



THE LOTOS GROUP

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31ST 2006
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

THE LOTOS GROUP
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS – CONSOLIDATED

THE LOTOS GROUP	PLN '000		EUR '000	
	Four quarters cumulatively Jan 1 – Dec 31 2006	Four quarters cumulatively Jan 1 – Dec 31 2005	Four quarters cumulatively Jan 1 – Dec 31 2006	Four quarters cumulatively Jan 1 – Dec 31 2005
Sales revenue	12,812,690	9,645,545	3,286,063	2,397,421
Operating profit	804,335	1,069,907	206,287	265,928
Pre-tax profit	901,081	1,137,654	231,100	282,766
Net profit	715,244	968,839	183,438	240,807
Net profit attributable to parent undertaking's shareholders	666,103	915,124	170,835	227,456
Net profit attributable to minority interests	49,141	53,715	12,603	13,351
Net cash provided by/(used in) operating activities	612,333	598,182	157,045	148,679
Net cash provided by/(used in) investing activities	(682,536)	(916,062)	(175,050)	(227,689)
Net cash provided by/(used in) financing activities	74,874	930,316	19,203	231,232
Total net cash flow	4,693	612,782	1,204	152,308
	PLN '000		EUR '000	
	As at Dec 31 2006	As at Dec 31 2005	As at Dec 31 2006	As at Dec 31 2005
Total assets	7,889,711	6,989,609	2,059,332	1,810,873
Equity attributable to parent undertaking's shareholders	5,214,963	4,553,828	1,361,183	1,179,809
Equity attributable to minority interests	300,817	254,281	78,518	65,879
Total equity	5,515,780	4,808,109	1,439,700	1,245,689
Basic earnings per ordinary share (PLN/EUR)	5.86	9.47	1.50	2.35
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED

GRUPA LOTOS S.A.	PLN '000		EUR '000	
	Four quarters cumulatively Jan 1 – Dec 31 2006	Four quarters cumulatively Jan 1 – Dec 31 2005	Four quarters cumulatively Jan 1 – Dec 31 2006	Four quarters cumulatively Jan 1 – Dec 31 2005
Sales revenue	11,631,594	8,545,728	2,983,148	2,124,059
Operating profit	340,698	535,081	87,379	132,996
Pre-tax profit	493,731	647,170	126,627	160,856
Net profit	409,791	532,268	105,099	132,296
Net cash provided by/(used in) operating activities	(210,229)	234,698	(53,917)	58,335
Net cash provided by/(used in) investing activities	(207,736)	(713,179)	(53,278)	(177,262)
Net cash provided by/(used in) financing activities	120,309	697,565	30,856	173,381
Total net cash flow	(297,656)	219,084	(76,340)	54,454
	PLN '000		EUR '000	
	As at Dec 31 2006	As at Dec 31 2005	As at Dec 31 2006	As at Dec 31 2005
Total assets	5,976,145	5,375,563	1,559,862	1,392,705
Equity	4,488,224	4,078,433	1,171,493	1,056,644
Basic earnings per ordinary share (PLN/EUR)	3.60	5.51	0.92	1.37
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

THE LOTOS GROUP
CONSOLIDATED BALANCE-SHEETS
as at December 31st 2006 and December 31st 2005

(PLN '000)	Dec 31 2006 (unaudited)	Dec 31 2005
ASSETS		
Non-current assets		
Property, plant and equipment	3,638,796	3,311,780
Goodwill	65,645	54,588
Intangible assets	54,796	51,086
Investment property	5,449	5,888
Investments in associated undertakings	83,151	83,336
Financial assets	22,233	20,193
Deferred tax asset	32,392	26,593
Other non-current assets	29,985	28,016
	-----	-----
Total non-current assets	3,932,447	3,581,480
	-----	-----
Current assets		
Inventories	1,707,398	1,432,939
Trade and other receivables, including:	1,273,680	1,060,348
- income tax receivables	31,049	8,705
Prepayments	15,682	11,288
Current financial assets	180,198	135,760
Cash and cash equivalents	772,487	767,794
	-----	-----
Total current assets	3,949,445	3,408,129
	-----	-----
Assets held for sale	7,819	-
	-----	-----
	=====	=====
Total assets	7,889,711	6,989,609
	=====	=====

THE LOTOS GROUP
CONSOLIDATED BALANCE-SHEETS
as at December 31st 2006 and December 31st 2005

(PLN '000)	Dec 31 2006 (unaudited)	Dec 31 2005
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	4,133,014	3,466,911
Currency-translation differences	(2,702)	2,266
	-----	-----
Equity attributable to parent undertaking's shareholders	5,214,963	4,553,828
	-----	-----
Equity attributable to minority interests	300,817	254,281
	-----	-----
Total equity	5,515,780	4,808,109
	-----	-----
Non-current liabilities		
Loans and borrowings	330,706	294,198
Non-current provisions	184,288	191,802
Deferred tax liability	204,092	218,677
Other (financial) liabilities	10,504	11,230
	-----	-----
Total non-current liabilities	729,590	715,907
	-----	-----
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:		
- income tax expense	1,382,706	1,273,519
Loans and borrowings	3,442	65,302
Current provisions	173,526	111,452
Other financial liabilities	85,854	79,660
	2,255	962
	-----	-----
Total current liabilities	1,644,341	1,465,593
	-----	-----
	=====	=====
Total equity and liabilities	7,889,711	6,989,609
	=====	=====

THE LOTOS GROUP
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for the three and twelve months ended December 31st 2006 and December 31st 2005

(PLN '000)	3 months ended Dec 31 2006	12 months ended Dec 31 2006	3 months ended Dec 31 2005	12 months ended Dec 31 2005
	(unaudited)	(unaudited)	(unaudited)	
Sales revenue	3,156,138	12,812,690	2,953,606	9,645,545
Cost of sales	(2,741,287)	(10,989,727)	(2,554,505)	(8,053,554)
Net profit on sales	414,851	1,822,963	399,101	1,591,991
Gain on disposal of assets available for sale	-	5,272	-	-
Other operating income	3,790	20,659	5,727	35,645
Negative goodwill	-	-	-	266,625
Goodwill impairment losses	(4,656)	(4,656)	-	-
Selling costs	(189,326)	(664,892)	(146,674)	(501,650)
General and administrative expenses	(108,755)	(315,665)	(94,080)	(273,986)
Other operating expenses	(31,705)	(59,346)	(26,583)	(48,718)
Operating profit	84,199	804,335	137,491	1,069,907
Financial income	45,697	141,310	28,652	75,742
Financial expenses	(17,636)	(44,560)	(13,536)	(52,557)
Interest in investments in associated undertakings	(7)	(4)	25,759	28,472
Sale of investments in associated undertakings	-	-	-	16,090
Pre-tax profit	112,253	901,081	178,366	1,137,654
Corporate income tax	(28,053)	(185,837)	(32,685)	(168,815)
Net profit	84,200	715,244	145,681	968,839
Attributable to:				
Parent undertaking's shareholders	85,651	666,103	127,264	915,124
Minority interests	(1,451)	49,141	18,417	53,715
	84,200	715,244	145,681	968,839
Net earnings per share				
- basic	0.75	5.86	1.32	9.47
- diluted	-	-	-	-

