



**THE LOTOS GROUP**

**CONDENSED INTERIM CONSOLIDATED**

**FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30TH 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	
	Two quarters cumulatively Jan 1 – Jun 30 2007	Two quarters cumulatively Jan 1 – Jun 30 2006	Two quarters cumulatively Jan 1 – Jun 30 2007	Two quarters cumulatively Jan 1 – Jun 30 2006
Sales revenue	5,621,484	5,954,704	1,460,657	1,526,769
Operating profit	305,791	465,641	79,455	119,389
Pre-tax profit	386,779	514,602	100,499	131,942
Net profit	300,083	414,265	77,972	106,216
Net profit attributable to equity holders of the parent	289,999	380,807	75,352	97,638
Net profit attributable to minority interests	10,084	33,458	2,620	8,579
Net cash provided by/(used in) operating activities	122,890	256,570	31,931	65,784
Net cash provided by/(used in) investing activities	(251,173)	(188,399)	(65,263)	(48,305)
Net cash provided by/(used in) financing activities	5,424	(9,383)	1,409	(2,406)
Total net cash flow	(124,154)	59,253	(32,260)	15,192
		PLN '000		EUR '000
	As at Jun 30 2007	As at Dec 31 2006	As at Jun 30 2007	As at Dec 31 2006
Total assets	8,719,362	7,926,475	2,315,408	2,068,927
Equity attributable to equity holders of the parent	5,475,361	5,227,918	1,453,970	1,364,564
Equity attributable to minority interests	307,789	306,416	81,733	79,979
Total equity	5,783,150	5,534,334	1,535,703	1,444,543
Basic earnings per ordinary share (PLN/EUR)	2.55	3.35	0.66	0.86
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

**FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED**

GRUPA LOTOS S.A.	PLN '000		EUR '000	
	Two quarters cumulatively Jan 1 – Jun 30 2007	Two quarters cumulatively Jan 1 – Jun 30 2006	Two quarters cumulatively Jan 1 – Jun 30 2007	Two quarters cumulatively Jan 1 – Jun 30 2006
Sales revenue	5,118,383	5,503,351	1,329,934	1,411,043
Operating profit	146,120	271,160	37,967	69,525
Pre-tax profit	421,712	384,421	109,575	98,564
Net profit	380,256	322,098	98,804	82,585
Net cash provided by/(used in) operating activities	139,576	(83,891)	36,267	(21,509)
Net cash provided by/(used in) investing activities	(163,513)	18,178	(42,486)	4,661
Net cash provided by/(used in) financing activities	-	653	-	167
Total net cash flow	(25,592)	(65,060)	(6,650)	(16,681)
		PLN '000		EUR '000
	As at Jun 30 2007	As at Dec 31 2006	As at Jun 30 2007	As at Dec 31 2006
Total assets	6,849,234	5,977,280	1,818,799	1,560,159
Equity	4,843,079	4,485,147	1,286,069	1,170,690
Basic earnings/(loss) per ordinary share (PLN/EUR)	3.34	2.83	0.87	0.73
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

**THE LOTOS GROUP**  
**CONSOLIDATED BALANCE SHEETS**  
as at June 30th 2007 and December 31st 2006

(PLN '000)	<b>Jun 30 2007</b>	<b>Dec 31 2006</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,468,604	3,500,285
Prepayment for tangible assets under construction	491,553	148,018
Goodwill	67,059	67,058
Intangible assets	55,193	55,858
Investment property	4,706	4,849
Investments in associated undertakings	35,527	83,381
Financial assets	23,607	23,642
Deferred tax asset	30,609	32,057
Other non-current assets	25,252	30,111
	-----	-----
<b>Total non-current assets</b>	<b>4,202,110</b>	<b>3,945,259</b>
	-----	-----
<b>Current assets</b>		
Inventories	2,212,586	1,707,442
Trade and other receivables, including:	1,422,506	1,276,475
- income tax receivables	1,973	33,068
Prepayments	42,637	13,562
Current financial assets	49,250	203,531
Cash and cash equivalents	764,318	772,387
	-----	-----
<b>Total current assets</b>	<b>4,511,297</b>	<b>3,973,397</b>
	-----	-----
<b>Assets held for sale</b>	<b>5,955</b>	<b>7,819</b>
	-----	-----
	=====	=====
<b>Total assets</b>	<b>8,719,362</b>	<b>7,926,475</b>
	=====	=====

