THE LOTOS GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2006

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

ALONG WITH THE AUDITOR'S REVIEW REPORT

FINANCIAL HIGHLIGHTS – CONSOLIDATED

	PLN '000		EUR '000	
THE LOTOS GROUP	6 months ended Jun 30 2006	6 months ended Jun 30 2005	6 months ended Jun 30 2006	6 months ended Jun 30 2005
Sales revenue	5,954,704	3,631,881	1,527,435	890,058
Operating profit	465,641	463,381	119,441	113,560
Pre-tax profit	514,602	460,879	132,000	112,947
Net profit	414,265	417,699	106,263	102,365
Net profit attributable to parent undertaking's shareholders	380,807	406,564	97,680	99,636
Net profit attributable to minority interests	33,458	11,135	8,582	2,729
Net cash provided by/(used in) operating activities	256,570	288,894	65,812	70,799
Net cash provided by/(used in) investing activities	(188,399)	(745,267)	(48,326)	(182,641)
Net cash provided by/(used in) financing activities	(9,383)	861,096	(2,407)	211,027
Total net cash flow	59,253	405,939	15,199	99,483
	PLN '000		EUR '000	
	As at Jun 30 2006	As at Dec 31 2005	As at Jun 30 2006	As at Dec 31 2005
Total assets	7,627,156	6,989,609	1,867,707	1,810,873
Equity attributable to parent undertaking's shareholders	4,936,404	4,553,828	1,208,807	1,179,809
Equity attributable to minority interests	285,219	254,281	69,843	65,879
Total equity	5,221,623	4,808,109	1,278,650	1,245,688
Basic earnings per ordinary share (PLN/EUR)	3.35	5.13	0.86	1.26
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

(PLN '000)	Note	Jun 30 2006 (unaudited)	Dec 31 2005
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,503,351	3,311,780
Goodwill	16	71,014	54,588
Intangible assets	15	53,337	51,086
Investment property	14	5,562	5,888
Investments in associated undertakings	17	86,106	83,336
Financial assets	18	19,798	20,193
Deferred tax asset	37	33,393	26,593
Other non-current assets	13	28,179	28,016
Total non-current assets		**3,800,740**	**3,581,480**
Current assets			
Inventories	21	1,612,749	1,432,939
Trade and other receivables, including:	22	1,330,685	1,060,348
- income tax receivables		3,736	8,705
Prepayments	13	34,702	11,288
Current financial assets	20	14,737	135,760
Cash and cash equivalents	23	827,047	767,794
Total current assets		**3,819,920**	**3,408,129**
Assets held for sale		**6,496**	**-**
Total assets		**7,627,156**	**6,989,609**

(PLN '000)	Note	Jun 30 2006 (unaudited)	Dec 31 2005
EQUITY AND LIABILITIES			
Equity			
Share capital	25	113,700	113,700
Reserve funds		970,951	970,951
Retained earnings/(deficit)		3,847,718	3,466,911
Currency-translation differences		4,035	2,266
Equity attributable to parent undertaking's shareholders		**4,936,404**	**4,553,828**
Equity attributable to minority interests	28	**285,219**	**254,281**
Total equity		**5,221,623**	**4,808,109**
Non-current liabilities			
Loans and borrowings	29	321,636	294,198
Non-current provisions	30	172,394	191,802
Deferred tax liability	37	214,940	218,677
Other (financial) liabilities		9,731	11,230
Total non-current liabilities		**718,701**	**715,907**
Current liabilities			
Trade payables, accruals and deferred income, and other liabilities, including:	31	1,499,516	1,273,519
- income tax expense		25,766	65,302
Loans and borrowings	29	86,745	111,452
Current provisions	30	99,841	79,660
Other financial liabilities		730	962
Total current liabilities		**1,686,832**	**1,465,593**
Total equity and liabilities		**7,627,156**	**6,989,609**

THE LOTOS GROUP
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for six months ended June 30th 2006 and June 30th 2005

(PLN '000)	Note	6 months ended Jun 30 2006 (unaudited)	6 months ended Jun 30 2005 (comparable data) (unaudited)
Sales revenue	32	5,954,704	3,631,881
Cost of sales	33	(5,043,632)	(3,110,946)
Net profit/(loss) on sales		**911,072**	**520,935**
Other operating income	34	9,057	14,429
Excess of net assets' fair value over acquisition cost		-	266,625
Selling costs	33	(290,437)	(202,284)
General and administrative expenses	33	(145,400)	(121,423)
Other operating expenses	35	(18,651)	(14,901)
Operating profit		**465,641**	**463,381**
Financial income	36	72,915	26,750
Financial expenses	36	(23,950)	(47,576)
Interest in investments in associated undertakings	17	(4)	2,234
Sale of investments in associated undertakings		-	16,090
Pre-tax profit		**514,602**	**460,879**
Corporate income tax	37	(100,337)	(43,180)
Net profit		**414,265**	**417,699**
Attributable to:			
Parent undertaking's shareholders		380,807	406,564
Minority interests	28	33,458	11,135
		414,265	**417,699**
Net earnings per share			
- basic	27	3.35	5.13
- diluted		-	-