THE LOTOS S.A. GROUP
CONSOLIDATED CASH-FLOW STATEMENTS
for the twelve months ended December 31st 2006 and December 31st 2005

(PLN '000)	12 months ended Dec 31 2006	12 months ended Dec 31 2005
	(unaudited)	
Cash flows from operating activities		
Net profit	715,244	968,839
Adjustments:		
Share in net profit/(loss) of subordinated undertakings valued with equity method	4	(28,472)
Depreciation and amortisation	297,337	263,615
Foreign exchange gains/(losses)	(4,990)	568
Net interest and dividend paid	6,633	7,059
(Profit)/loss on investing activities	14,774	(17,340)
Income tax paid	(290,986)	(135,467)
Current income tax	185,837	168,815
(Increase) in receivables	(187,855)	(163,192)
(Increase) in inventories	(274,447)	(458,772)
Increase in liabilities and accruals and deferred income	157,435	271,859
Increase/(decrease) in provisions	58	(3,435)
(Increase) in prepayments and accrued income	(9,666)	(8,868)
Other	2,955	(267,027)
	-----	-----
Net cash provided by/(used in) operating activities	612,333	598,182
	-----	-----
Cash flows from investing activities		
Sale of non-current financial assets	-	41,648
Dividends received	2,527	33,469
Interest received	12,937	315
(Acquisition)/sale of property, plant and equipment and intangible assets	(655,177)	(799,195)
(Acquisition) of non-current financial assets, including:	-	(119,554)
- acquisition of subsidiary undertakings, net of cash acquired through merger	-	(117,680)
(Acquisition)/sale of current financial assets	(45,022)	(90,193)
Other, net	2,199	17,448
	-----	-----
Net cash provided by/(used in) investing activities	(682,536)	(916,062)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	216,870	351,349
Share issue	-	1,015,000
Repayment of loans and borrowings	(118,888)	(396,018)
Interest paid	(20,828)	(16,513)
Dividends paid – to parent undertaking's shareholders	-	(15,740)
Dividends paid – to minority interests	(2,520)	(3,022)
Other, net	240	(4,740)
	-----	-----
Net cash provided by/(used in) financing activities	74,874	930,316
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	22	346
	=====	=====
Change in net cash	4,693	612,782
	=====	=====
Cash at beginning of period	767,794	155,012
	=====	=====
Cash at end of period	772,487	767,794
	=====	=====
- restricted cash	22,995	1,572

THE LOTOS GROUP
STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
for the twelve months ended December 31st 2006 and December 31st 2005

(PLN '000)	Share capital	Reserve funds	Retained earnings/ (deficit)	Translation reserve	Equity attributable to Parent Undertaking's shareholders	Equity attributable to minority interests	Total equity
Jan 1 2005	78,700	-	2,563,930	-	2,642,630	14,882	2,657,512
Net profit for the twelve months ended							
Dec 31 2005	-	-	915,124	-	915,124	53,715	968,839
Dividend	-	-	(15,740)	-	(15,740)	-	(15,740)
New share issue	35,000	-	-	-	35,000	-	35,000
Share premium	-	980,000	-	-	980,000	-	980,000
Issue costs, including income tax	-	(9,049)	-	-	(9,049)	-	(9,049)
Consolidation of new companies	-	-	-	-	-	-	-
Other, not included above	-	-	-	-	-	-	-
Other	-	-	3,597	2,266	5,863	185,684	191,547
Dec 31 2005	113,700	970,951	3,466,911	2,266	4,553,828	254,281	4,808,109
Jan 1 2006	113,700	970,951	3,466,911	2,266	4,553,828	254,281	4,808,109
Net profit for the twelve months ended							
Dec 31 2006	-	-	666,103	-	666,103	49,141	715,244
Dividend	-	-	-	-	-	(2,520)	(2,520)
Other	-	-	-	(4,968)	(4,968)	(85)	(5,053)
Dec 31 2006 (unaudited)	113,700	970,951	4,133,014	(2,702)	5,214,963	300,817	5,515,780

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at December 31st 2006 and December 31st 2005

(PLN '000)	Dec 31 2006 (unaudited)	Dec 31 2005
ASSETS		
Non-current assets		
Property, plant and equipment	2,120,254	1,885,333
Intangible assets	44,873	44,035
Financial assets	696,005	686,507
	-----	-----
Total non-current assets	2,861,132	2,615,875
	-----	-----
Current assets		
Inventories	1,575,656	1,258,336
Trade and other receivables, including:	1,532,324	1,066,411
- income tax receivable	14,147	-
Prepayments	2,348	2,022
Current financial assets	3,360	133,938
Cash and cash equivalents	1,325	298,981
	-----	-----
Total current assets	3,115,013	2,759,688
	-----	-----
	=====	=====
Total assets	5,976,145	5,375,563
	=====	=====

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at December 31st 2006 and December 31st 2005

(PLN '000)	<u>Dec 31 2006</u>	<u>Dec 31 2005</u>
	<u>(unaudited)</u>	
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	3,403,573	2,993,782
Total equity	4,488,224	4,078,433
Non-current liabilities		
Loans and borrowings	-	-
Non-current provisions	15,150	14,288
Deferred tax liability	164,062	178,079
Total non-current liabilities	179,212	192,367
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:	1,144,250	1,060,609
- income tax expense	-	60,211
Loans and borrowings	120,309	-
Current provisions	44,150	44,154
Total current liabilities	1,308,709	1,104,763
Total equity and liabilities	5,976,145	5,375,563

GRUPA LOTOS S.A.
NON-CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for the three and twelve months ended December 31st 2006 and December 31st 2005

(PLN' 000)	3 months ended Dec 31 2006 (unaudited)	12 months ended Dec 31 2006 (unaudited)	3 months ended Dec 31 2005 (unaudited)	12 months ended Dec 31 2005
Sales revenue	2,779,847	11,631,594	2,658,827	8,545,728
Cost of sales	(2,654,898)	(10,721,976)	(2,475,920)	(7,549,452)
Profit on sales	124,949	909,618	182,907	996,276
Other operating income	566	1,859	4,214	9,828
Selling costs	(109,400)	(400,521)	(92,022)	(312,637)
General and administrative expenses	(46,836)	(165,464)	(44,189)	(148,242)
Other operating expenses	(1,248)	(4,794)	(8,743)	(10,144)
Operating profit	(31,969)	340,698	42,167	535,081
Financial income	30,208	166,458	21,692	139,156
Financial expenses	(8,851)	(13,425)	(4,124)	(27,067)
Pre-tax profit	(10,612)	493,731	59,735	647,170
Corporate income tax	2,234	(83,940)	(11,598)	(114,902)
Net profit	(8,378)	409,791	48,137	532,268
Earnings per share				
- basic	(0.07)	3.60	0.50	5.51
- diluted	-	-	-	-

