Segments							
	Exploration and production		Refining and marketing		Retail		Other business	
	Q3 2007	Q1-Q3 2007	Q3 2007	Q1-Q3 2007	Q3 2007	Q1-Q3 2007	Q3 2007	Q1-Q3 2007
Sales revenue	90	223	3,461	9,012	361	898	122	332
Inter-segment sales	80	201	305	794	-	1	113	312
External sales	10	22	3,156	8,218	361	897	9	20
Operating expenses	-59	-140	-3,246	-8,552	-368	-921	-115	-311
Adjustments	15	24	-1	-	-2	-1	-2	-4
Operating profit	46	107	214	460	-9	-24	5	17
Amortisation and depreciation	12	36	55	162	8	23	2	6
EBITDA	58	143	269	622	-1	-1	7	23

Source: LOTOS Group

8.1 Exploration & Production

The Q3 2007 revenue from crude oil production was PLN 90m. Net of the operating expenses of PLN 59m and after adjustments, the operating profit amounted to PLN 46m, and earnings before interest, depreciation, income tax and amortisation (EBITDA) reached PLN 58m.

Currently production is continued only at the B3 oil field. In Q3 2007, due to optimisation of feedstock yield, the volume of Rozewie light crude oil processed by the Group was greater than the volume produced. The sales of Rozewie crude oil to Grupa LOTOS S.A. by Petrobaltic amounted to 57.6 thousand tonnes, with the volume of Rozewie oil processed by the Gdansk Refinery reached 77.6 thousand tonnes.

8.2 Refining – Production and Wholesale

In Q3 2007, the refining segment generated sales revenue of PLN 3,461m, operating profit of PLN 214m, and earnings before interest, depreciation, income tax and amortisation (EBITDA) of PLN 269m. The EBITDA margin of the refining segment in Q3 2007 stood at 7.8%, and the operating margin reached 6.2%.

The operating profit of the refining segment was considerably affected by the market conditions prevailing in Q3 2007 compared with Q2 2007, including a decrease in both the benchmark refining margin (by 28.4%) and the benchmark Brent/Ural differential (by 25.8%). Compared with Q3 2006, the refining margin rose by 5.0% (to USD 5.49/bbl) and the Brent/Ural differential fell by 25.4% (down to USD 2.76 per barrel).

8.3 Retail Operations (Service Stations Network)

In Q3 2007, sales revenue in the retail segment amounted to PLN 361m. The segment reported operating loss of PLN 9m, and EBITDA of PLN -1m.

In Q3 2007, the Group's performance in the retail segment was mainly affected by deteriorating market conditions and the process of restructuring and developing an optimum structure of service stations network.

As at the end of Q3 2007, the number of COCO/CODO stations was 132 (one station more), the number of DOFO stations amounted to 64 (up by five), and the number of DODO stations fell to 177 (two stations fewer). The number of the franchise agreements rose to 86.

Other Business

In Q3 2007, the sales revenue from other business was PLN 122m, the segment's operating profit was PLN 5m, and EBITDA amounted to PLN 7m.

9 IMAPACT OF LIFO INVENTORY VALUATION

Below we present information on the impact of the LIFO (last in, first out) inventory valuation method on the consolidated profit of the LOTOS Group for Q3 2007.

In line with its inventory valuation policies, the LOTOS Group uses the weighted average of the acquisition cost to measure consumption of inventories. This method of stock valuation defers the impact of changes in oil prices on the prices of finished products. Thus, an increase in oil prices on the global market has a positive effect on the financial performance, while a decrease drives it down. The operating profit accounting for the impact of this valuation method is presented as item 1 in the table below.

The impact of the LIFO inventory valuation method is presented as item 2, and the consolidated operating profit of the LOTOS Group for Q3 2007 accounting for the estimated impact of using the LIFO method for inventory valuation (along with the comparable data for Q3 2006) is presented as item 3.

Table 2 Impact of inventory valuation on the operating profit

No.	(PLNm)	Q3 2007	Q3 2006	Change	Q1-Q3 2007	Q1-Q3 2006	Change
1.	Operating profit	256.5	254.5	0.8%	560.3	720.1	-22.2%
2.	Effect of LIFO inventory valuation	-107.5	64.0	268.0%	-235.1	-36.3	548.3%
3.	Operating profit – LIFO method	149.0	318.5	-53.2%	325.2	683.9	-52.4%

Source: LOTOS Group

In Q3 2007, the impact of inventory valuation increased the operating profit by PLN 107.5m, compared with a decrease of PLN 64.0m in Q3 2006. Should the LIFO method be applied for inventory valuation, the operating profit would amount to PLN 149.0m and PLN 318.5m in Q3 2007 and Q3 2006, respectively.

Cumulatively, at the end of Q3 2007 the impact of inventory valuation increased the operating profit by PLN 235,1m, compared with an increase of PLN 36.3m in Q1-Q3 2006. Should the LIFO method be applied for inventory valuation, the operating profit would amount to PLN 325.2m at the end of Q3 2007 and PLN 683.9m at the end of Q3 2006.

The assumptions made in calculating the Q3 2007 operating profit of the LOTOS Group accounting for the estimated impact of using the LIFO method for inventory valuation (along with the comparable data for Q3 2006) are described in Current Report No. 29/2006.