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

(PLN '000)	6 months ended Jun 30 2006 (unaudited)	6 months ended Jun 30 2005 (comparable data) (unaudited)
Cash flows from operating activities		
Net profit	**414,265**	**417,699**
Adjustments:		
Share in net profit/(loss) of subordinated undertakings valued with equity method	4	(2,234)
Depreciation and amortisation	147,953	128,303
Foreign exchange gains	(1,398)	615
Net interest and dividend paid	6,789	9,331
(Profit)/loss on investing activities	(7,607)	(80)
Current income tax	100,337	43,180
Income tax paid	(147,425)	(41,079)
(Increase) in receivables	(272,196)	(58,697)
(Increase) in inventories	(179,823)	(149,290)
Increase in liabilities and accruals and deferred income	219,352	225,109
(Increase) in prepayments	(26,321)	(16,976)
Increase/(decrease) in provisions	3,458	(2,409)
Other	(818)	(264,578)
Net cash provided by/(used in) operating activities	**256,570**	**288,894**
Cash flows from investing activities		
Sale of non-current financial assets	-	41,648
Dividends received	2,154	31,396
Interest received	4,629	342
Acquisition/sale of property, plant and equipment and intangible assets	(325,382)	(287,197)
Acquisition of non-current financial assets, including:	-	(298,216)
Acquisition of subsidiary undertakings, net of cash acquired through merger	-	(115,108)
Sale/(acquisition) of current financial assets	128,527	(232,840)
Other, net	1,673	(400)
Net cash provided by/(used in) investing activities	**(188,399)**	**(745,267)**
Cash flows from financing activities		
Increase in loans and borrowings	66,376	58,203
Share issue	-	1,015,000
Repayment of loans and borrowings	(64,156)	(171,381)
Interest paid	(10,686)	(10,475)
Dividends paid – to parent undertaking's shareholders	-	(15,740)
Dividends paid – to minority interests	-	(2,554)
Other, net	(917)	(11,957)
Net cash provided by/(used in) financing activities	**(9,383)**	**861,096**
Change in cash on account of foreign exchange (gains)/losses	465	1,216
Change in net cash	**59,253**	**405,939**
Cash at beginning of period	767,794	155,012
Cash at end of period	827,047	560,951
- restricted cash	22,179	7,291

THE LOTOS GROUP
STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
for the six months ended June 30th 2006 and June 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 6 months ended Jun 30 2005	-	-	406,564	-	406,564	11,135	417,699
New share issue	35,000	-	-	-	35,000	-	35,000
Share premium	-	980,000	-	-	980,000	-	980,000
Issue expenses including income tax	-	(9,049)	-	-	(9,049)	-	(9,049)
Other	-	-	3,600	3,267	6,867	(16,108)	(9,241)
Inclusion of new undertakings in consolidation	-	-	-	-	-	203,454	203,454
Dividends to shareholders from Parent Undertaking's 2004 profit distribution	-	-	(15,740)	-	(15,740)	-	(15,740)
Jun 30 2005 (comparable data) (unaudited)	**113,700**	**970,951**	**2,958,354**	**3,267**	**4,046,272**	**213,363**	**4,259,635**
Jan 1 2006	**113,700**	**970,951**	**3,466,911**	**2,266**	**4,553,828**	**254,281**	**4,808,109**
Net profit for the six months ended Jun 30 2006	-	-	380,807	-	380,807	33,458	414,265
Dividend	-	-	-	-	-	(2,520)	(2,520)
Other	-	-	-	1,769	1,769	-	1,769
Jun 30 2006 (unaudited)	**113,700**	**970,951**	**3,847,718**	**4,035**	**4,936,404**	**285,219**	**5,221,623**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2006

1. General Information

Grupa LOTOS S.A. ("the Company", "the Parent Undertaking"), the parent undertaking of the Group of Grupa LOTOS S.A. ("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 Company's registered office is situated at ul. Elbląska 135, 80-718 Gdańsk, Poland.

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

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

2. Composition of the Group

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	**Dec 31 2005**	**Jun 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	Sales 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	Sales 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%

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	**Dec 31 2005**	**Jun 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. w upadłości (in bankruptcy)	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	Business and management consultancy services	full	89.66%	90.00%	100.00%
Laboratorium Badacz Sp. z o.o.	Jasło	Services	-	-	100.0%	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	100.00%	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	[(4)]	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	-	[(5)]	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	86.01%	86.01%	86.01%
Parafiny Sp. z o.o.	Jasło	Production of refined petroleum products	full	-	-	13.00%
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	Services	full	100.00%	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%

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	**Dec 31 2005**	**Jun 30 2005**
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	Services	not consolidated due to immateriality	80.01%	80.01%	80.01%
Chemipetrol Sp. z o.o.	Jasło	Trading – assets contributed 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 a change in the company's name from Rafineria Czechowice S.A. to LOTOS Czechowice S.A.
(2) On January 2nd 2006, the District Court of Rzeszów registered a change in the company's name from Rafineria Jasło S.A to LOTOS Jasło S.A.
(3) Name changed to LOTOS Biopaliwa Sp. z o.o. as of May 10th 2006.
(4) Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A.
(5) 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.

As at June 30th 2006, December 31st 2005 and June 30th 2005, the Group's share in the total vote at general shareholders meetings of its subsidiary undertakings was equal to the Group's share in the share capital of these undertakings.

3. Composition of the Supervisory and Management Boards of the Parent Undertaking

As at June 30th 2006 and the date of release of these consolidated financial statements, the composition of the Supervisory Board of Grupa LOTOS S.A. is as follows:

Jan Stefanowicz – Deputy Chairman of the Supervisory Board
Grzegorz Szczodrowski – Secretary of the Supervisory Board
Beata Zawadzka – Member of the Supervisory Board
Jacek Tarnowski – Member of the Supervisory Board
Henryk Siodmok – Member of the Supervisory Board
Jacek Mościcki – Member of the Supervisory Board

As at June 30th 2006 and the date of release of these consolidated financial statements, the composition of the Management Board of Grupa LOTOS S.A. is as follows:

President of the Management Board, CEO – Paweł Olechnowicz
Vice-President of the Management Board, COO – Marek Sokołowski
Vice-President of the Management Board, CFO – Mariusz Machajewski

4. Approval of the Financial Statements

These consolidated financial statements were approved for publication by the Management Board on September 27th 2006.

