



THE LOTOS GROUP

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2006
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS – CONSOLIDATED

THE LOTOS GROUP	PLN '000		EUR '000	
	Three quarters cumulatively Jan 1 – Sep 30 2006	Three quarters cumulatively Jan 1 – Sep 30 2005	Three quarters cumulatively Jan 1 – Sep 30 2006	Three quarters cumulatively Jan 1 – Sep 30 2005
Sales revenue	9,656,552	6,691,939	2,465,230	1,648,951
Operating profit	720,136	932,416	183,844	229,755
Pre-tax profit	788,828	959,288	201,381	236,377
Net profit	631,044	823,158	161,100	202,833
Net profit attributable to parent undertaking's shareholders	580,452	787,860	148,184	194,135
Net profit attributable to minority interests	50,592	35,298	12,916	8,698
Net cash provided by/(used in) operating activities	508,284	472,950	129,760	116,539
Net cash provided by/(used in) investing activities	(373,826)	(685,871)	(95,434)	(169,005)
Net cash provided by/(used in) financing activities	8,635	838,932	2,204	206,720
Total net cash flow	143,093	627,227	36,530	154,554
	PLN '000		EUR '000	
	As at Sep 30 2006	As at Dec 31 2005	As at Sep 30 2006	As at Dec 31 2005
Total assets	7,823,219	6,989,609	1,963,906	1,810,873
Equity attributable to parent undertaking's shareholders	5,132,753	4,553,828	1,288,503	1,179,809
Equity attributable to minority interests	302,353	254,281	75,901	65,879
Total equity	5,435,106	4,808,109	1,364,405	1,245,689
Basic earnings per ordinary share (PLN/EUR)	5.11	8.67	1.30	2.14
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED

THE LOTOS GROUP	PLN '000		EUR '000	
	Three quarters cumulatively Jan 1 – Sep 30 2006	Three quarters cumulatively Jan 1 – Sep 30 2005	Three quarters cumulatively Jan 1 – Sep 30 2006	Three quarters cumulatively Jan 1 – Sep 30 2005
Sales revenue	8,851,747	5,886,901	2,259,770	1,450,583
Operating profit	372,667	492,914	95,138	121,458
Pre-tax profit	504,343	587,435	128,754	144,749
Net profit	418,169	484,131	106,755	119,294
Net cash provided by/(used in) operating activities	(151,046)	167,663	(38,561)	41,314
Net cash provided by/(used in) investing activities	(116,929)	(659,584)	(29,851)	(162,527)
Net cash provided by/(used in) financing activities	11,824	810,262	3,019	199,656
Total net cash flow	(256,151)	318,341	(65,393)	78,442
	PLN '000		EUR '000	
	As at Sep 30 2006	As at Dec 31 2005	As at Sep 30 2006	As at Dec 31 2005
Total assets	6,066,174	5,375,563	1,522,825	1,392,705
Equity	4,496,602	4,078,433	1,128,807	1,056,644
Basic earnings per ordinary share (PLN/EUR)	3.68	5.33	0.94	1.31
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at September 30th 2006 and December 31st 2005

(PLN '000)	Sep 30 2006 (unaudited)	Dec 31 2005
ASSETS		
Non-current assets		
Property, plant and equipment	3,541,990	3,311,780
Goodwill	71,014	54,588
Intangible assets	53,807	51,086
Investment property	5,506	5,888
Investments in associated undertakings	83,336	83,336
Financial assets	19,769	20,193
Deferred tax asset	37,073	26,593
Other non-current assets	28,836	28,016
	-----	-----
Total non-current assets	3,841,331	3,581,480
	-----	-----
Current assets		
Inventories	1,622,107	1,432,939
Trade and other receivables, including:	1,341,230	1,060,348
- income tax receivables	9,208	8,705
Prepayments	24,959	11,288
Current financial assets	80,452	135,760
Cash and cash equivalents	910,887	767,794
	-----	-----
Total current assets	3,979,635	3,408,129
	-----	-----
Assets held for sale	2,253	-
	-----	-----
	=====	=====
Total assets	7,823,219	6,989,609
	=====	=====

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at September 30th 2006 and December 31st 2005