GRUPA LOTOS S.A.
NON-CONSOLIDATED CASH-FLOW STATEMENTS
for the twelve months ended December 31st 2006 and December 31st 2005

(PLN '000)	12 months ended Dec 31 2006	12 months ended Dec 31 2005
	(unaudited)	
Cash flows from operating activities		
Net profit	409,791	532,268
Adjustments:		
Depreciation and amortisation	173,450	173,211
Foreign exchange gains/(losses)	-	-
Net interest and dividend paid	(63,231)	(45,284)
Profit/(loss) on investing activities	(869)	(25,501)
Current income tax	83,940	114,902
Income tax paid	(172,316)	(57,592)
(Increase) in receivables	(451,766)	(351,726)
(Increase)/decrease in inventories	(317,320)	(490,261)
Increase in liabilities and accruals and deferred income	126,103	385,460
Increase/(decrease) in provisions	858	(2,254)
(Increase) in prepayments and accrued income	(326)	1,472
Other, net	1,457	3
	-----	-----
Net cash provided by/(used in) operating activities	(210,229)	234,698
	-----	-----
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	72	1,478
(Acquisition)/sale of financial assets	130,459	(90,193)
Dividends and interest received	66,412	51,685
(Acquisition) of property, plant and equipment and intangible assets	(269,732)	(269,659)
(Acquisition)/sale of non-current financial assets	(4,389)	(234,890)
Other, net	(130,558)	(171,600)
	-----	-----
Net cash provided by/(used in) investing activities	(207,736)	(713,179)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	120,309	-
Share issue	-	1,015,000
Repayment of loans and borrowings	-	(289,316)
Interest paid	-	(6,985)
Dividends paid	-	(15,740)
Other, net	-	(5,394)
	-----	-----
Net cash provided by/(used in) financing activities	120,309	697,565
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	-	-
	=====	=====
Change in net cash	(297,656)	219,084
	=====	=====
Cash at beginning of period	298,981	79,897
	=====	=====
Cash at end of period	1,325	298,981
- restricted cash	1,151	-

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN NON-CONSOLIDATED EQUITY
for the twelve months ended December 31st 2006 and December 31st 2005

(PLN '000)	Share capital	Reserve funds	Retained earnings/ (deficit)	Total equity
Jan 1 2005	78,700	-	2,473,654	2,552,354
	=====	=====	=====	=====
Net profit for the twelve months ended December 31st 2005	-	-	532,268	532,268
Dividend	-	-	(15,740)	(15,740)
Share issue	35,000	-	-	35,000
Share premium	-	980,000	-	980,000
Issue costs, including income tax	-	(9,049)	-	(9,049)
Other	-	-	3,600	3,600
	=====	=====	=====	=====
Dec 31 2005	113,700	970,951	2,993,782	4,078,433
	=====	=====	=====	=====
Jan 1 2006	113,700	970,951	2,993,782	4,078,433
	=====	=====	=====	=====
Net profit for the 12 months ended December 31st 2006	-	-	409,791	409,791
	=====	=====	=====	=====
Dec 31 2006 (unaudited)	113,700	970,951	3,403,573	4,488,224
	=====	=====	=====	=====

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN NON-CONSOLIDATED EQUITY
for the twelve months ended December 31st 2006 and December 31st 2005

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31ST 2006

1. General Information

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

The Parent Undertaking’s registered office is situated at ul. Elbląska 135, 80-718 Gdańsk, Poland.

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

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

2. Composition of the Group

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2006	Dec 31 2005
Parent Undertaking					
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct Subsidiary Undertakings					
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk	Sale of fuels and provision of services for retail networks of international concerns; logistic services	full	100.00%	100.00%
LOTOS Mazowsze S.A.	Mława	Sale of LPG, heavy fuel oil and special products (sulphur, plasticizers, fuels containing recycled components)	full	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sales of base oils	full	100.00%	100.00%
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%
LOTOS Ekoenergia S.A.	Gdańsk	Construction of basic PKRT units; the company has not commenced operations	full	100.00%	100.00%

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN NON-CONSOLIDATED EQUITY
for the twelve months ended December 31st 2006 and December 31st 2005

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2006	Dec 31 2005
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00% ⁽¹⁾	87.44%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%
LOTOS Czechowice S.A. (parent undertaking of another group, formerly Rafineria Czechowice S.A.) ⁽²⁾	Czechowice	Production and processing of refined petroleum products and their wholesale	full	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group; formerly Rafineria Jasło S.A.) ⁽³⁾	Jasło	Production and processing of refined petroleum products and their wholesale and retail sale	full	80.01%	80.01%
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	Acquisition of reserves, crude oil and natural gas production	full	69.00%	69.00%
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	not consolidated due to immateriality	100.00%	100.00%
BiproRaf Sp. z o.o.	Gdańsk	Design services for oil industry	not consolidated due to immateriality	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%
LOTOS Hydrokompleks Sp. z o.o.	Gorlice	Construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated due to immateriality	100.00%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	Management of the Glimar Refinery assets	full	86.91%	90.00%
Laboratorium Badacz Sp. z o.o.	Jasło	Services	not consolidated due to immateriality	(4)	100.00%
Indirect Subsidiary Undertakings					
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	Services	full	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o. ⁽⁵⁾ (formerly RCParafiny Sp. z o.o.)	Czechowice-Dziedzice	No operations	full	80.04%	80.04%
RCRemo Sp. z o.o.	Czechowice-Dziedzice	Services	full	(6)	80.04%
CBA Racer Sp. z o.o.	Czechowice-Dziedzice	Services	full	(7)	80.04%
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	Services	(8)	89.66%	80.04%
RCPaliwa Sp. z o.o. in liquidation ⁽⁹⁾	Czechowice-Dziedzice	Trading (not commenced yet)	equity method	80.04%	80.04%
RCTransport Sp. z o.o.	Czechowice-Dziedzice	Services	-	(10)	80.04%

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN NON-CONSOLIDATED EQUITY
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Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2006	Dec 31 2005
LOTOS Tank Sp. z o.o.	Jasło	Trading	full / equity method	86.01%	86.01%
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	Services	full	(6)	79.56%
Plastekol Organizacja Odzysku S.A.	Jasło	Services	full	53.61%	53.61%
Rafineria Jasło Sped-Kol Sp. z o.o.	Jasło	No operations – lease of assets to LOTOS Kolej	not consolidated due to immateriality	(11)	80.01%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated due to immateriality	80.01%	80.01%
Chemipetrol Sp. z o.o.	Jasło	Trading – assets transferred to LOTOS Parafiny in exchange for shares	not consolidated due to immateriality	80.01%	80.01%
Miliana Shipping Company Ltd.	Cyprus	Services	full	68.93%	68.93%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Services	not consolidated due to immateriality	69,00%	69.00%

(1) 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.