5. Going Concern

These consolidated financial statements were prepared on the assumption that the material companies of the Group would continue their business activities for the 12 months subsequent to the balance-sheet date, i.e. June 30th 2006. As at the date of signing these consolidated financial statements no facts or circumstances have been identified that might pose a threat to the Group's material companies continuing as going concerns in the 12 months following the balance-sheet date.

6. Duration of the Group

The duration of the Group is unlimited.

7. Balance-Sheet Date and the Period Covered by These Financial Statements

These consolidated semi-annual financial statements of the LOTOS Group comprise the balance-sheet data as at June 30th 2006 and December 31st 2005. The profit and loss account, the cash-flow statement and the statement of changes in the Group's equity present the data for January 1st – June 30th 2006 along with the comparative data for January 1st – June 30th 2005.

The financial information as at June 30th 2006 and June 30th 2005 and for the six months then ended contained in these consolidated financial statements was not audited.

8. Measurement Currency and Reporting Currency

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

9. Basis for the Preparation of the Consolidated Financial Statements

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

With the exception of the Parent Undertaking and foreign undertakings, the Group companies maintain their accounting books in accordance with the accounting standards specified in the Polish Accountancy Act of September 29th 1994 (the "Act") and the provisions issued thereunder ("Polish Accounting Standards" – "PAS"). These consolidated financial statements include adjustments which are absent from the accounting books of the Group's undertakings, and which have been introduced to adjust the financial information concerning these undertakings to the IFRS.

In the preparation of these consolidated financial statements the Company applied the same accounting policies and calculation methods as in the preparation of the consolidated financial statements for the year ended December 31st 2005.

Following amendments introduced by the International Accounting Standards Board, the following standards were changed as of January 1st 2006:

- IAS 1: *Presentation of Financial Statements*,
- IAS 19: *Employee Benefits*,
- IAS 21: *Effects of changes in foreign exchange rates*,
- IAS 39: *Financial Instruments – Recognition and Measurement*.

The following standards and interpretations entered into force as of January 1st 2006:

- IFRS 6: *Exploration for and Evaluation of Mineral Resources*
- Interpretation – IFRIC 4: *Determining Whether an Arrangement Contains a Lease*
- Interpretation – IFRIC 5: *Rights to Interests in the Fund for the Settlement of Liabilities Arising from Land Restoration, Rehabilitation and Environmental Protection*
- Interpretation – IFRIC 6: *Liabilities Arising from Participating in the Electrical and Electronic Equipment Market.*

The Company has reviewed the new standards and amendments to the existing standards. The new standards and amendments to the existing standards do not apply to these consolidated financial statements, with the exception of IFRS 6: *Exploration for and Evaluation of Mineral Resources,* the adoption of which did not have a material effect on the Group's accounting policies.

Moreover, the International Accounting Standards Board issued the following standards and interpretations, which will apply in the subsequent accounting periods:

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

The Company has reviewed the above new standards. As a consequence of application of IFRS 7 in the year commencing January 1st 2007, the disclosure of information on financial instruments may change.

The Group does not prepare information on individual business segments, as it does not meet the requirements stipulated in International Accounting Standard 14: *Segment Reporting*.

10. Accounting Policies

The consolidated financial statements have been prepared using the historical cost method, except for investment property and financial derivatives, which are measured at fair value.

The key accounting policies adopted by the Group are presented below.

a) Basis for Consolidation

These consolidated financial statements have been prepared on the basis of the financial statements of the Parent Undertaking and financial statements of the material undertakings it controls, prepared as at December 31st 2005.

Subsidiary undertakings are consolidated starting from the date when the Group assumes control over them and cease to be consolidated when the control is lost. The Company is deemed to exert control when it holds, directly or through its subsidiary undertakings, more than 50% of votes in a given undertaking unless it is possible to prove that the ownership of over 50% of votes is not tantamount to exerting control. The Company's ability to influence a given undertaking's financial and operational policies is also deemed exerting control.

All significant balances and transactions between the Group's undertakings, including significant unrealised profits on intra-group transactions, have been eliminated in their entirety. Unrealised losses are eliminated unless they point to an impairment of value.

These consolidated financial statements were prepared in accordance with uniform accounting policies consistently applied for transactions and economic events of a similar nature.

b) Investments in Associated Undertakings

Investments in associated undertakings are recognised using the equity method. Associated undertakings are the undertakings over which the Parent Undertaking has significant influence, either directly or indirectly through its subsidiary undertakings, and which are neither its subsidiary undertakings nor interests in joint ventures. The financial statements of associated undertakings serve as a basis for the equity method valuation of the shares held by the Parent Undertaking. Associated undertakings' financial years coincide with the Company's financial year.