**THE LOTOS GROUP**  
**CONSOLIDATED BALANCE SHEETS**  
as at June 30th 2007 and December 31st 2006

(PLN '000)	<u>Jun 30 2007</u> <u>(unaudited)</u>	<u>Dec 31 2006</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	113,700	113,700
Statutory reserve funds	970,951	970,951
Retained earnings/(deficit)	4,396,019	4,146,823
Currency-translation differences	(5,309)	(3,556)
	-----	-----
<b>Equity attributable to equity holders of the parent</b>	<b>5,475,361</b>	<b>5,227,918</b>
	-----	-----
<b>Equity attributable to minority interests</b>	<b>307,789</b>	<b>306,416</b>
	-----	-----
<b>Total equity</b>	<b>5,783,150</b>	<b>5,534,334</b>
	-----	-----
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	309,283	330,706
Non-current provisions	208,854	208,082
Deferred tax liability	204,336	201,064
Other (financial) liabilities	9,070	10,801
	-----	-----
<b>Total non-current liabilities</b>	<b>731,543</b>	<b>750,653</b>
	-----	-----
<b>Current liabilities</b>		
Trade payables, accruals and deferred income, and other liabilities, including:	1,815,734	1,385,106
- income tax expense	28,013	3,413
Interest-bearing loans and borrowings	339,282	173,526
Current provisions	48,443	80,579
Other financial liabilities	1,210	2,277
	-----	-----
<b>Total current liabilities</b>	<b>2,204,669</b>	<b>1,641,488</b>
	-----	-----
<b>Total liabilities</b>	<b>2,936,212</b>	<b>2,392,141</b>
	=====	=====
<b>Total equity and liabilities</b>	<b>8,719,362</b>	<b>7,926,475</b>
	=====	=====

**THE LOTOS GROUP**  
**CONSOLIDATED INCOME STATEMENTS**  
for the three and six months ended June 30th 2007 and June 30th 2006

(PLN '000)	3 months ended Jun 30 2007	6 months ended Jun 30 2007	3 months ended Jun 30 2006 (comparable data)	6 months ended Jun 30 2006 (comparable data)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	3,073,489	5,621,484	3,265,058	5,954,704
Cost of sales	(2,578,138)	(4,851,753)	(2,695,412)	(5,043,632)
<b>Gross profit on sales</b>	<b>495,351</b>	<b>769,731</b>	<b>569,646</b>	<b>911,072</b>
Other operating income	13,044	47,011	3,510	9,057
Selling costs	(169,692)	(335,024)	(149,080)	(290,437)
General and administrative expenses	(74,834)	(148,399)	(83,259)	(145,400)
Other operating expenses	(11,007)	(27,528)	(5,880)	(18,651)
<b>Operating profit</b>	<b>252,862</b>	<b>305,791</b>	<b>334,937</b>	<b>465,641</b>
Financial income	57,074	95,283	42,244	72,915
Financial expenses	(4,054)	(14,283)	(12,473)	(23,950)
Interest in investments in associated undertakings	(10)	(12)	45	(4)
<b>Pre-tax profit</b>	<b>305,872</b>	<b>386,779</b>	<b>364,753</b>	<b>514,602</b>
Corporate income tax	(68,626)	(86,696)	(68,126)	(100,337)
<b>Net profit on continued operations</b>	<b>237,246</b>	<b>300,083</b>	<b>296,627</b>	<b>414,265</b>
Attributable to:				
Equity holders of the parent	233,970	289,999	277,918	380,807
Minority interests	3,276	10,084	18,709	33,458
	<b>237,246</b>	<b>300,083</b>	<b>296,627</b>	<b>414,265</b>
<b>Net earnings per share</b>				
- basic	2.06	2.55	2.44	3.35
- diluted	-	-	-	-

**THE LOTOS GROUP**  
**CONSOLIDATED CASH-FLOW STATEMENTS**  
for the six months ended June 30th 2007 and June 30th 2006

(PLN '000)	6 months ended Jun 30 2007	6 months ended Jun 30 2006 (comparable data)
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
Net profit	300,083	414,265
Adjustments:		
Share in net profit/(loss) of subordinated undertakings valued with equity method	12	4
Depreciation and amortisation	150,113	147,953
Foreign exchange gains/(losses)	(550)	(1,398)
Net interest and dividend paid	3,035	6,789
(Profit)/loss on investing activities	29,328	(7,607)
Income tax paid	(26,282)	(147,425)
Current income tax	86,697	100,337
(Increase) in receivables	(199,324)	(272,196)
(Increase) in inventories	(505,160)	(179,823)
Increase in liabilities and accruals and deferred income	341,177	219,352
(Decrease)/increase in provisions	(27,767)	3,458
(Increase) in prepayments and accrued income	(28,472)	(26,321)
Other, net	-	(818)
	-----	-----
<b>Net cash provided by/(used in) operating activities</b>	<b>122,890</b>	<b>256,570</b>
	-----	-----
<b>Cash flows from investing activities</b>		
Dividends received	2,173	2,154
Interest received	8,331	4,629
(Acquisition)/sale of property, plant and equipment and intangible assets	(101,047)	(325,382)
(Acquisition)/sale of current financial assets	182,926	128,527
Other, net	(343,556)	1,673
	-----	-----
<b>Net cash provided by/(used in) investing activities</b>	<b>(251,173)</b>	<b>(188,399)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	37,219	66,376
Repayment of loans and borrowings	(9,184)	(64,156)
Interest paid	(9,580)	(10,686)
Dividend paid to minority shareholder	(8,593)	-
Other, net	(4,438)	(917)
	-----	-----
<b>Net cash provided by/(used in) financing activities</b>	<b>5,424</b>	<b>(9,383)</b>
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	(1,295)	465
	=====	=====
<b>Change in net cash</b>	<b>(124,154)</b>	<b>59,253</b>
	=====	=====
<b>Cash at beginning of period</b>	<b>624,165</b>	<b>767,794</b>
	=====	=====
<b>Cash at end of period</b>	<b>500,011</b>	<b>827,047</b>
	=====	=====
- restricted cash	29,183	22,179