(PLN '000)	Sep 30 2006 (unaudited)	Dec 31 2005
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	4,047,363	3,466,911
Currency-translation differences	739	2,266
	-----	-----
Equity attributable to parent undertaking's shareholders	5,132,753	4,553,828
	-----	-----
Equity attributable to minority interests	302,353	254,281
	-----	-----
Total equity	5,435,106	4,808,109
	-----	-----
Non-current liabilities		
Loans and borrowings	305,385	294,198
Non-current provisions	173,240	191,802
Deferred tax liability	206,597	218,677
Other (financial) liabilities	13,228	11,230
	-----	-----
Total non-current liabilities	698,450	715,907
	-----	-----
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:		
- income tax expense	1,459,267	1,273,519
Loans and borrowings	16,893	65,302
Current provisions	127,760	111,452
Other financial liabilities	101,907	79,660
	729	962
	-----	-----
Total current liabilities	1,689,663	1,465,593
	-----	-----
	=====	=====
Total equity and liabilities	7,823,219	6,989,609
	=====	=====

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for the three and nine months ended September 30th 2006 and September 30th 2005

(PLN '000)	3 months ended Sep 30 2006	9 months ended Sep 30 2006	3 months ended Sep 30 2005 (comparable data)	9 months ended Sep 30 2005 (comparable data)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	3,701,848	9,656,552	3,060,058	6,691,939
Cost of sales	(3,204,808)	(8,248,440)	(2,388,103)	(5,499,049)
Net profit/(loss) on sales	497,040	1,408,112	671,955	1,192,890
Gain on disposal of assets available for sale	5,272	5,272	-	-
Other operating income	7,812	16,869	15,489	29,918
Negative goodwill	-	-	-	266,625
Selling costs	(185,129)	(475,566)	(152,692)	(354,976)
General and administrative expenses	(61,510)	(206,910)	(58,483)	(179,906)
Other operating expenses	(8,990)	(27,641)	(7,234)	(22,135)
Operating profit	254,495	720,136	469,035	932,416
Financial income	22,698	95,613	20,340	47,090
Financial expenses	(2,974)	(26,924)	8,555	(39,021)
Interest in investments in associated undertakings	(1)	3	479	2,713
Sale of investments in associated undertakings	-	-	-	16,090
Pre-tax profit	274,218	788,828	498,409	959,288
Corporate income tax	(57,447)	(157,784)	(92,950)	(136,130)
Net profit	216,771	631,044	405,459	823,158
Attributable to:				
Parent undertaking's shareholders	199,637	580,452	381,296	787,860
Minority interests	17,134	50,592	24,163	35,298
	216,771	631,044	405,459	823,158
Net earnings per share				
- basic	1.76	5.11	4.20	8.67
- diluted	-	-	-	-

THE LOTOS GROUP
CONSOLIDATED CASH-FLOW STATEMENTS
for the nine months ended September 30th 2006 and September 30th 2005

(PLN '000)	9 months ended Sep 30 2006	9 months ended Sep 30 2005 (comparable data)
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net profit	631,044	823,158
Adjustments:		
Profit/(loss) attributable to minority interests		
Share in net profit/(loss) of subordinated undertakings valued with equity method	(3)	(2,713)
Depreciation and amortisation	224,314	196,255
Foreign exchange gains/(losses)	(1,527)	(4,718)
Net interest and dividend paid	7,838	15,096
(Profit)/loss on investing activities	(13,306)	2,457
Income tax paid	(229,812)	(77,073)
Current income tax	157,784	136,130
(Increase) in receivables	(274,812)	(287,293)
(Increase) in inventories	(189,181)	(362,336)
Increase in liabilities and accruals and deferred income	209,619	316,595
Increase/(decrease) in provisions	2,254	(942)
(Increase) in prepayments and accrued income	(18,053)	(12,630)
Other	2,125	(269,036)
	-----	-----
Net cash provided by/(used in) operating activities	508,284	472,950
	-----	-----
Cash flows from investing activities		
Sale of non-current financial assets	-	41,674
Dividends received	2,527	33,256
Interest received	7,399	407
(Acquisition)/sale of property, plant and equipment and intangible assets	(457,855)	(435,337)
(Acquisition) of non-current financial assets, including:	-	(298,185)
Acquisition of subsidiary undertakings, net of cash acquired through merger	-	(115,577)
(Acquisition)/sale of current financial assets	63,178	(24,152)
Other, net	10,925	(3,534)
	-----	-----
Net cash provided by/(used in) investing activities	(373,826)	(685,871)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	103,715	124,373
Share issue	-	1,015,000
Repayment of loans and borrowings	(78,340)	(255,835)
Interest paid	(13,933)	(13,760)
Dividends paid – to parent undertaking's shareholders	-	(15,740)
Dividends paid – to minority interests	(2,520)	(3,049)
Other, net	(287)	(12,057)
	-----	-----
Net cash provided by/(used in) financing activities	8,635	838,932
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	-	1,216
	=====	=====
Change in net cash	143,093	627,227
	=====	=====
Cash at beginning of period	767,794	155,012
	=====	=====
Cash at end of period	910,887	782,239
	=====	=====
- restricted cash	22,257	4,352