Investments in associated undertakings are initially recognised in the balance-sheet at acquisition cost, adjusted for subsequent changes in the Parent Undertaking's share in the net assets of the associated undertakings, and reduced by impairment losses, if any. The profit and loss account includes the Parent Undertaking's share of the profits and losses of the associated undertakings. In the case of a change recognised directly in an associated undertaking's equity, the Parent Undertaking recognises its share in such change and, if applicable, discloses it in the statement of changes in equity.

c) Intangible Assets

Intangible assets are recognised if the Group is likely to obtain future economic benefits attributable directly to the assets. Initially, intangible assets are recognised at acquisition or production cost, if they are acquired in separate transactions. Intangible assets acquired as part of the acquisition of a business are recognised at fair value as at the acquisition date. Following initial recognition, intangible assets are valued at acquisition or production cost less accumulated amortisation and impairment losses.
The Company capitalises and recognises as an intangible asset both the licence fees for the exploration and identification of crude oil and natural gas reserves as well as the fees under the concluded mining use agreements for the exploration and identification of crude oil and natural gas reserves. The commencement and execution of the exploration work is conditional upon obtaining relevant licence and establishing the mining use.

Intangible assets are amortised using the straight-line method over their estimated useful lives.
The expected useful lives of the Group's intangible assets range from 2 to 21 years.

d) Goodwill of Subordinated Undertakings

The goodwill relating to acquisition of a business undertaking is initially recognised at acquisition cost, equal to the excess of the cost of the business combination over the acquiring undertaking's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired undertaking. Following the initial recognition, goodwill is carried at acquisition cost less cumulative impairment losses. Goodwill is tested for impairment once a year. It is not amortised.

As at the date of assuming control, the acquired goodwill is allocated to every identifiable cash-generating unit. The Company calculates any impairment of value by estimating recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value of a cash-generating unit is lower than its balance-sheet value, the Company recognises impairment losses. If goodwill comprises a part of a cash-generating unit and the Company sells a part of the business of the cash-generating unit, the goodwill connected with the sold business is included in the balance-sheet value of the sold business for the purpose of calculating gains or losses on disposal of the part of business. In such a case, goodwill pertaining to the sold business should be measured using the relative value of the sold business, *pro-rata* to the interest in the retained part of the cash-generating unit.

e) Property, Plant and Equipment

Property, plant and equipment, other than land, are valued at acquisition or production cost, less accumulated depreciation and impairment losses.

Land is valued at acquisition cost less any impairment losses. In the case of perpetual usufruct of land, acquisition cost is understood to mean the amount paid to a third party.

Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. Costs incurred on an asset which is already in service, such as repairs, overhauls or operating fees, are expensed in the reporting period in which they were incurred.

Property, plant and equipment (including their components), other than land, are depreciated using the straight-line method over their estimated useful lives. The depreciation rates are as follows:

Buildings and structures	1.25–10%
Plant and equipment	5–20%
Vehicles	7–40%
Other property, plant and equipment	10–50%

Gains or losses on disposal/liquidation or discontinuation of use of property, plant and equipment are defined as the difference between the proceeds on the sale of property, plant and equipment and their net value, and disclosed in the profit and loss account.

In its financial statements, under tangible assets, the Group discloses an asset corresponding to the value of provision for the liquidation of a mining plant. This issue is regulated under IAS 16: *Property, Plant and Equipment*, which reads: "The cost of an item of property, land and equipment comprises … the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period." The Group's obligation to incur costs of liquidation of the Offshore Oil Rig results directly from the reasons specified in IAS 16. Under Paragraph 63 of the same standard, the entities applying the IAS are obliged to test the value of an asset periodically, at least at each balance-sheet date. It should further be emphasised that the International Financial Reporting Interpretations Committee (IFRIC) has issued Interpretation IFRIC 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The Interpretation directly refers to, *inter alia*, IAS 16, including in particular to the revaluation of an asset recognised as future liquidation cost. Revaluation of an asset so recognised may be caused by:

- change in estimated cash used to ensure the performance of the liquidation obligation,
- change in the current market discount rate,
- shortening of the time until liquidation, leading to the settlement of the discount rate (increase in the value resulting from the lapse of time).

f) Assets under Construction

Assets under construction are valued at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including financial expenses, less impairment losses, if any. Assets under construction are not depreciated until completed and placed in service.
The Group discloses assets related to exploration and evaluation of mineral resources, which are recognised at acquisition or production cost.

g) Impairment Losses

Property, plant and equipment, property, plant and equipment under construction and other non-current assets, including goodwill, intangible assets and financial assets, are tested for impairment if certain events or changes in the environment may result in lowering the value of these assets below their balance-sheet value. Impairment losses are recognised in the amount equal to the difference between the balance-sheet valuation of assets and the higher of: the fair value of the asset less the selling costs or the value-in-use determined for the individual asset. In order to verify the balance-sheet valuation, the assets are identified as the smallest cash-generating units to which a given asset may be assigned.

h) Investment Property

Investment property is valued at acquisition cost less impairment losses, if any. Investment property, including investments in land, perpetual usufruct of land, buildings and structures, include property which the Company does not use for its own purposes but which will generate benefits in the form of value appreciation or income from rent.

i) Inventories

Inventories are stated at the lower of: their acquisition or production cost or their net realisable value.

Costs incurred in order to bring each inventory item to its present location and conditions are accounted for in the following manner:

- materials and goods for resale – acquisition cost calculated on weighted average basis,
- finished goods and work-in-progress – the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity.

Net realisable value is the selling price estimated as at the balance sheet date net of VAT, excise taxes or fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

j) Trade Receivables and Other Receivables

Trade receivables are initially recognised at the present value of expected cash flows, and subsequently valued at adjusted acquisition cost (amortised cost), using the effective interest rate, less impairment losses, if any. An impairment loss on trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original contractual terms. The amount of the impairment is measured as the difference between the balance-sheet value of the given assets and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the impairment loss is recognised in the profit and loss account under other operating expenses.

k) Foreign Currency Transactions

Transactions denominated in foreign currencies are reported in the functional currency of the Company (Polish złoty) as at the transaction date, using the following exchange rates:

1) buy or sell rate of the bank at which the transaction is effected – in the case of sale and purchase of currencies and payment of receivables and payables; or

2) mid exchange rate quoted for the given currency by the National Bank of Poland as at that date unless a different exchange rate in specified in another document binding on a given undertaking.