(2) 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.

(3) 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.

(4) As described in Note 10 to these condensed consolidated financial statements, on January 3rd 2006 Laboratorium Badacz Sp. z o.o. was liquidated and merged into LOTOS Lab Sp. z o.o. by transferring its assets to LOTOS Lab Sp. z o.o.

(5) Name changed to LOTOS Biopaliwa Sp. z o.o. as of May 10th 2006

(6) As described in Note 10 to these condensed consolidated financial statements, on June 30th 2006 LOTOS Serwis Sp. z o.o. took over Rafineria Jasło Monto-Rem Sp. z o.o. of Jasło and RC Remo Sp. z o.o. of Czechowice-Dziedzice.

(7) On December 28th 2006, CBA Racer Sp. z o.o. was incorporated into LOTOS Czechowice S.A.

(8) Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A.

(9) 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.

(10) As described in Note 10 to these condensed consolidated financial statements, shares in the company were sold.

(11) On December 12th 2006, the General Shareholders Meeting approved the liquidation report concerning Rafineria Jasło SPED-KOL Sp. z o.o. At the same time, a request was filed with the Registry Court to remove the company from the National Court Register.

As at December 31st 2006 and December 31st 2005, the Group's share in the total vote at general shareholders meetings of its subsidiary undertakings equals the Group's share in the share capital of these undertakings.

3. Composition of the Parent Undertaking's Management Board

As at December 31st 2006 and as at the date of publication of these 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, Economic and Finance Director
Jarosław Kryński – Vice-President of the Management Board, Sales Director
Marek Sokołowski – Vice-President of the Management Board, Production and Development Director

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4. Rules of Presentation

These condensed consolidated financial statements were prepared in accordance with the IFRS 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 2005, prepared in accordance with the IRFS.

The financial data as at December 31st 2006 and for the three and twelve months ended on that date, as well as for the three months ended December 31st 2005, 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 twelve months ended December 31st 2006, assuming that GK Petrobaltic accounts for the shares in Naftos Gavyba (“NG”), its associated undertaking, using the equity method as at December 31st 2005. The consolidated financial statements of the NG Group (NG Group), prepared in line with the accounting policies applicable in Lithuania, served as the basis for disclosure in the consolidated financial statements of NG’s value corresponding to the number of NG shares held by Petrobaltic.

The measurement and reporting currency of these condensed consolidated financial statements is the Polish złoty (PLN). These consolidated financial statements are presented in PLN ‘000.

These condensed interim consolidated financial statements were approved by the Management Board for publication on February 26th 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 2005 (see Note 10 to the consolidated financial statements for 2005 prepared in accordance with the IFRS.).

Starting from January 1st 2006 the following standards changed following the modifications introduced by the International Accounting Standards Board:

- IAS 1 Presentation of Financial Statements
- IAS 19 Employee Benefits
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 39 Financial Instruments: Recognition and Measurement

The following standards and interpretations have been in effect since January 1st 2006:

- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

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The Company has reviewed the new standards and the changes to the existing ones. The new standards and the changes to the existing ones do not apply to these consolidated financial statements, with the exception of IFRS 6 Exploration for and Evaluation of Mineral Resources, whose adoption had no significant impact on the Group's accounting policies.

Furthermore, the International Accounting Standards Board issued the following new standards and interpretations which will apply in the forthcoming financial periods:

- IFRS 7 Financial Instruments: Disclosures
- IFRIC 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 these new standards and interpretations. Application of IFRS 7 from the year starting January 1st 2007 may lead to changes in disclosures relating to financial instruments.

6. Translation of the Financial Highlights into the EUR

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 profit and loss account and the cash-flow statement contained in the table "Financial Highlights" for Q1-Q3 (cumulative) were translated at the rate EUR 1 = PLN 3.8991 (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 – December 31st 2006).

The balance-sheet items contained in the table "Financial Highlights" were translated as at December 31st 2005 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 3.8598. The items of the profit and loss account and the cash-flow statement contained in the table "Financial Highlights" for Q1-Q4 2005 (cumulative) were translated at the rate EUR 1 = PLN 4.0233 (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 – December 31st 2005).

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 June 19th 2006, the Annual General Shareholders Meeting adopted a resolution concerning the distribution of the 2005 net profit of the parent undertaking. Pursuant to the resolution, the Company's entire net profit for the year ended December 31st 2005, amounting to PLN 532,268 thousand, was allocated to the Company's reserve funds. In these financial statements, the Company discloses the distributed profit/loss under "Retained earnings".

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9. Earnings per Share

	12 months ended Dec 31 2006	12 months ended Dec 31 2005
	(unaudited)	
Net profit attributable to parent undertaking's shareholders (PLN '000) (A)	666,103	915,124
Weighted average number of shares (in thousands) (B)*	113,700	96,632
Earnings per share (A/B)	5.86	9.47

* Earnings per share for the twelve months ended December 31st 2005 were computed on the basis of the weighted average number of shares in the period January 1st – December 31st 2005.

10. Changes in the LOTOS Group Structure

Acquisition of shares in LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A. in exchange for a contribution in kind

On January 2nd 2006, LOTOS Czechowice S.A. acquired, in exchange for a contribution in kind, 8,920 shares in the increased share capital of LOTOS Park Technologiczny Sp. z o.o. for the aggregate amount of PLN 4,460 thousand. As a result of the transaction, LOTOS Czechowice S.A. became the owner of 55.24% of shares in LOTOS Park Technologiczny Sp. z o.o., with a par value of PLN 500 per share. Following the transaction, LOTOS Czechowice S.A. holds 60.58% of shares in LOTOS Park Technologiczny Sp. z o.o. Prior to the execution of the transaction, Grupa LOTOS S.A. and LOTOS Czechowice S.A. held 12.5% and 11.93%, respectively, of shares in LOTOS Park Technologiczny Sp. z o.o.

On January 20th 2006, the District Court for Kraków-Śródmieście in Kraków, XII Commercial Division of the National Court Register, registered a share capital increase to PLN 8,074 thousand at LOTOS Park Technologiczny Sp. z o.o. Following the capital increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 16,148 shares, with a value of PLN 500 per share, conferring the right to 16,148 votes. The share capital was increased in exchange for a non-cash contribution made by LOTOS Czechowice S.A., whose value was established at PLN 4,460 thousand.