**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
for the six months ended June 30th 2007 and June 30th 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
<b>Jan 1 2006</b>	<b>113,700</b>	<b>970,951</b>	<b>3,466,911</b>	<b>2,266</b>	<b>4,553,828</b>	<b>254,281</b>	<b>4,808,109</b>
Net profit for 6 months ended Jun 30 2006	-	-	380,807	-	380,807	33,458	414,265
Dividend	-	-	-	-	-	(2,520)	(2,520)
Other	-	-	-	1,769	1,769	-	1,769
<b>Jun 30 2006 (comparable data) (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,847,718</b>	<b>4,035</b>	<b>4,936,404</b>	<b>285,219</b>	<b>5,221,623</b>
<b>Jan 1 2007</b>	<b>113,700</b>	<b>970,951</b>	<b>4,146,823</b>	<b>(3,556)</b>	<b>5,227,918</b>	<b>306,416</b>	<b>5,534,334</b>
Net profit for 6 months ended June 30 2007	-	-	289,999	-	289,999	10,084	300,083
Dividend	-	-	(40,932)	-	(40,932)	(8,593)	(49,525)
Changes in the Group structure	-	-	129	-	129	(118)	11
Other	-	-	-	(1,753)	(1,753)	-	(1,753)
<b>Jun 30 2007 (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>4,396,019</b>	<b>(5,309)</b>	<b>5,475,361</b>	<b>307,789</b>	<b>5,783,150</b>

**GRUPA LOTOS S.A.**  
**NON-CONSOLIDATED BALANCE SHEETS**  
as at **June 30th 2007** and **December 31st 2006**

(PLN '000)	<u>Jun 30 2007</u>	<u>Dec 31 2006</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,989,920	1,996,769
Prepayment for tangible assets under construction	449,532	122,558
Intangible assets	48,017	45,800
Financial assets	683,014	696,004
	-----	-----
<b>Total non-current assets</b>	<b>3,170,483</b>	<b>2,861,131</b>
	-----	-----
<b>Current assets</b>		
Inventories	2,054,454	1,575,668
Trade and other receivables, including:	1,506,939	1,533,448
- income tax receivable	-	15,182
Prepayments	14,635	2,348
Current financial assets	29,628	3,360
Cash and cash equivalents	73,095	1,325
	-----	-----
<b>Total current assets</b>	<b>3,678,751</b>	<b>3,116,149</b>
	-----	-----
	=====	=====
<b>Total assets</b>	<b>6,849,234</b>	<b>5,977,280</b>
	=====	=====



**GRUPA LOTOS S.A.**  
**NON-CONSOLIDATED BALANCE SHEETS**  
as at June 30th 2007 and December 31st 2006

(PLN '000)	<b>Jun 30 2007</b>	<b>Dec 31 2006</b>
	<b>(unaudited)</b>	
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	113,700	113,700
Statutory reserve funds	970,951	970,951
Retained earnings/(deficit)	3,758,428	3,400,496
	-----	-----
<b>Total equity</b>	<b>4,843,079</b>	<b>4,485,147</b>
	-----	-----
<b>Non-current liabilities</b>		
Non-current provisions	18,961	15,150
Deferred tax liability	168,991	165,952
	-----	-----
<b>Total non-current liabilities</b>	<b>187,952</b>	<b>181,102</b>
	-----	-----
<b>Current liabilities</b>		
Trade payables, accruals and deferred income, and other liabilities, including:	1,582,039	1,146,367
- income tax expense	13,372	-
Interest-bearing loans and borrowings	217,670	120,309
Current provisions	18,494	44,355
	-----	-----
<b>Total current liabilities</b>	<b>1,818,203</b>	<b>1,311,031</b>
	-----	-----
<b>Total liabilities</b>	<b>2,006,155</b>	<b>1,492,133</b>
	=====	=====
<b>Total equity and liabilities</b>	<b>6,849,234</b>	<b>5,977,280</b>
	=====	=====

**GRUPA LOTOS S.A.**  
**NON-CONSOLIDATED INCOME STATEMENTS**  
for the three and six months ended June 30th 2007 and June 30th 2006

(PLN '000)	3 months ended Jun 30 2007	6 months ended Jun 30 2007	3 months ended Jun 30 2006 (comparable data)	6 months ended Jun 30 2006 (comparable data)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	2,747,592	5,118,383	2,980,817	5,503,351
Cost of sales	(2,449,480)	(4,705,265)	(2,622,310)	(4,963,604)
<b>Gross profit on sales</b>	<b>298,112</b>	<b>413,118</b>	<b>358,507</b>	<b>539,747</b>
Other operating income	3,576	30,146	542	885
Selling costs	(98,498)	(204,892)	(90,215)	(185,607)
General and administrative expenses	(46,878)	(90,378)	(44,852)	(82,074)
Other operating expenses	(1,035)	(1,874)	(639)	(1,791)
<b>Operating profit</b>	<b>155,277</b>	<b>146,120</b>	<b>223,343</b>	<b>271,160</b>
Financial income	250,022	279,221	96,377	117,468
Financial expenses	1,898	(3,629)	(442)	(4,207)
<b>Pre-tax profit</b>	<b>407,197</b>	<b>421,712</b>	<b>319,278</b>	<b>384,421</b>
Corporate income tax	(41,535)	(41,456)	(48,814)	(62,323)
<b>Net profit on continued operations</b>	<b>365,662</b>	<b>380,256</b>	<b>270,464</b>	<b>322,098</b>
<b>Earnings per share</b>				
- basic	3.22	3.34	2.38	2.83
- diluted	-	-	-	-