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
for the nine months ended September 30th 2006 and September 30th 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 nine months ended							
Sep 30 2005	-	-	787,860	-	787,860	35,298	823,158
Dividend	-	-	(15,740)	-	(15,740)	(2,521)	(18,261)
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	-	-	-	2,135	2,135	203,454	205,589
Other, not included above	-	-	3,600	-	3,600	(14,979)	(11,379)
Other	-	-	(3)	-	(3)	-	(3)
Sep 30 2005 (comparable data) (unaudited)	113,700	970,951	3,339,647	2,135	4,426,433	236,134	4,662,567
Jan 1 2006	113,700	970,951	3,466,911	2,266	4,553,828	254,281	4,808,109
Net profit for the nine months ended							
Sep 30 2006	-	-	580,452	-	580,452	50,592	631,044
Dividend	-	-	-	-	-	(2,520)	(2,520)
Other	-	-	-	(1,527)	(1,527)	-	(1,527)
Sep 30 2006 (unaudited)	113,700	970,951	4,047,363	739	5,132,753	302,353	5,435,106

(Translation of a document originally issued in Polish)

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at September 30th 2006 and December 31st 2005

(PLN '000)	Sep 30 2006 (unaudited)	Dec 31 2005
ASSETS		
Non-current assets		
Property, plant and equipment	2,012,016	1,885,333
Intangible assets	44,942	44,035
Financial assets	700,408	686,507
Total non-current assets	2,757,366	2,615,875
Current assets		
Inventories	1,513,444	1,258,336
Trade and other receivables, including:	1,707,166	1,066,411
- income tax receivable	8,589	-
Prepayments	6,336	2,022
Current financial assets	39,032	133,938
Cash and cash equivalents	42,830	298,981
Total current assets	3,308,808	2,759,688
Total assets	6,066,174	5,375,563

GRUPA LOTOS S.A.
NON-CONSOLIDATED BALANCE SHEETS
as at September 30th 2006 and December 31st 2005

(PLN '000)	<u>Sep 30 2006</u> <u>(unaudited)</u>	<u>Dec 31 2005</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	3,411,951	2,993,782
Total equity	4,496,602	4,078,433
Non-current liabilities		
Loans and borrowings	-	-
Non-current provisions	15,798	14,288
Deferred tax liability	165,678	178,079
Total non-current liabilities	181,476	192,367
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities, including:	1,327,550	1,060,609
- income tax expense	-	60,211
Loans and borrowings	11,824	-
Current provisions	48,722	44,154
Total current liabilities	1,388,096	1,104,763
Total equity and liabilities	6,066,174	5,375,563

GRUPA LOTOS S.A.
NON-CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for the three months and the nine months ended September 30th 2006 and September 30th 2005

(PLN '000)	3 months ended Sep 30 2006 (unaudited)	9 months ended Sep 30 2006 (unaudited)	3 months ended Sep 30 2005 (unaudited)	9 months ended Sep 30 2005 (unaudited)
Sales revenue	3,348,396	8,851,747	2,769,108	5,886,901
Cost of sales	(3,103,474)	(8,067,078)	(2,322,656)	(5,073,532)
Profit on sales	244,922	784,669	446,452	813,369
Other operating income	408	1,293	163	5,614
Selling costs	(105,514)	(291,121)	(91,268)	(220,615)
General and administrative expenses	(36,554)	(118,628)	(32,326)	(104,053)
Other operating expenses	(1,755)	(3,546)	(285)	(1,401)
Operating profit	101,507	372,667	322,736	492,914
Financial income	18,782	136,250	16,458	117,464
Financial expenses	(367)	(4,574)	14,184	(22,943)
Pre-tax profit	119,922	504,343	353,378	587,435
Corporate income tax	(23,851)	(86,174)	(67,665)	(103,304)
Net profit	96,071	418,169	285,713	484,131
Earnings per share				
- basic	0.84	3.68	3.14	5.33
- diluted	-	-	-	-