Merger of LOTOS Lab Sp. z o.o. and Laboratorium Badacz Sp. z o.o.

On January 3rd 2006, Laboratorium Badacz Sp. z o.o. was liquidated. Concurrently, a merger was effected by transferring all of the company's assets to LOTOS Lab Sp. z o.o. The transaction was entered into the National Court Register on January 3rd 2006.

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Acquisition of shares in RCRemo Sp. z o.o. and Monto-Rem Sp. z o.o. by LOTOS Serwis Sp. z o.o.

On January 5th 2006, LOTOS Serwis Sp. z o.o. acquired the following assets:

- 2,428 shares in RCRemo Sp. z o.o. of Czechowice – Dziedzice from LOTOS Czechowice S.A., controlled in 80.04% by Grupa LOTOS S.A., for the aggregate amount of PLN 3,000 thousand
- 3,200 shares in Monto-Rem Sp. z o.o. of Jasło from LOTOS Jasło S.A., controlled in 80.01% by Grupa LOTOS S.A., for the aggregate amount of PLN 1,768 thousand.

Until the execution of the transaction, Monto – Rem Sp. z o.o. operated as part of the LOTOS Jasło Group, while RCRemo Sp. z o.o. had been wholly-owned by LOTOS Czechowice S.A. Following the transaction, LOTOS Serwis Sp. z o.o. came to hold 100% of shares in RCRemo Sp. z o.o. and 100% of shares in Rafineria Jasło Monto – Rem Sp. z o.o. The par value per share in RCRemo Sp. z o.o. and in Rafineria Jasło Monto – Rem Sp. z o.o. is PLN 1 thousand and PLN 500, respectively. The aggregate par value of 100% of shares in the two companies acquired by LOTOS Serwis Sp. z o.o. amounts to PLN 2,428 thousand and PLN 1,600 thousand, respectively. The transaction is part of a programme intended to rearrange the structure of the LOTOS Group and a programme aimed at restructuring the Southern Refineries.

Registration of Changes in the Share Capital of LOTOS Parafiny Sp. z o.o.

On January 23rd 2006, the District Court of Rzeszów, XII Commercial Division, registered a change in the share capital of LOTOS Parafiny Sp. z o.o. in the National Court Register. Following the registration of the change, 100% of the share capital of LOTOS Parafiny Sp. z o.o. is held by Grupa LOTOS S.A. The share capital is made up of 19,783 shares with a par value of PLN 1,000 per share, conferring the rights to 19,783 votes at the company's General Shareholders Meeting. The change in the share capital of LOTOS Parafiny Sp. z o.o. occurred as a result of the agreement executed on December 16th 2005 between Grupa LOTOS S.A., Rafineria Jasło S.A., RC Parafiny and Chemipetrol Sp. z o.o., whereby Grupa LOTOS S.A. acquired 14,639 shares in LOTOS Parafiny Sp. z o.o.

Disposal of Shares in RCTransport Sp. z o.o. by LOTOS Czechowice S.A.

On February 16th 2006, LOTOS Czechowice S.A. signed an agreement on sale, to Paul Klaccka Sp. z o.o., of 100% of shares held in RCTransport Sp. z o.o., that is 3,213 shares with a par value of PLN 500 per share and total par value of PLN 1,606.5 thousand. The selling price of all the shares is PLN 2,800 thousand. The transfer of the ownership right from LOTOS Czechowice S.A. to the buyer is conditional on the satisfaction of all of the following conditions:

- the buyer concludes a transport agreement with LOTOS Paliwa Sp. z o.o.
- the Buyer pays the price for the shares to LOTOS Czechowice S.A.

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

On January 17th 2006, the District Court for Kraków-Śródmieście of Kraków, XII Commercial Division of the National Court Register, registered a share capital increase to PLN 12,374 thousand at LOTOS Park Technologiczny Sp. z o.o. Following the increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 24,748 shares with a par value of PLN 500 per share, conferring the right to 24,748 votes. The share capital increase was effected through a cash contribution of PLN 4,300 thousand made by Grupa LOTOS S.A. As a consequence, Grupa LOTOS S.A.'s share in the share capital of LOTOS Park Technologiczny Sp. z o.o. was increased to 38.4%.

Subsequent to the registration of the said increase, shareholder structure at LOTOS Park Technologiczny is as follows:

- 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,
- RCRemo Sp. z o.o. holds 2,834 shares with the aggregate value of PLN 1,417 thousand,
- Kolaja&Partners Sp. z o.o. holds 100 shares with the aggregate value of PLN 50 thousand.

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Share capital increase at LOTOS Biopaliwa Sp. z o.o.

On May 10th 2006, the District Court of Katowice, Commercial Division of the National Court Register, registered a share capital increase of up to PLN 10,000 thousand at LOTOS Biopaliwa Sp. z o.o.. Following the increase, the company's share capital is divided into 20,000 shares with a par value of PLN 500 per share. Upon registration of the change in the share capital, the total number of votes stands at 20,000. The shares acquired in the increased share capital of LOTOS Biopaliwa Sp. z o.o. were fully paid up with cash. The capital structure of LOTOS Biopaliwa Sp. z o.o. was changed with a view to constructing a unit for the production of fatty acid esters. The project will be carried out with the use of the CD Process (Connemann Diesel) technology and licence. After the unit is placed in service, LOTOS Biopaliwa Sp. z o.o. will produce 100 thousand tonnes of biocomponent annually. LOTOS Biopaliwa Sp. z o.o. is a wholly-owned subsidiary of LOTOS Czechowice S.A., in which Grupa LOTOS S.A. holds an 80.04% equity interest.

Merger of LOTOS Serwis Sp. z o.o. with Monto-Rem Sp. z o.o. and RCRemo Sp. z o.o.

On June 30th 2006, LOTOS Serwis Sp. z o.o. acquired Rafineria Jasło Monto-Rem Sp. z o.o. of Jasło and RCRemo Sp. z o.o. of Czechowice-Dziedzice. The transaction was entered into the National Court Register on June 30th 2006.

Acquisition of shares in LOTOS Park Technologiczny Sp. z o.o. by LOTOS Jasło S.A. in exchange for a contribution in kind

On December 6th 2006, LOTOS Jasło S.A. and LOTOS Park Technologiczny entered into a transaction by way of an agreement on the transfer to LOTOS Park Technologiczny Sp. z o.o. of perpetual usufruct right to land and ownership title to buildings, structures, plant and equipment, with the aggregate value of PLN 4,933 thousand. In exchange for the contribution, LOTOS Jasło S.A. acquired 9,866 shares in the increased share capital of LOTOS Park Technologiczny Sp. z o.o., for a total amount of PLN 4,933 thousand. As a result of the transaction, LOTOS Jasło S.A. came to hold 28.5% of shares in LOTOS Park Technologiczny Sp. z o.o., with a par value of PLN 500 per share. The transaction forms part of the programme aimed at streamlining the structure of the LOTOS Group and the restructuring programme for the Southern Refineries.