**GRUPA LOTOS S.A.**  
**NON-CONSOLIDATED CASH-FLOW STATEMENTS**  
**for the six months ended June 30th 2007 and June 30th 2006**

(PLN '000)	<b>6 months ended Jun 30 2007 (unaudited)</b>	<b>6 months ended Jun 30 2006 (comparable data) (unaudited)</b>
<b>Cash flows from operating activities</b>		
Net profit	380,256	322,098
Adjustments:		
Depreciation and amortisation	88,479	86,011
Foreign exchange gains/(losses)	1,655	-
Net interest and dividend paid	(201,502)	(6,776)
(Profit) on investing activities	(26,606)	(6,948)
Current income tax	41,456	62,323
Income tax paid	(9,863)	(114,725)
Decrease/(increase) in receivables	298,163	(452,872)
(Increase) in inventories	(477,822)	(222,384)
Increase in liabilities and accruals and deferred income	84,042	309,218
(Decrease)/Increase in provisions	(27,987)	4,155
(Increase) in prepayments and accrued income	(10,695)	(7,991)
<b>Net cash provided by/(used in) operating activities</b>	<b>139,576</b>	<b>(83,891)</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment and intangible assets	-	82
Sale of financial assets	-	120,852
Dividends and interest received	201,507	29,670
(Acquisition) of property, plant and equipment and intangible assets	(60,384)	(122,826)
Sale/(acquisition) of non-current financial assets	24,137	(4,301)
Other, net	(328,773)	(5,299)
<b>Net cash provided by/(used in) investing activities</b>	<b>(163,513)</b>	<b>18,178</b>
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	-	653
Share issue	-	-
Repayment of loans and borrowings	-	-
Interest paid	-	-
Dividends paid	-	-
Other, net	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>653</b>
<b>Change in cash on account of foreign exchange (gains)/losses</b>	<b>(1,655)</b>	<b>-</b>
<b>Change in net cash</b>	<b>(25,592)</b>	<b>(65,060)</b>
<b>Cash at beginning of period</b>	<b>(118,984)</b>	<b>298,981</b>
<b>Cash at end of period</b>	<b>(144,576)</b>	<b>233,921</b>
- restricted cash	3,156	-

**GRUPA LOTOS S.A.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**for the six months ended June 30th 2007 AND June 30th 2006**

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings/ (deficit)	Total equity
<b>Jan 1 2006</b>	<b>113,700</b>	<b>970,951</b>	<b>2,993,782</b>	<b>4,078,433</b>
Net profit for 6 months ended Jun 30 2006	-	-	322,098	322,098
<b>Jun 30 2006 (comparable data) (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,315,880</b>	<b>4,400,531</b>
<b>Jan 1 2007</b>	<b>113,700</b>	<b>970,951</b>	<b>3,400,496</b>	<b>4,485,147</b>
Net profit for 6 months ended Jun 30 2007	-	-	380,256	380,256
Dividend	-	-	(40,932)	(40,932)
Merger with LOTOS Partner Sp. z o.o.*	-	-	18,608	18,608
<b>Jun 30 2007 (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,758,428</b>	<b>4,843,079</b>

\*See note 10 to these condensed consolidated financial statements.

**THE LOTOS GROUP**  
**Notes to the Condensed Consolidated Financial Statements**  
**for the Three and Six Months Ended June 30th 2007**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30TH 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		
				Jun 30 2007	Dec 31 2006	Jun 30 2006
<b>Parent Undertaking</b>						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
<b>Direct Subsidiary Undertakings</b>						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk	Sale of fuels and provision of services for retail networks of international concerns; logistic services	full	(1)	100.00%	100.00%
LOTOS Gaz S.A. (2) (formerly LOTOS Mazowsze S.A.)	Mława	Sale of LPG	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sales of base oils	full	100.00%	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%	100.00%
LOTOS Ekoenergia S.A.	Gdańsk	Construction of basic PKRT units; the company has not commenced operations	full	100.00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%	100.00%

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Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2007	Dec 31 2006	Jun 30 2006
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00% <sup>(3)</sup>	87.44%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Jasło	Wholesale of oil products	full	100.00% <sup>(4)</sup>	86.01%	86.01%
LOTOS Czechowice S.A. (parent undertaking of another group, formerly Rafineria Czechowice S.A. <sup>(5)</sup> )	Czechowice	Storage and distribution of fuels <sup>(6)</sup>	full	80.04%	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group; formerly Rafineria Jasło S.A. <sup>(7)</sup> )	Jasło	Production and processing of refined petroleum products and their wholesale and retail sale	full	80.01%	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%	69.00%
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	not consolidated	100.00%	100.00%	100.00%
BiproRaf Sp. z o.o.	Gdańsk	Design services for oil industry	not consolidated	<sup>(8)</sup>	50.00%	50.00%
Rafineria Nafty Glimar S.A. (Glimar Refinery) in liquidation	Gorlice	Refining (currently discontinued due to the company's bankruptcy)	not consolidated due to lack of control	91.54%	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%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	Business and management consultancy services	full	86.91%	86.91%	89.66%
<b>Indirect Subsidiary Undertakings</b>						
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	Services	full	80.04%	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o. <sup>(9)</sup> (formerly RCParafiny Sp. z o.o.)	Czechowice-Dziedzice	No operations	full	80.04%	80.04%	80.04%
RCRemo Sp. z o.o.	Czechowice-Dziedzice	Services	-	-	<sup>(10)</sup>	100.00%
CBA Racer Sp. z o.o.	Czechowice-Dziedzice	Services	-	-	<sup>(11)</sup>	80.04%
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	Services	<sup>(12)</sup>	86.91%	86.91%	89.66%
RCPaliwa Sp. z o.o. in liquidation <sup>(13)</sup>	Czechowice-Dziedzice	Trading (not commenced)	equity method	80.04%	80.04%	80.04%
RCTransport Sp. z o.o.	Czechowice-Dziedzice	Services	-	-	-	-
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	Services	full	-	<sup>(14)</sup>	100.00%
Plastekol Organizacja Odzysku S.A.	Jasło	Services	full	53.61%	53.61%	53.61%