Cash assets and liabilities denominated in foreign currencies as at the balance-sheet date are translated into the złoty at relevant złoty mid exchange rates quoted by the National Bank of Poland as at that date. The resulting foreign exchange gains and losses are posted in the profit and loss account, except for foreign exchange gains and losses which are considered a part of external financing cost and are capitalised under non-current assets. Non-cash assets and liabilities recognised at historic cost expressed in a foreign currency are recognised at the historic exchange rate effective as at the date of the transaction. Non-cash assets and liabilities disclosed at fair value expressed in a foreign currency are translated as at the balance-sheet date at the exchange rate effective as at the date of determining the fair value.

Exchange rates applied for the purposes of balance-sheet valuation:

Mid exchange rate quoted by NBP as at	Jun 30 2006	Dec 31 2005
USD	3.1816	3.2613
EUR	4.0434	3.8598

The financial statements of foreign undertakings are translated into the Polish currency at the following exchange rates:
- items of the balance sheet – at the mid exchange rate quoted by the National Bank of Poland for the balance-sheet date;
- items of the profit and loss account – at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the days ending each financial month.

The resulting currency-translation differences are recognised directly in equity as a separate component.
The US dollar is the functional currency of foreign subsidiary undertakings. As at the balance-sheet date, assets and liabilities of these foreign undertakings are translated into the currency used by the Group for presentation purposes at the exchange rate prevailing on the balance-sheet date, while their profit and loss accounts are translated at the weighted average exchange rate for a given financial year. The resulting currency-translation differences are recognised directly in equity as a separate component. At the time of disposal of a foreign undertaking, the accumulated deferred currency-translation differences recognised in equity and relating to this foreign undertaking are transferred to the profit and loss account.

l) Cash and Cash Equivalents

Cash in hand and at banks, as well as and non-current deposits held to maturity are valued at face value.

Cash and cash equivalents as disclosed in the consolidated cash-flow statement comprise cash in hand and cash at banks, as well as those bank deposits maturing within three months which are not classified as placements.

m) Accruals and Deferrals

The Group recognises prepayments if they relate to future reporting periods.

Accrued expenses are recognised at probable values of current-period liabilities.

Employees of the Group undertakings are entitled to holidays in accordance with the rules set forth in the Polish Labour Code, The Group recognises the cost of employee holidays on an accrual basis using the liability method, The amount of the provision for unused holidays is calculated on the basis of the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time.

n) Equity

Equity is recognised in the accounting records by categories, in accordance with the rules set forth in applicable laws and in the Articles of Association.

The share capital of the LOTOS Group is the share capital of the Parent Undertaking and is recognised at its par value, in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register.

o) Provisions

Provisions are created when the Group has an obligation (legal or following from commercial practice) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation may be reliably estimated. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate item of assets, but only when such recovery is practically certain to occur. The cost related to a given provision is disclosed in the profit and loss account, less any recoveries. If the effect of the time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to their present value at gross discount rates reflecting the current market estimates of the time value of money and risks, if any, related to a given obligation. If the discount method is applied, an increase in provisions as a result of lapse of time is recognised as financial expenses.

p) Retirement Severance Pay and Length-of-Service Awards

The Group undertakings have in place length-of-service award schemes and old-age and disability pension schemes. The payments under these schemes are expensed so that the costs of length-of-service awards and retirement severance pays can be amortised over the whole employment period. The costs related to the abovementioned benefits are determined using the actuarial valuation of the forecast entitlements of individual employees.

q) Interest-Bearing Loans , Borrowings and Debt Securities

All bank loans, borrowings, and debt securities are initially recognised at acquisition cost equal to the fair value of funds received, less cost of obtaining the loan or borrowing.

Following initial recognition, interest-bearing loans, borrowings, and debt securities are valued at amortised acquisition cost, using the effective interest rate method. Amortised acquisition cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability. Gains or losses are charged to the profit and loss account upon removal of the liability from the balance sheet or recognition of value impairment.

r) Costs of External Financing

Costs of external financing are disclosed as the costs of the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed, which costs are capitalised as a part of the acquisition or production cost of such an asset.

To the extent that the funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of the costs of external financing which may be capitalised as part of such asset is determined as the difference between the actual costs of external financing incurred in connection with a given loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that the funds are borrowed without a specific purpose and are later allocated for the acquisition of an asset being completed, the amount of the costs of external financing which may be capitalised is determined by applying the capitalisation rate to the capital expenditure on that asset.

s) Government's Subsidies

If there is reasonable certainty that the subsidy will be received and that all related conditions will be fulfilled, subsidies are recognised at fair value.

If the subsidy concerns a cost item, it is recognised as income in keeping with the matching principle. If it concerns an asset, its fair value is disclosed in the accruals and deferred income and then written off annually in equal portions through the profit and loss account over the estimated useful life of the asset.

t) Emission Credits

The Group recognises emission credits in its financial statements based on the net liability method – the Group recognises only those liabilities that result from exceeding the emission credits limit granted to it, and the liability is recognised only after the Group actually exceeds the limit. Income from the sale of unused emission credits is recognised in the profit and loss account at the time of sale.

u) Income tax

For the purposes of financial reporting, the Group creates a deferred tax liability using the balance-sheet liability method in relation to all temporary differences existing as at the balance-sheet date between the tax base of assets and liabilities and their balance-sheet value as disclosed in the consolidated financial statements.