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 is as follows:

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

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

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

11. Supplementary Information

Acquisition of the ESSO service station network

On August 24th 2005, LOTOS Paliwa Sp. z o.o. entered into a preliminary conditional agreement on purchase of ESSO service station network in Poland from ExxonMobil Poland Sp. z o.o. The transaction concerns an organised part of ExxonMobil Poland's business, comprising in particular:

- 39 service stations along with real estate owned, held in perpetual usufruct or under long-term leases,
- 14 undeveloped lots for new service stations, owned or held in perpetual usufruct (including three lots covered by call options).

The preliminary agreement provided for a transfer of 24 employees of ExxonMobil Poland Sp. z o.o., who had been engaged in the expansion of the ESSO network in Poland. As part of the transaction, Grupa LOTOS S.A. and ExxonMobil are to conduct domestic and international cooperation in serving ESSO customers at LOTOS stations in Poland and LOTOS customers holding fleet cards at service stations accepting ESSO cards outside Poland (in a number of European countries). It also provides for a continuation of the loyalty scheme for ESSO retail customers. Furthermore, LOTOS Paliwa Sp. z o.o. agreed to purchase (for additional consideration) assets connected with day-to-day operations of the acquired stations (stocks of fuels, receivables from agents and loyalty card holders, etc.).

On December 14th 2005, LOTOS Paliwa Sp. z o.o. and ExxonMobil Poland Sp. z o.o. completed the transaction by concluding the final agreement. The net price for the organised part of business was PLN 283,318 thousand, of which PLN 250,728 thousand accounts for the 39 service stations. LOTOS Paliwa Sp. z o.o. financed the transaction with funds from the additional contributions to equity made by Grupa LOTOS S.A. and from the loan granted under the agreement concluded in 2004 between LOTOS Paliwa Sp. z o.o. and a bank syndicate (Bank Pekao S.A. and PKO BP S.A.).

As at December 31st 2005, the expenditure incurred by LOTOS Paliwa Sp. z o.o. on the purchase of the organised part of business amounted to PLN 248,048 thousand, of which PLN 215,458 thousand was spent to acquire 33 stations. The acquisition of the ESSO stations resulted in the recognition of goodwill in the amount of PLN 42,717 thousand, reflecting the difference between the acquisition cost and the fair value of the acquired assets.

In connection with the final settlement of the transaction and the acquisition of subsequent service stations under the aforementioned transaction, goodwill disclosed in the 2005 consolidated financial statements decreased by PLN 545 thousand. As at December 31st 2006, the expenditure incurred by LOTOS Paliwa Sp. z o.o. on the purchase of the organised part of business amounted to PLN 282,843 thousand, of which PLN 250,253 thousand was spent to acquire 39 stations.

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The acquisition of the ESSO stations resulted in the recognition of goodwill in the amount of PLN 46,828 thousand, reflecting the difference between the acquisition cost and the fair value of the acquired assets. The difference relates to one cash-generating unit. No cash was acquired in the transaction. The recoverable value of cash-generating units was determined on the basis of their fair value.

The acquisition cost (the cost of merger of an organised part of the Exxon Mobil Poland business) was affected by additional expenses related to the expenditure incurred by LOTOS Paliwa on tax and financial advisory services, the costs of external financing, as well as lease payments and building permit charges.

The final goodwill arising on the transaction as at December 31st 2006 is as follows:

(PLN '000)	Dec 31 2006
Merger cost (acquisition cost)	297,924
Non-current assets	251,096
Goodwill	46,828

Following goodwill impairment testing, the Group recognised an impairment loss of PLN 4,656 thousand.

Acquisition of Slovnaft Polska S.A.'s service station network

In connection with Current Report No. 76/2005 of September 28th 2005, concerning the conclusion by LOTOS Paliwa Sp. z o.o. of a preliminary conditional agreement on acquisition of the network of Slovnaft service stations in Poland from Slovnaft Polska S.A., having fulfilled all conditions precedent of the agreement, on March 9th 2006 LOTOS Paliwa Sp. z o.o. closed the transaction with Slovnaft Polska S.A. by concluding the final agreement.

The transaction consisted in the acquisition of an organised part of Slovnaft Polska S.A.'s business, comprising:

- twelve Slovnaft service stations situated in southern Poland, in an area of strategic importance to the development of the LOTOS network,
- two undeveloped lots for new service stations (the sale agreement for one of the lots is a conditional agreement).

The net price of the transaction reached EUR 15,000 thousand. LOTOS Paliwa Sp. z o.o. financed the transaction with funds from additional contributions to equity made by Grupa LOTOS S.A., representing one of the objectives of the public offering, and with a loan granted under the agreement concluded in 2004 between LOTOS Paliwa Sp. z o.o. and a bank syndicate (Bank Pekao S.A. and PKO BP S.A.).

As at December 31st 2006, the expenditure incurred by LOTOS Paliwa Sp. z o.o. on the purchase of the organised part of business comprising 12 service stations amounted to PLN 57,434 thousand.

Upon acquisition of the Slovnaft service station network, goodwill of PLN 11,601 thousand was recognised, representing the difference between the acquisition price and the fair value of the acquired net assets. The difference concerns one cash generating unit. No cash was acquired in the transaction. The recoverable value of cash flow generating units was determined based on their fair value.

(PLN '000)	Dec 31 2006
Merger cost (acquisition cost)	60,026
Non-current assets	48,425
Goodwill	11,601

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Contributions to Equity of LOTOS Parafiny Sp. z o.o.

On January 10th 2006, the Extraordinary Shareholders Meeting of LOTOS Parafiny Sp. z o.o. adopted a resolution on contributing PLN 5.1m to the company's equity by January 12th 2006. On January 12th 2006, Grupa LOTOS S.A. made contributions to the equity of LOTOS Parafiny Sp. z o.o. The contributions were allocated to the implementation of the Prometeusz investment project involving the launch of a plant manufacturing candles and sale of candle products.

12. Material Events Subsequent to Q4 2006

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

1. 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.