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Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2007	Dec 31 2006	Jun 30 2006
Rafineria Jasło Sped-Kol Sp. z o.o.	Jasło	No operations – lease of assets to LOTOS Kolej	not consolidated	-	(16)	80.01%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated	80.01%	80.01%	80.01%
Chemipetrol Sp. z o.o.	Jasło	Trading – assets transferred to LOTOS Parafiny in exchange for shares	not consolidated	80.01%	80.01%	80.01%
Miliana Shipping Company Ltd.	Cyprus	Services	full	68.93%	68.93%	68.93%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Services	not consolidated	69.00%	69.00%	69.00%

<sup>(1)</sup> As described in Note 10 to these 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.

<sup>(2)</sup> Name changed to LOTOS Gaz S.A. as of July 5th 2007.

<sup>(3)</sup> 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 condensed consolidated financial statements).

<sup>(4)</sup> As described in Note 10 to these 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.

<sup>(5)</sup> On December 19th 2005, the District Court of Katowice registered the change of the name of Rafineria Czechowice S.A. to LOTOS Czechowice S.A.

<sup>(6)</sup> On March 31st 2006, the Company discontinued the processing of crude oil.

<sup>(7)</sup> On January 2nd 2006, the District Court of Rzeszów registered the change of the name of Rafineria Jasło S.A. to LOTOS Jasło S.A.

<sup>(8)</sup> As described in Note 10 to these condensed consolidated financial statements, on January 15th 2007, Grupa LOTOS S.A. sold 35 shares in Przedsiębiorstwo Projektowo-Uslugowe 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.

<sup>(9)</sup> Name changed to LOTOS Biopaliwa Sp. z o.o. with effect from May 10th 2006.

<sup>(10)</sup> On June 30th 2006, LOTOS Serwis Sp. z o.o. acquired Rafineria Jasło Monto-Rem Sp. z o.o. of Jasło and RC Remo Sp. z o.o. of Czechowice-Dziedzice.

<sup>(11)</sup> On December 28th 2006, CBA Racer Sp. z o.o. was incorporated into LOTOS Czechowice S.A.

<sup>(12)</sup> Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A. on January 2006.

<sup>(13)</sup> 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.

<sup>(14)</sup> On March 8th 2007, the company was deleted from the National Court Register of the District Court of Rzeszów, XII Commercial Division of the National Court Register.

As at June 30th 2007, December 31st 2006 and June 30th 2006, the Company's share in the total vote at the General Shareholders Meetings of its subsidiary undertakings equalled the Company's share in the share capital of these undertakings.

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**3. Changes in the Composition of the Management Board and Supervisory Board**

As at June 30th 2007 and as at the date of publication of these condensed consolidated financial statements, the Management Board of Grupa LOTOS S.A. had the following composition:

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

On May 28th 2007, the Annual General Shareholders Meeting of Grupa LOTOS S.A. removed Mr Jacek Tarnowski from his position as Member of the Supervisory Board of Grupa LOTOS S.A. and appointed:

- Jan Stefanowicz (former Vice-Chairman the Supervisory Board) as Chairman of the Supervisory Board of Grupa LOTOS S.A.
- Marta B.Busz as Member of the Supervisory Board of Grupa LOTOS S.A.
- Izabela Emerling as Member of the Supervisory Board of Grupa LOTOS S.A.

As at June 30th 2007 and as at the date of publication of these condensed consolidated financial statements, the Supervisory Board of Grupa LOTOS S.A. had the following composition:

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

**4. Rules of Presentation**

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

These condensed interim consolidated financial statements of the Group were prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting (“IAS 34”) and in accordance with the respective accounting standards applicable to interim financial reporting and endorsed by the EU, published and effective at the time of preparing these interim consolidated financial statements of the Group.

These condensed interim 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 interim financial result should not be treated as indicative of the financial performance for the whole financial year.

The financial data as at June 30th 2007 and for the three and six months ended on that date, as well as comparable financial data as at June 30th 2006 and for the three and six months ended on that date, presented in these condensed consolidated financial statements, have not been audited.

In these condensed consolidated financial statements, the Parent Undertaking disclosed the financial information of the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic (“GK Petrobaltic”) for the six months ended June 30th 2007, assuming that GK Petrobaltic accounts for the shares in Naftos Gavyba (“NG”), its associated undertaking, using the equity method as at December 31st 2006. The consolidated financial statements of the NG Group (NG Group), prepared in line with the accounting policies



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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.