(Translation of a document originally issued in Polish)

GRUPA LOTOS S.A.
NON-CONSOLIDATED CASH-FLOW STATEMENTS
for the nine months ended September 30th 2006 and September 30th 2005

(PLN '000)	9 months ended Sep 30 2006	9 months ended Sep 30 2005 (comparable data)
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net profit	418,169	484,131
Adjustments:		
Depreciation and amortisation	129,380	128,091
Foreign exchange gains/(losses)	-	(5,274)
Net interest and dividend paid	(63,127)	(45,035)
Profit/(loss) on investing activities	(7,276)	(23,586)
Current income tax	86,174	103,304
Income tax paid	(167,375)	(36,061)
(Increase) in receivables	(606,166)	(520,162)
(Increase)/decrease in inventories	(255,108)	(424,448)
Increase in liabilities and accruals and deferred income	312,519	509,917
Increase/(decrease) in provisions	6,078	(1,869)
(Increase) in prepayments and accrued income	(4,314)	(1,390)
Other, net		45
	-----	-----
Net cash provided by/(used in) operating activities	(151,046)	167,663
	-----	-----
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	82	768
(Acquisition)/sale of financial assets	95,302	(36,713)
Dividends and interest received	40,252	34,917
(Acquisition) of property, plant and equipment and intangible assets	(242,965)	(230,820)
(Acquisition)/sale of non-current financial assets	(4,301)	(398,736)
Other, net	(5,299)	(29,000)
	-----	-----
Net cash provided by/(used in) investing activities	(116,929)	(659,584)
	-----	-----
Cash flows from financing activities		
Increase in loans and borrowings	11,824	-
Share issue	-	1,015,000
Repayment of loans and borrowings	-	(177,027)
Interest paid	-	(6,578)
Dividends paid	-	(15,740)
Other, net	-	(5,393)
	-----	-----
Net cash provided by/(used in) financing activities	11,824	810,262
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	-	-
	=====	=====
Change in net cash	(256,151)	318,341
	=====	=====
Cash at beginning of period	298,981	79,897
	=====	=====
Cash at end of period	42,830	398,238
- restricted cash	-	-

(Translation of a document originally issued in Polish)

GRUPA LOTOS S.A.
STATEMENTS OF CHANGES IN NON-CONSOLIDATED EQUITY
for the nine months ended September 30th 2006 and September 30th 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 nine months ended Sep 30th 2005	-	-	484,131	484,131
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
	=====	=====	=====	=====
Sep 30 2005 (unaudited)	113,700	970,951	2,945,645	4,030,296
	=====	=====	=====	=====
Jan 1 2006	113,700	970,951	2,993,782	4,078,433
	=====	=====	=====	=====
Net profit for the nine months ended Sep 30 2006	-	-	418,169	418,169
	=====	=====	=====	=====
Sep 30 2006 (unaudited)	113,700	970,951	3,411,951	4,496,602
	=====	=====	=====	=====

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 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		
				Sep 30 2006	Dec 31 2005	Sep 30 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	Not applicable
Direct Subsidiary Undertakings						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk	Sale of fuels and provision of services for retail networks of international concerns; logistic services	full	100.00%	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%	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%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%	100.00%