13. Contingent Liabilities

No material changes occurred in contingent liabilities from the last day of the previous financial year, i.e. December 31st 2005 (see Note 41 to the consolidated financial statements for 2005 prepared in accordance with the IFRS), except for the changes presented below:

1. On March 16th 2006, Grupa LOTOS S.A. submitted excise security in the form of a blank promissory note of up to PLN 200,000 thousand in respect of a tax liability related to the suspended-excise-tax procedure; the security is effective up until March 16th 2007; The validity of the promissory note of July 7th 2005 for PLN 200,000 thousand, issued to secure the Company's tax liability connected with the procedure of suspending the collection of excise tax, was extended until July 7th 2007. The original validity term of the blank promissory note securing the excise tax liability expired on July 7th 2006.
2. On July 4th 2006, at the request of Grupa LOTOS S.A., Bank Millennium S.A. issued a bank guarantee for the benefit of the Head of the Customs Chamber in Gdynia in order to secure liabilities towards the customs office, liabilities connected with tax and other charges that may arise from July 4th 2006 to May 4th 2007, for the aggregate amount of up to PLN 160,000 thousand. The bank's obligations expire on July 3rd 2007.
3. In connection with the extension of the term of the working capital overdraft facility contracted with PKO BP S.A. Jasło Branch by LOTOS Jasło S.A., the validity of the security in the form of a blank promissory note of up to PLN 12,000 thousand, issued for the benefit of PKO BP S.A. Jasło Branch, was extended until July 28th 2009. The original validity term of the promissory note expired on August 30th 2006.
Following an increase of the overdraft facility limit by PLN 3,000 thousand, the contingent liability in the form of the blank promissory note issued for the benefit of PKO BP S.A. rose to PLN 15,000 thousand.
4. Following loan repayment by LOTOS Jasło S.A, the Company's contingent liability under a blank promissory note of up to PLN 4,300 thousand, issued for the benefit of Podkarpacki Bank Spółdzielczy of Sanok, expired.

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

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 2005 (see Note 43 to the consolidated financial statements for 2005 prepared in accordance with the IFRS), except for those presented below:

1. On March 30th 2006, LOTOS Paliwa Sp. z o.o. received a decision of the Gdańsk Tax Office of March 28th 2006 relating to the determination of the value added tax liability for January 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office imposed an additional tax liability on the company, related to the settlement of the purchase of an organised part of business of LOTOS Mazowsze S.A. LOTOS Paliwa Sp. z o.o. did not account for the impact of this event in its financial statements since the Management Board of LOTOS Paliwa Sp. z o.o. lodged an appeal against the decision of the Tax Office and believes that the decision will be reversed in favour of the Company. On July 25th 2006, LOTOS Paliwa Sp. z o.o. received a decision of the Head of the Gdańsk Tax Chamber, dated July 21st 2006, in which the Head of the Gdańsk Tax Chamber revoked in full the decision of the Gdańsk Tax Office determining a value added tax liability for January 2005 and establishing an additional tax liability, and remanded the case for re-examination by the Gdańsk Tax Office. The Head of the Gdańsk Tax Office prolonged the tax proceedings concerning the case in question until March 15th 2007.

2. On April 12th 2006, the Head of the Customs Office of Bielsko-Biała instigated proceedings at LOTOS Czechowice S.A. in order to determine the correct amount of excise tax liability for September 1st – December 31st 2003. Before conclusion of the proceedings, it is difficult to determine whether and in what amount the excise tax liabilities will be reassessed. By virtue of his decision of January 31st 2007, the Head of the Customs Office of Bielsko-Biała set March 31st 2007 as the date for concluding the proceedings.

3. On May 5th 2006, LOTOS Czechowice S.A. received four decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the amount of excise tax liability for January, February, and March 2004. The proceedings concerning determination of the amount of excise tax liability for April 2004 were discontinued. On May 19th 2006, the company appealed to the Director of the Customs Chamber against the abovementioned decisions and filed motions for suspending their execution. In August 2006, LOTOS Czechowice S.A. received decisions issued by the Head of the Customs Office and discontinuing the proceedings concerning the tax liability for May–September 2004. On October 17th 2006, LOTOS Czechowice S.A. received a decision issued by the Director of the Customs Chamber of Katowice and setting December 13th 2006 as the deadline for the examination of the appeals against the decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the amount of excise tax liability for January, February, and March 2004. In the decision of February 9th 2007, the Director of the Customs Chamber of Katowice set April 13th 2007 as the date for concluding the proceedings.

4. On June 8th 2006, the Minister of State Treasury appealed against a court ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998, concluded by Grupa LOTOS S.A. and Polska Żegluga Morska (a state-owned company) and providing for the sale of two shares in Naftoport Sp. z o.o., worth PLN 3,340 thousand. 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. The Company has the right to submit a cassation appeal against the ruling by April 7th 2007.

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5. On July 25th 2006, the Head of II Tax Office for the Province of Katowice in Bielsko-Biala forwarded to LOTOS Czechowice S.A. its authorisation to carry out a tax inspection, dated July 24th 2006, concerning corporate income tax for 2000. In August 2006, LOTOS Czechowice S.A. received the post-inspection report. LOTOS Czechowice S.A. submitted its explanations and objections to the report in September 2006. On September 29th 2006, LOTOS Czechowice received decisions issued by the Head of II Tax Office for the Province of Katowice in Bielsko-Biala concerning the institution, *ex officio*, of tax proceedings for the determination of corporate income tax liability for 2000 and interest on overdue income tax. By virtue of the decision of December 12th 2006 issued by the Head of II Tax Office for the Province of Katowice in Bielsko-Biala, the 2000 corporate income tax liability was increased by PLN 31 thousand. LOTOS Czechowice S.A. paid the amount along with due interest.

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

No issue, redemption or repayment of debt or equity securities occurred between January 1st and December 31st 2006.

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 twelve months ended December 31st 2006.

II Effects of Changes in the Structure of the LOTOS Group

Q4 2006 saw no changes in the structure of the LOTOS Group, except for those disclosed in Note 2 to the condensed consolidated financial statements for the three and twelve months ended December 31st 2006.

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

On September 5th 2006, the Management Board of Grupa LOTOS S.A. published, in Current Report No. 53/2006, forecasts of the LOTOS Group's 2006 consolidated financial results.

The table below sets forth forecast values of selected items of the LOTOS Group's consolidated profit and loss account.

(PLN million)	2006
Sales revenue	13,436
Depreciation and amortisation	307
Operating profit	819
Net profit	723
Net profit attributable to Parent Undertaking's shareholders	657

The Q4 2006 results shown in these condensed consolidated financial statements do not differ materially from the financial forecasts published by the Group.

IV Seasonal or Cyclical Nature of the Company's Business in Q4 2006

In Q4 2006, 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 Q4 2006

In Q4 2006, Grupa LOTOS S.A. did not issue, redeem or repurchase any debt or equity securities.

VI Dividend Paid Out or Declared in Q4 2006

In Q4 2006, Grupa LOTOS S.A. did not declare or pay out any dividend.

VII 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	% 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%
Other *	46,796,970	46,796,970	46,796,970	41.16%
Total	113,700,000	113,700,000	113,700,000	100.00%

* The Company has no information on any other shareholders holding, directly or indirectly through subsidiary undertakings, 5% or more of the total vote at the General Shareholders Meeting of the Parent Undertaking, as by the date of these condensed consolidated financial statements the company received no information to this effect from such shareholders. The Company has no information concerning any changes in the ownership of material blocks of shares.