The measurement and reporting currency of these condensed consolidated financial statements is the Polish zloty (PLN). These consolidated financial statements are presented in PLN '000, and all the figures are presented in thousands of zlotys, unless indicated otherwise.

These condensed interim consolidated financial statements were approved by the Management Board for publication on August 10th 2007.

## **5. Accounting Policies**

The accounting policies and calculation methods adopted in the preparation of these 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 to the consolidated financial statements for 2006 prepared in accordance with the IFRS).

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*
- FRIC 7: *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8: *Scope of IFRS 2*
- IFRIC 9: *Reassessment of Embedded Derivatives*
- IFRIC 10: *Interim Financial Reporting and Impairment*

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.

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)
- IFRS 8: *Operating Segments* (applies to annual periods beginning after January 1st 2009)
- 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)

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 IFRS 14: *Segment Reporting*.

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**6. Translation of the Financial Highlights into the EUR**

The balance-sheet items contained in the table “Financial Highlights” were translated as at June 30th 2007 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 3.7658. The items of the income statement and the cash-flow statement contained in the table “Financial Highlights” for the two first quarters of 2007 (cumulative) were translated at the rate EUR 1 = PLN 3.8486 (equal to the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2007).

The balance-sheet items contained in the table “Financial Highlights” were translated as at December 31st 2006 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 3.8312.

The items of the income statement and the cash-flow statement contained in the table “Financial Highlights” for the first two quarters of 2006 (cumulative) were translated at the rate EUR 1 = PLN 3.9002 (equal to the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2006).

**7. Activities in the Interim Period**

There are no cyclical or seasonal changes in the Group’s activities in the interim period.

**8. Dividends**

On May 28th 2007, the Annual General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution concerning distribution of the net profit for 2006. Pursuant to the resolution, the Company’s net profit for the year ended December 31st 2006, amounting to PLN 406,714 thousand, is to be distributed as follows:

- PLN 365,782 thousand to increase the Company’s statutory reserve funds
- PLN 40,932 thousand for dividend payments.

The dividend payment date was set for July 31st 2007.

**9. Earnings per Share**

	<b>6 months ended Jun 30 2007</b>	<b>6 months ended Jun 30 2006 (comparable data)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net profit attributable to equity holders of the parent (PLN ‘000) (A)	289,999	380,807
Weighted average number of shares (in thousands) (B)	113,700	113,700
	=====	=====
Earnings per share (A/B) (PLN)	2.55	3.35

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**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 34,634 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

**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

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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.

**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 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. 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.

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 was accounted for with the acquisition method.

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**11. Supplementary Information**

**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 m<sup>3</sup>.

**Execution of the Comprehensive Technical Upgrade Programme (PKRT Programme) – Conclusion of the EPCM Contract (Engineering, Procurement and Construction Management Services, to build the utilities and off-sites under the Comprehensive Technical Upgrade Programme)**

On June 19th 2007, Grupa LOTOS S.A. and FLUOR S.A. signed an engineering, procurement and construction management services, to build the utilities and off-sites under the Comprehensive Technical Upgrade Programme (the PKRT 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 Programme is 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. The contract discussed is the second of a series of contracts planned to be signed as part of the Programme. Following completion of the preparatory phase of the Programme, the Programme’s implementation has been divided into the following phases:

Phase I provides for the construction, by 2010, of the following units at the Gdańsk Refinery of Grupa LOTOS S.A.:

- crude distillation unit (CDU)
- hydrodesulphurisation unit (HDS) for diesel oil
- mild hydrocracker (MHC)
- heavy residue processing unit (HRP)
- hydrogen plant
- amine sulphur recovery unit

Phase II provides for the construction, after 2012, of a heavy residuum gasification unit for treating the residuum after crude oil processing.

The modification of 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 and heavy fuel oil markets by Grupa LOTOS S.A.; the Company expects that a growing trend on the asphalt market will be observed until 2012, which will enable it to increase the annual sales of asphalts to 1,300 thousand, i.e. by more than 60% relative to 2006. In the event of a downturn on the market for heavy products, such as asphalts and heavy fuel oil, the second stage of the Programme will be launched, following which the Company will be able to process the heavy residue remaining after crude distillation.

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

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In accordance with the financing strategy, 70% of the funding required to carry out the Programme will be raised from external sources.

**Execution of the Contract for Engineering Design, Procurement and Construction of the Hydrocracking Unit and Amine Sulphur Recovery Unit under the Comprehensive Technical Upgrade Programme (PKRT)**

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 PKRT 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 is deemed significant as its estimated value exceeds 10% of Grupa LOTOS S.A.'s equity.

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.

The contract will take effect upon the fulfilment of the following conditions precedent: Grupa LOTOS S.A. receives the required performance bonds, the bank providing services to Grupa LOTOS S.A. issues a letter of credit and the rights and obligations under agreements for the supply of relevant equipment, concluded by Grupa LOTOS S.A., are transferred onto Technip Italy S.p.A.

The contract is an element of the growth strategy of the LOTOS Group, providing for the construction of the units envisaged in the Programme. The Programme is 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.

**Conclusion of an Engineering, Procurement and Construction Lump-Sum Turnkey Contract for a Hydrogen Production Unit Signed as Part of the Comprehensive Technical Upgrade Programme (PKRT)**

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 Comprehensive Technical Upgrade Programme (the PKRT 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.