Deferred tax liability is recognised for all taxable temporary differences:

– except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and

– in the case of taxable temporary differences associated with investments in subsidiary or associated undertakings, and interests in joint ventures, unless the investor is able to control the timing of the reversal of the temporary differences or it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised in relation to all deductible temporary differences, unused tax assets, and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences, assets and losses to be used:

– except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), and

– in the case of deductible temporary differences associated with investments in subsidiary or associated undertakings and interests in joint ventures, the related deferred tax asset is recognised in the balance sheet in the amount of the taxable income expected to be generated in the foreseeable future (as a result of the reversal of these temporary differences) which would enable the deductible temporary differences to be offset.

The balance-sheet value of a deferred tax asset is verified as at each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or release of particular provision, based on tax rates (and tax legislation) effective as at the balance-sheet date or tax rates (and tax legislation) certain to be effective as at the balance-sheet date in the future.

Income tax related to items posted directly to equity is recognised under equity and not in the profit and loss account.

Deferred income tax assets and deferred income tax liability are recognised in the balance sheet at the value obtained after their set-off in particular undertakings consolidated within the Group.

v) Financial Instruments

At the time of their initial recognition, financial instruments are valued at acquisition cost (price), equal to the fair value of the payment made for them. The transaction costs are included in the initial value of the financial instruments.
Following the initial recognition, financial instruments are classified under one of the following four categories and are valued as follows:

- Financial instruments which are measured at fair value through profit or loss.
- Financial instruments held to maturity which are valued at their amortised cost using the effective interest rate.
- Loans and accounts receivable which are valued at their amortised cost using the effective interest rate; the related gains and losses are disclosed in the profit and loss account. Accounts receivable which mature in the short term and do not have a specified interest rate are valued at amounts due.
- Financial instruments available for sale which are measured at fair value; the revaluation gains/losses are charged to the revaluation capital reserve until the investment is sold or its value is reduced. Then, the cumulative revaluation gain/loss is charged to the consolidated profit and loss account.

The fair value of financial instruments for which a ready market exists is measured in relation to the prices quoted on that market as at the relevant balance-sheet date. If there is no quoted market price, the fair value is estimated using appropriate valuation techniques.

Financial liabilities other than under financial instruments at fair value through profit or loss are recognised at amortised cost using the effective interest rate.

Financial instruments are derecognised from the balance sheet when the Group loses control over contractual rights comprising particular financial instruments; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

w) Recognition of Revenue

Revenue is recognised in the amount proportionate to the probable economic benefit for the Group which can be reliably valued.

x) Sales of Goods for Resale and Products

Sales revenue is recognised at the fair value of payments received or due, and it represents the accounts receivable for the products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (excise tax, fuel charge).

The sales of goods for resale are recognised at the moment of delivery and transfer of the property rights.

y) Interest

Interest income is recognised as the interest accrues (using the effective interest rate), unless the receipt of the interest is doubtful.

z) Dividends

Dividends receivable are included in the financial income as at the day of adoption of a resolution on profit distribution by the relevant governing body of the Company, unless the resolution provides for a different dividend record date.

aa) Management Board's Estimates

The preparation of financial statements in accordance with the International Financial Reporting Standards requires a number of judgments and estimates which affect the value of items disclosed in the financial statements and in the notes thereto. Although the judgments and estimates are based on the Management Board's best knowledge of the current and future events and actions, the actual results might differ from the estimates. The Management Board made estimates concerning provisions, property, plant and equipment, intangible assets, goodwill and merger transactions. The significant assumptions used in the estimates are described in the relevant notes.

bb) Net Earnings per Share

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in this reporting period. The Group does not disclose the diluted earnings/loss per share, since no factors which would dilute earnings per share occur.

cc) Contingent Liabilities and Receivables

Contingent liabilities are understood as an obligation to provide benefits upon occurrence of specific events. Contingent liabilities are not disclosed in the balance sheet, but information on contingent liabilities is disclosed, unless the probability of outflow of resources representing economic benefits is insignificant. Contingent receivables are not disclosed in the balance sheet, but information on contingent receivables is disclosed if the inflow of resources representing economic benefits is probable.

11. Rules of Presentation and Comparable Data Adjustments

In connection with the acquisition of 80.04% of shares in Rafineria Czechowice S.A., 80.01% of shares in Rafineria Jasło S.A., 91.54% 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 2005 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 June 30th 2005 and for the six months ended on June 30th 2005 presented in these consolidated financial statements were duly 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 six months ended June 30th 2005 were changed.

In these consolidated financial statements, the Parent Undertaking disclosed the financial information of the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic ("GK Petrobaltic") for the six months ended June 30th 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.