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Sep 30 2006	Dec 31 2005	Sep 30 2005
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	87.44%	87.44%	87.44%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%	85.22%
LOTOS Czechowice S.A. (parent undertaking of another group, formerly Rafineria Czechowice S.A.) ⁽¹⁾	Czechowice	Production and processing of refined petroleum products and their wholesale	full	80.04%	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group; formerly Rafineria Jasło S.A.) ⁽²⁾	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 due to immateriality	100.00%	100.00%	60.29%
BiproRaf Sp. z o.o.	Gdańsk	Design services for oil industry	not consolidated due to immateriality	50.00%	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 due to immateriality	100.00%	100.00%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	Management of the Glimar Refinery assets	full	89.66%	90.00%	90.00%
Laboratorium Badacz Sp. z o.o.	Jasło	Services	not consolidated due to immateriality	3)	100.00%	80.01%
Indirect Subsidiary Undertakings						
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	Services	full	80.04%	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o. ⁽³⁾ (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	full	5)	80.04%	80.04%
CBA Racer Sp. z o.o.	Czechowice-Dziedzice	Services	full	80.04%	80.04%	80.04%
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	Services	6)	89.66%	80.04%	80.04%
RCPaliwa Sp. z o.o.	Czechowice-Dziedzice	Trading (not commenced yet)	equity method	80.04%	80.04%	80.04%
RCTransport Sp. z o.o.	Czechowice-Dziedzice	Services	-	7)	80.04%	80.04%
Jasbit – Rafineria Jasło Sp. z o.o. in liquidation	Jasło	No operations – company in liquidation	not consolidated due to lack of control	-	-	80.01%
LOTOS Tank Sp. z o.o.	Jasło	Trading	full/equity method	86.01%	86.01%	86.01%
Parafiny Sp. z o.o.	Jasło	Production of refined petroleum products	full	-	-	-
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	Services	full	5)	79.56%	79.56%
Plastekol Organizacja Odzysku S.A.	Jasło	Services	full	53.61%	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	80.01%	80.01%	80.01%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated due to immateriality	80.01%	80.01%	80.01%

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Sep 30 2006	Dec 31 2005	Sep 30 2005
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%	80.01%
Miliana Shipping Company Ltd.	Cyprus	Services	full	68.93%	68.93%	68.93%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Services	not consolidated due to immateriality	69.00%	69.00%	69.00%

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ Name changed to LOTOS Biopaliwa Sp. z o.o. as of May 10th 2006

⁽⁵⁾ 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.

⁽⁶⁾ Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A.

⁽⁷⁾ As described in Note 10 to these condensed consolidated financial statements, shares in the company were sold.

As at September 30th 2006, December 31st 2005, and September 30th 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 September 30th 2006, 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
Marek Sokołowski – Vice-President of the Management Board, Production and Development Director

The Supervisory Board of Grupa LOTOS S.A. adopted a resolution on appointment, as of October 9th 2006, of Jarosław Kryński to act as Vice-President of the Management Board responsible for sales.

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

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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 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 September 30th 2006 and for the three and nine months ended on that date, as well as the comparable financial data as at September 30th 2005 and for the three and nine months ended on that date, presented in these condensed consolidated financial statements, have not been audited.

In connection with the acquisition of 80.04% of shares in Rafineria Czechowice S.A., 80.01% of shares in Rafineria Jasło S.A., 91.45% of shares in Rafineria Nafty Glimar S.A. in bankruptcy, and 69.00% of shares in Petrobaltic S.A. (the agreement of January 13th 2005, under which Grupa LOTOS S.A. purchased shares in these companies from Nafta Polska S.A., was finalised on February 3rd 2005), as described in Note 40 to the 2005 consolidated financial statements prepared in accordance with the IFRS, as at the date of preparing the consolidated financial statements for 2005, the Company performed a separate goodwill valuation for each acquired company and disclosed the difference between their acquisition cost and its share in the net fair value of identifiable assets, liabilities and contingent liabilities. Following the final settlement of the merger transaction, the consolidated profit and loss account showed a negative goodwill of PLN 266,625 thousand. The difference between the book value of the acquired undertakings’ net assets and their assumed fair value standing at

PLN 275m was disclosed in the 2005 interim consolidated financial statements under “Other provisions”. Comparable financial data as at September 30th 2005 and for the nine months ended on that date presented in those interim condensed consolidated financial statements were appropriately adjusted.

As described in Note 11 to the consolidated financial statements for 2005, the Group offsets the assets of the Social Benefits Fund with its liabilities towards the Fund. In connection with this change in the presentation of assets and liabilities of the Social Benefits Fund, the respective items in the cash-flow statement for the nine months ended September 30th 2005 were changed.

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 nine months ended September 30th 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 LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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.

These condensed interim consolidated financial statements were approved by the Management Board for publication on November 13th 2006.

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

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. Application of IFRS 7 from the year starting January 1st 2007 may lead to changes in disclosures relating to financial instruments.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

6. Translation of the Financial Highlights into the EUR

The balance-sheet items contained in the table “Financial Highlights” were translated as at September 30th 2006 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 3.9835. 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 3.9171 (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 – September 30th 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–Q3 2005 (cumulative) were translated at the rate EUR 1 = PLN 4.0583 (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 – September 30th 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”.