The contract is an element of the LOTOS Group's growth strategy and has been concluded to secure the construction of production facilities provided for in the PKRT Programme. The Programme is designed to increase the throughput capacity of the Gdańsk Refinery by approx. 75%, that is to 10.5 million tonnes of crude oil *p.a.* at a higher conversion ratio.

**Conclusion of an Engineering, Procurement and Construction Contract for an Oil Distillation Unit Signed as Part of the Comprehensive Technical Upgrade Programme (PKRT)**

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.

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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. The contract was concluded as part of the PKRT Programme, which is designed to increase the throughput capacity of the Gdańsk Refinery at a higher conversion ratio.

Another project carried out as part of the PKRT Programme is the turnkey construction of a hydrogen production unit by Lurgi S.A. of Kraków (member of the Lurgi Group) under a contract signed on June 28th 2007.

**Execution of an Annex to the Engineering, Procurement and Construction Contract for an Oil Distillation Unit Signed as Part of the Comprehensive Technical Upgrade Programme (PKRT)**

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.

Following the execution of the annex, the total value of contracts concluded between Grupa LOTOS S.A. and Lurgi S.A. in the last 12 months reached EUR 183m (PLN 697.7m at the mid-exchange rate quoted by the National Bank of Poland for August 1st 2007). 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.

The agreement is considered significant because the total value of agreements concluded between Grupa LOTOS S.A. and Lurgi S.A. in the last 12 months exceeds 10% of Grupa LOTOS S.A.'s equity.

**12. Material Events Subsequent to the End of Q2 2007**

No material events occurred from the balance-sheet date to the date of these condensed consolidated financial statements, except for the following:

1. 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 Pomeranian 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 Pomeranian 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 Pomeranian Tax Office issued decision No. VT/440-185/07/WP/DP on instigation of tax proceedings to investigate the correctness of VAT settlements for March 2005.
2. In connection with the approval by the Competition and Consumer Protection Office of concentration involving takeover of control over KRAK-GAZ Sp. z o.o. by LOTOS Gaz Sp. z o.o. (formerly LOTOS Mazowsze S.A.) through acquisition of its shares, on July 9th 2007 the final agreement on the purchase of 34,500 shares in KRAK-GAZ Sp. z o.o. was concluded. Acquisition of KRAK-GAZ Sp. z o.o. shares by

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LOTOS Gaz S.A. Before the issue of the decision by 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 conclusion of the final purchase agreement is conditional upon the Competition and Consumer Protection Office's approval of the business concentration involving the acquisition by LOTOS Gaz S.A. of control over KRAK-GAZ Sp. z o.o. by purchasing its shares. 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 16,367.9 thousand, and the transaction was financed with LOTOS Gaz S.A.'s own financial resources. 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.

### **13. Contingent Liabilities**

No material changes occurred in contingent liabilities from the last day of the previous financial year, i.e. December 31st 2006 (see Note 38 to the consolidated financial statements for 2006 prepared in accordance with the IFRS), except for the changes presented 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, the amount of EUR 13,436 thousand was drawn down under the letter of credit, and the balance as at June 30th 2007 was EUR 5,598 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. 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.
4. 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.
5. 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 validity term of the guarantee expires on July 3rd 2008.
6. As at June 31st 2007, LOTOS Jasło S.A. had a contingent liability under a blank promissory note issued to secure a working capital overdraft facility granted by PKO BP S.A., the Krosno branch, for the amount of PLN 20,000 thousand, with the validity term expiring on July 29th 2011.

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



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No changes occurred in relation to the court, arbitration or administrative proceedings or other risks concerning the Parent Undertaking or its subsidiary undertakings from the last day of the previous financial year, i.e. December 31st 2006 (see Note 41 to the consolidated financial statements for 2006 prepared in accordance with the IFRS), except for those presented 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.

In July 2005, the Company appealed to the Anti-Monopoly Court against the Competition and Consumer Protection Office's decision restricting 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 restriction 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. 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 damage 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.

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. As at the date of these condensed financial statements the cassation complaint was not considered.

4. At LOTOS Czechowice S.A., the Head of the Customs Office of Bielsko-Biała carried out an inspection to determine the correct amount of excise tax liability for the period from January 1st 2004 to September 30th 2004. As a result of the inspection, fiscal proceedings were instigated on May 18th 2005 on an *ex officio* basis. On May 5th 2006, LOTOS Czechowice S.A. received four decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the excise tax liability for January, February, and March 2004. The proceedings aimed at determining the excise tax liability for April 2004 were discontinued. On May 19th 2006 the company filed with the Director of the Customs Chamber an appeal against the aforementioned decisions as well as requests to withhold the execution of the decisions. In August 2006, the company received decisions issued by the Head of the Customs Office, which discontinued the proceedings concerning excise tax for May-September 2004. On October 17th 2006, LOTOS Czechowice S.A. received the decision of the Director of the Katowice Customs Chamber, setting the deadline by which the appeals against the decisions issued by the Head of the Excise Duty Office of Bielsko-Biała, determining the excise tax liability for January-March 2004, would be resolved, i.e. December 13th 2006. In the decision of February 9th 2007, Director of the Katowice Customs Chamber set the deadline for considering the case at April 13th 2007. In the last decision of June 17th 2007, Director of the Katowice Customs Chamber set another deadline for resolving the case – August 13th 2007. As at the date of these condensed financial statements the case was not resolved.