12. Property, Plant and Equipment

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Land and perpetual usufruct rights	372,994	362,075
Buildings and structures	1,551,560	1,520,335
Plant and equipment	763,403	764,594
Vehicles and other tangible assets	362,747	375,968
Investments in progress, including:	452,647	288,808
- mineral resources exploration and evaluation assets	84,363	76,346
Total	**3,503,351**	**3,311,780**

Changes to Property, Plant and Equipment

PLN '000	Land and perpetual usufruct rights	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Investments in progress, including:	- mineral resources exploration and evaluation assets	Total
Gross book value as at Jan 1 2005	**239,713**	**1,150,536**	**801,560**	**67,888**	**75,463**	**144,647**	**-**	**2,479,808**
Increase, including:	32,673	297,895	159,664	246,658	97,669	157,866	54,309	992,425
- purchase	-	29	690	1,175	21,618	216,655	1,000	240,167
- settlement of investments	7,201	72,750	68,226	15,274	3,315	(169,670)	-	(2,904)
- inclusion of new undertakings in consolidation	25,472	225,081	90,617	221,353	72,736	82,854	53,309	718,113
- other	-	35	131	8,856	-	28,027	-	37,049
Decrease, including:	(69)	(46)	(2,949)	(2,396)	(436)	(4,374)	-	(10,270)
- sale	(69)	(25)	(220)	(1,469)	(51)	(20)	-	(1,854)
- liquidation	-	(11)	(2,681)	(62)	(318)	-	-	(3,072)
- donations, transfer for no consideration		(10)		(47)			-	(57)
- other	-	-	(48)	(818)	(67)	(4,354)	-	(5,287)
Gross book value as at Jun 30 2005	**272,317**	**1,448,385**	**958,275**	**312,150**	**172,696**	**298,139**	**54,309**	**3,461,962**
Gross book value as at Jan 1 2005	**239,713**	**1,150,536**	**801,560**	**67,888**	**75,463**	**144,647**	**-**	**2,479,807**
Increase, including:	128,528	531,128	276,058	265,228	124,563	162,544	76,346	1,488,049
- purchase	15	287	2,539	13,551	23,270	765,367	23,037	805,029
- settlement of investments	103,045	304,954	177,593	21,440	28,107	(688,299)		(53,160)
- inclusion of new undertakings in consolidation	25,468	225,101	90,832	221,341	73,186	82,853	53,309	718,781
- other	-	786	5,094	8,896	-	2,623	-	17,399
Decrease, including:	(280)	(6,542)	(17,988)	(6,815)	(13,315)	(18,204)	-	(63,144)
- sale	(280)	(548)	(425)	(5,814)	(110)	(20)	-	(7,197)
- liquidation		(798)	(11,004)	(150)	(1,956)	-	-	(13,908)
- donations, transfer for no consideration		(93)	-	-	-	-	-	(93)
- other	-	(5,103)	(6,559)	(851)	(11,249)	(18,184)	-	(41,946)
Gross book value as at Dec 31 2005	**367,961**	**1,675,122**	**1,059,630**	**326,301**	**186,711**	**288,987**	**76,346**	**3,904,712**
Gross book value as at Jan 1 2006	**367,961**	**1,675,122**	**1,059,630**	**326,301**	**186,711**	**288,987**	**76,346**	**3,904,712**
Increase, including:	19,008	83,594	65,928	8,540	9,872	164,436	8,017	351,378
- purchase	-	3	376	1,656	1,890	368,637	8,017	372,562
- settlement of investments	19,008	82,918	65,183	6,380	6,914	(204,296)	-	(23,893)

PLN '000	Land and perpetual usufruct rights	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Investments in progress, including:	- mineral resources exploration and evaluation assets	Total
- inclusion of new undertakings in consolidation							-	
- other	-	673	369	504	1,068	95	-	2,709
Decrease, including:	(6,684)	(2,690)	(2,506)	(3,776)	(2,290)	(587)	-	(18,533)
- sale	(402)	(1,547)	(849)	(1,206)	(62)	(14)	-	(4,080)
- liquidation	-	(1,143)	(1,408)	(511)	(1,791)	(5)	-	(4,858)
- other	(6,282)	-	(249)	(2,059)	(437)	(568)	-	(9,595)
Gross book value as at Jun 30 2006	**380,285**	**1,756,026**	**1,123,052**	**331,065**	**194,293**	**452,836**	**84,363**	**4,237,557**
Accumulated depreciation as at Jan 1 2005	**4,278**	**79,383**	**166,784**	**43,137**	**46,595**	**-**	**-**	**340,177**
Increase, including:	781	35,751	63,544	15,102	12,637	-	-	127,815
- depreciation	781	35,751	63,459	14,038	10,327	-	-	124,356
- inclusion of new undertakings in consolidation	-	-	-	-	-	-	-	-
- other	-	-	85	1,064	2,310	-	-	3,459
Decrease	-	(33)	(2,629)	(904)	(306)	-	-	(3,872)
Accumulated depreciation as at Jun 30 2005	**5,059**	**115,101**	**227,699**	**57,335**	**58,926**	**-**	**-**	**464,120**
Accumulated depreciation as at Jan 1 2005	**4,278**	**79,383**	**166,784**	**43,137**	**46,595**	**-**	**-**	**340,177**
Increase, including:	1,609	75,850	138,191	29,142	22,905	-	-	267,697
- depreciation	1,609	74,835	132,477	28,526	17,455	-	-	254,902
- other	-	1,015	5,714	616	5,450	-	-	12,795
Decrease	(1)	(685)	(10,139)	(2,762)	(2,091)	-	-	(15,678)
Accumulated depreciation as at Dec 31 2005	**5,886**	**154,548**	**294,836**	**69,517**	**67,409**	**-**	**-**	**592,196**
Accumulated depreciation as at Jan 1 2006	**5,886**	**154,548**	**294,836**	**69,517**	**67,409**	**-**	**-**	**592,196**
Increase, including:	1,005	50,256	65,950	16,407	12,378	-	-	145,996
- depreciation	993	50,224	65,881	16,401	9,073	-	-	142,572
- inclusion of new undertakings in consolidation							-	
- other	12	32	69	6	3,305	-	-	3,424
Decrease	-	(484)	(1,457)	(1,405)	(1,808)	-	-	(5,154)
Accumulated depreciation as at Jun 30 2006	**6,891**	**204,320**	**359,329**	**84,519**	**77,979**	**-**	**-**	**733,038**