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To the Company's knowledge, no changes occurred in the ownership of material blocks of the Company shares in the period between the publication of the previous quarterly report and publication of the Q4 2006 Report.

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

	As at the date of previous quarterly report	Acquisition	Sale	Other	As at Feb 20 2007
Marek Sokołowski	8,636	-	-	-	8,636
Total	8,636	-	-	-	8,636

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

IX 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.

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

In the period January 1st – December 31st 2006, 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 20th 2006, LOTOS Czechowice S.A. and LOTOS Mazowsze S.A. concluded an agreement providing for the sale of heating oil by LOTOS Czechowice S.A. to LOTOS Mazowsze S.A. The agreement was executed for a definite period, i.e. until March 31st 2006. Its estimated value was PLN 30,000 thousand. The transaction was made on an arms-length basis.
2. On June 23rd 2006, two contributions were made to the equity of LOTOS Biopaliwa Sp. z o.o. (wholly-owned by LOTOS Czechowice S.A.), pursuant to the Resolution of the Extraordinary General Shareholders Meeting of LOTOS Biopaliwa Sp. z o.o., dated June 21st 2006, on obliging a shareholder (i.e. LOTOS Czechowice S.A., in which Grupa LOTOS S.A. holds an 80.04% interest) to make contributions. The first contribution was made in the amount of PLN 685.75 per share (PLN 13,715 thousand in aggregate), without specifying the repayment date. The second contribution was made in the amount of PLN 825.00 per share (PLN 16,500 thousand in aggregate), with the date of repayment to the shareholder set as March 31st 2007. The contributions were made to provide funds for placement of a security deposit by LOTOS Biopaliwa Sp. z o.o. to secure payments related to the contract with MAN Ferrostaal of Germany on the construction of a biocomponent production unit.

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3. On December 28th 2006, Grupa LOTOS S.A. and LOTOS Asphalt Sp. z o.o. signed a significant agreement on the sale of heating oil to LOTOS Asphalt Sp. z o.o. The agreement was concluded for an unspecified period and provides for standard contractual penalties whose value depends on the quantity of product not supplied or not collected. The estimated 5-year value of the agreement is approximately PLN 450,000 thousand. Concurrently, in connection with the consistent implementation of the policy of streamlining and restructuring the LOTOS Group's sales division, on January 1st 2007 Grupa LOTOS S.A. discontinued the sale of heating oil to LOTOS Mazowsze S.A.

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

In the period from January 1st to December 31st 2006 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.

XII 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, in the notes hereto, and the information presented below:

1. On August 29th 2006, Grupa LOTOS S.A. and Kuwait Petroleum Corporation concluded an agreement for the first delivery of crude oil by Kuwait Petroleum Corporation to Grupa LOTOS S.A., which took place in October 2006. The agreement provides for the delivery of approx. 1m barrels of crude oil in October 2006.
2. On October 24th 2006, Grupa LOTOS S.A. entered into an agreement with PETRACO OIL COMPANY Limited of Guernsey for the delivery to Grupa LOTOS S.A. of 9,000,000 (nine million) tonnes of REBCO crude oil from Rosnefti resources, in the period January 1st 2007–December 31st 2011.
The term of the agreement may be extended by one year. The value of deliveries to be made under the agreement until 2011 amounts to USD 2,600,000,000 (two billion and six hundred million U.S. dollars) (PLN 8,024,900,000, translated at the mid exchange rate quoted by the National Bank of Poland for October 24th 2004). The terms and conditions of the agreement, including those concerning contractual penalties, do not differ from terms and conditions commonly applied in such agreements.

Execution of the agreement is part of the Company's strategy for the years 2006–2012, disclosed in Current Report No. 46/2006 of June 2006. The strategy which provides for diversification of oil supplies through:

- increased own production
- supplies delivered via the Druzhba Pipeline from countries east of Poland
- supplies delivered by sea from other sources.

3. In a letter from the Minister of Environmental Protection, dated September 28th 2006, Petrobaltic S.A. was granted a licence for the extraction of crude oil and co-occurring natural gas in the B8 reservoir. The licence term is ten years. The licensed activities are due to start within 24 months from September 5th 2006, i.e. the date of granting the licence. The B8 reservoir is located nearly 68 km from the coast, off the Hel peninsula, and lies 2.1 km below the seabed. The reservoir is planned to be commercially operational for ten years.

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4. On November 7th 2006, Petrobaltic S.A. received decisions by the Minister of the Natural Environment whereby its Licence No. 36/2001/p of December 14th 2001 for exploration and prospecting for oil and gas in the Gotland region, situated in the eastern part of the marine territory of the Republic of Poland, has been extended by three years (until December 14th 2010). The Gotland region is the site of B23 reservoir, situated approx. 160 km north of Gdańsk. Based on geological surveys of the area, its recoverable hydrocarbon reserves are estimated at approx. 15 million cubic metres. In addition, on November 7th 2006, Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic S.A. received a 20-year licence to produce natural gas (gas condensate) from reservoir B6 situated in the Polish exclusive economic zone of the Baltic Sea. The licence will make it possible to continue the work on a concept for the development of these reserves. The B6 reservoir, whose reserves are estimated at approx. 1,800 million cubic metres, is situated approx. 75 km north of Łeba.

5. On November 15th 2006, Grupa LOTOS S.A. and ABB Lummus Global executed an EPC contract for the construction of a diesel oil hydro-desulphurisation (HDS) unit based on a licence granted by Chevron Lummus Global. The construction of the HDS unit will enable the Company to fulfil the EU requirements concerning the quality of diesel oils, which will come into force as of 2009. The unit's capacity is adapted to the planned oil throughput volume of 10.5 million tonnes, with the annual output of desulphurised diesel oil at 2.3 million tonnes. The contract is to be executed over a period of 31 months. The contract was signed in pursuance of the development strategy of the LOTOS Group, which provides for the construction of HDS units as part of the Comprehensive Technical Upgrade Programme. The Programme's objective is to increase the annual throughput capacity of the Gdańsk refinery by approximately 75%, to 10.5 million tonnes of crude oil, with a higher conversion ratio.

XIII 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,
- possible further decisions of the Minister of Finance regarding excise tax relief applicable to the operations of LOTOS Jasło S.A.,
- increase in excise tax.

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XIV Signatures of the Management Board Members

President of the Management Board, CEO	
	Paweł Olechnowicz
Vice-President of the Management Board, Economic and Finance Director	
	Mariusz Machajewski
Vice-President of the Management Board, Sales Director	
	Jarosław Kryński
Vice-President of the Management Board, Chief Production and Development Director	
	Marek Sokołowski