5. In connection with fiscal inspections and the decisions issued with respect to 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 Katowice Chamber, 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 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.

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

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

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

LOTOS Czechowice S.A. filed cassation complaints with the Supreme Administrative Court against the decisions issued by the Provincial Administrative Court of Gliwice, dated April 27th 2006, with respect to the following:

- tax for May 1998 – PLN 318 thousand,
- tax for October 1998 – PLN 618 thousand.

In the ruling of November 27th 2006, the Provincial Administrative Court of Gliwice dismissed the cassation complaint concerning the tax for October 1998. Currently, proceedings are pending before the Polish Constitutional Tribunal concerning breach of the Constitution when issuing the decision dismissing the cassation complaint.

The Provincial Administrative Court of Gliwice is considering the case related to overpayment of VAT for August 1998, amounting to PLN 292.7 thousand, without having set the date for the hearing.

The above proceedings do not give rise to any negative tax consequences for LOTOS Czechowice S.A., conversely, they may be a source of additional income.

6. 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. As at August 6th 2007, the sum of statutory interest amounted to PLN 72 thousand.

Currently, Petrobaltic S.A. is trying to establish whether there exist grounds to seek reversal of the aforementioned decision.

#### **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 June 30th 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 and the consolidated undertakings are presented in Note 2 to these condensed consolidated financial statements for the three and six months ended June 30th 2007.

**II Effects of Changes in the Structure of the LOTOS Group**

Q2 2007 saw no changes in the structure of the LOTOS Group, except for those disclosed in Note 10 to the condensed consolidated financial statements for the three and six months ended June 30th 2007.

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

The Management Board of Grupa LOTOS S.A. did not publish any forecasts of financial results for 2007.

**IV Seasonal or Cyclical Nature of the Company's Business in Q2 2007**

In Q2 2007, the operations of Grupa LOTOS S.A. were not affected by seasonality or cyclicity.

**V Issue, Redemption and Repurchase of Debt and Equity Securities in Q2 2007**

In Q2 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
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 %
ING Nationale-Nederlanden Polska OFE	5,876,589	5,876,589	5,876,589	5.17%
Other	40,920,381	40,920,381	40,920,381	35.99 %
<b>Total</b>	<b>113,700,000</b>	<b>113,700,000</b>	<b>113,700,000</b>	<b>100.00 %</b>

As a result of the acquisition of Grupa LOTOS S.A. shares in transactions carried out on the Warsaw Stock Exchange, which were settled on March 6th 2007, ING Nationale-Nederlanden Polska OFE came into possession of the Company shares conferring the right to over 5% of the total vote at the General Shareholders

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Meeting of Grupa LOTOS S.A. Prior to the abovementioned transactions, ING Nationale-Nederlanden Polska held 5,676,589 shares in Grupa LOTOS S.A., which represented 4.99% of the share capital and conferred the right to 5,676,589 votes at the General Shareholders Meeting, accounting for 4.99% of the total vote. As at March 7th 2007, 5,876,589 Grupa LOTOS S.A. shares were registered in the securities account of ING Nationale-Nederlanden Polska, which account for 5.17% of the Company's share capital and confer the right to 5,876,589 votes at the General Shareholders Meeting, representing 5.17% of the total vote.

**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 August 8th 2007
Management Board:					
Marek Sokołowski	8,638	-	-	-	8,638
Total	8,638	-	-	-	8,638

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

**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 condensed consolidated financial statements.

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

In the period January 1st – June 30th 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 condensed consolidated financial statements and those itemised below:

1. On January 2nd 2007, Grupa LOTOS S.A. and LOTOS Kolej Sp. z o.o. signed an agreement whereby LOTOS Kolej Sp. z o.o. will provide comprehensive railway services to Grupa LOTOS S.A. The services include:

- dispatch and receipt of railway shipments sent by or addressed to Grupa LOTOS S.A.,
- procurement of the required number of tank cars of appropriate type for Grupa LOTOS S.A.'s shipments,
- technical servicing and maintenance of proper technical condition of railway assets owned by Grupa LOTOS.

The agreement was concluded for five years. It provides for standard contractual penalties, whose amount will depend on the extent of LOTOS Kolej Sp. z o.o.'s delay in the performance of or failure to perform the services. The value of the agreement is estimated at approximately PLN 1,000,000 over the agreement term.

2. On January 23rd 2007, Grupa LOTOS S.A., LOTOS Partner Sp. z o.o. and BP Polska Sp. z o.o. signed a significant agreement concerning sale and supply of liquid fuels to BP Polska Sp. z o.o. The agreement was signed for a definite term, until December 31st 2007. Its value is estimated at PLN 1,000,000 thousand. The agreement contains provisions concerning contractual penalties, whose value may not exceed PLN 22,000

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thousand. It does not contain any provisions preventing the parties from seeking additional compensation pursuant to laws of general application.

**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 June 30th 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 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 2007 or in a longer time horizon:

- quotations of oil and petroleum products prices,
- PLN/USD exchange rate,
- supply and demand for petroleum products,
- liquidation of excise tax relief applicable to the operations of LOTOS Jasło S.A.,
- increase in excise tax
- accumulation of mandatory stocks

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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.**

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