9. Earnings per Share

	9 months ended Sep 30 2006	9 months ended Sep 30 2005 (comparable data)
	(unaudited)	(unaudited)
Net profit attributable to parent undertaking’s shareholders (PLN ‘000) (A)	580,452	787,860
Weighted average number of shares (in thousands) (B)*	113,700	90,880
Earnings per share (A/B)	5.11	8.67

* Earnings per share for the nine months ended September 30th 2006 were computed on the basis of the weighted average number of shares in the period January 1st – September 30th 2006. Earnings per share for the nine months ended September 30th 2005 were computed on the basis of the weighted average number of shares in the period January 1st – September 30th 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.

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 – Dzielica 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.

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 cash contributions made by Grupa LOTOS S.A. on January 31st 2006 in the amount of PLN 4,300 thousand. 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,
- RC REMO 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.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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 RC Transport Sp. z o.o. by LOTOS Czechowice S.A.

On February 16th 2006, LOTOS Czechowice S.A. signed an agreement on sale, to Paul Klacska Sp. z o.o., of 100% of shares held in RC Transport 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 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 Czechowice S.A. will produce 100 thousand tonnes of top quality biocomponent annually. The project's value is estimated at ca. PLN 71,000 thousand. 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 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.

Merger of LOTOS Serwis Sp. z o.o. with Monto-Rem Sp. z o.o. and RC Remo 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 RC Remo Sp. z o.o. of Czechowice-Dziedzice. The transaction was entered into the National Court Register on June 30th 2006.

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,

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

- 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 increased by PLN 4,825 thousand. As at September 30th 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. The acquisition of the ESSO stations resulted in the recognition of goodwill in the amount of PLN 47,542 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 September 30th 2006 is as follows:

(PLN '000)	Sep 30 2006
Merger cost (acquisition cost)	298,638
Non-current assets	251,096
Goodwill	47,542

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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 September 30th 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)	Sep 30 2006
Merger cost (acquisition cost)	60,026
Non-current assets	48,425
Goodwill	11,601

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. The contribution was allocated to the implementation of the Prometeusz project.

12. Material Events Subsequent to Q3 2006

No material events occurred from the balance-sheet date to the date of preparation of these consolidated financial statements.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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.
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.

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. 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.
2. On April 12th 2006, the Head of the Customs Office of Bielsko-Biała instigated proceedings 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

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

reassessed. By virtue of his decision of September 27th 2006, the Head of the Customs Office of Bielsko-Biala set November 30th 2006 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-Biala, 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-Biala, determining the amount of excise tax liability for January, February, and March 2004.

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. The case is pending.

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.

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 September 30th 2006.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 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 nine months ended September 30th 2006.

II Effects of Changes in the Structure of the LOTOS Group

Q3 2006 saw no changes in the structure of the LOTOS Group.

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 Management Board of Grupa LOTOS S.A. maintains the financial performance forecasts for 2006, considering any differences as immaterial

IV Seasonal or Cyclical Nature of the Company's Business in Q3 2006

In Q3 2006, the operations of Grupa LOTOS S.A. were not affected by seasonality or cyclicalities.

V Issue, Redemption and Repurchase of Debt and Equity Securities in Q3 2006

In Q3 2006, Grupa LOTOS S.A. did not issue, redeem or repurchase any debt or equity securities.

VI Dividend Paid Out or Declared in Q3 2006

In Q3 2006, Grupa LOTOS S.A. did not declare or pay out any dividend.

(Translation of a document originally issued in Polish)

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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.

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 Q3 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 Nov 6 2006
Pan 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.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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 – September 30th 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 on the construction of a biodiesel production unit.

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 September 30th 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.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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.

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.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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 2006 or in a longer time horizon:

- quotations of oil and petroleum products prices,
- PLN/USD exchange rate,
- supply and demand for petroleum products,
- changes in tax regulations affecting excise tax relief used by LOTOS Jasło S.A. – the changes may result in lower economic effectiveness of the company,
- planned increase in excise tax.

THE LOTOS GROUP
Notes to the Condensed Consolidated Financial Statements
for the Three and Nine Months Ended September 30th 2006

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