PLN '000	Land and perpetual usufruct rights	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Investments in progress, including:	- mineral resources exploration and evaluation assets	Total
Impairment charges as at Jan 1 2005	**-**	**-**	**-**	**-**	**156**	**-**	**-**	**156**
Increase	-	-	-	-	-	-	-	-
Inclusion of new undertakings in consolidation	-	-	-	-	-	-	-	-
Decrease	-	(117)	(1)	-	(22)	-	-	(140)
Impairment charges as at Jun 30 2005	**-**	**(117)**	**(1)**	**-**	**134**	**-**	**-**	**16**
Impairment charges as at Jan 1 2005	**-**	**-**	**-**	**-**	**156**	**-**	**-**	**156**
Increase	-	239	200	-	5	189	-	633
Decrease	-	-	-	-	(43)	(10)	-	(53)
Impairment charges as at Dec 31 2005	**-**	**239**	**200**	**-**	**118**	**179**	**-**	**736**
Impairment charges as at Jan 1 2006	**-**	**239**	**200**	**-**	**118**	**179**	**-**	**736**
Increase	400	1	228	9	8	10	-	656
Inclusion of new undertakings in consolidation	-	-	-	-	-	-	-	-
Decrease	-	(94)	(108)	-	(22)	-	-	(224)
Impairment charges as at Jun 30 2006	**400**	**146**	**320**	**9**	**104**	**189**	**-**	**1,168**
Net book value as at Jun 30 2005	**267,258**	**1,333,401**	**730,577**	**254,815**	**113,636**	**298,139**	**54,309**	**2,997,826**
Net book value as at Dec 31 2005	**362,075**	**1,520,335**	**764,594**	**256,784**	**119,184**	**288,808**	**76,346**	**3,311,780**
Net book value as at Jun 30 2006	**372,994**	**1,551,560**	**763,403**	**246,537**	**116,210**	**452,647**	**84,363**	**3,503,351**

As at June 30th 2006, December 31st 2005 and June 30th 2005, the net value of an asset related to the liquidation of a mining plant amounted to PLN 57,157 thousand, PLN 59,879 thousand and PLN 62,601 thousand, respectively.

As at June 30th 2006, the net value of the items of property, plant and equipment serving as collateral for the Group's liabilities amounted to PLN 499,392.

13. Other Non-Current Assets, Prepayments and Accrued Income

Other Non-Current Assets

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Other prepayments and accrued income	11,588	8,548
Non-current receivables	16,591	19,468
Total	**28,179**	**28,016**

Prepayments and Accrued Income

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Other prepayments and accrued income – non-current portion	11,588	8,548
Prepayments and accrued income – current portion	34,702	11,288
Total	**46,290**	**19,836**

14. Investment Property

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Opening balance	5,888	231
Increase, including:	-	16,069
- change in the Group's composition	-	15,527
- other	-	542
Decrease, including:	(326)	(10,300)
- sale	-	(10,300)
- other	(326)	-
Closing balance	**5,562**	**6,000**

15. Intangible Assets

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Development expense	408	504
Software	5,996	5,426
Licences, patents and trademarks	45,862	43,824
Other	1,071	1,332
Total	**53,337**	**51,086**

Changes in Intangible Assets

PLN '000	Development expense	Software	Licences, patents and trademarks	Other	Total
Gross book value as at Jan 1 2005	**100**	**5,352**	**46,759**	**881**	**53,092**
Increase, including:	227	1,423	3,517	821	5,988
- purchase	-	276	3	-	279
- settlement of investments	-	357	2,547	-	2,904
- inclusion of new undertakings in consolidation	227	713	967	821	2,728
- other	-	77	-	-	77
Decrease, including:	-	(449)	-	(621)	(1,070)
- sale	-	(46)	-	-	(46)
- liquidation	-	(403)	-	-	(403)
- other	-	-	-	(621)	(621)
Gross book value as at Jun 30 2005 (unaudited)	**327**	**6,326**	**50,276**	**1,081**	**58,010**
Gross book value as at Jan 1 2005	**100**	**5,352**	**46,759**	**881**	**53,092**
Increase, including:	533	4,710	8,010	1,591	14,844
- purchase	-	386	299	647	1,332
- settlement of investments	-	3,611	6,707	123	10,441
- inclusion of new undertakings in consolidation	227	713	967	821	2,728
- other	306	-	37	-	343
Decrease, including:	-	(736)	(91)	(621)	(1,448)
- sale	-	(71)	-	-	(71)
- liquidation		(415)	-	-	(415)
- other	-	(250)	(91)	(621)	(962)
Gross book value as at Dec 31 2005	**633**	**9,326**	**54,678**	**1,851**	**66,488**
Gross book value as at Jan 1 2006	**633**	**9,326**	**54,678**	**1,851**	**66,488**
Increase, including:	-	1,746	5,909	48	7,703
- purchase	-	11	-	47	58
- settlement of investments		1,556	5,909	1	7,466
- inclusion of new undertakings in consolidation					
- other		179			179
Decrease, including:		(21)	(172)	(29)	(222)
- sale					

PLN '000	Development expense	Software	Licences, patents and trademarks	Other	Total
- liquidation		(13)	(1)		(14)
- other		(8)	(171)	(29)	(208)
Gross book value as at Jun 30 2006 (unaudited)	**633**	**11,051**	**60,415**	**1,870**	**73,969**
Amortisation as at Jan 1 2005	**100**	**2,586**	**4,718**	**62**	**7,466**
Increase, including:	38	791	2,956	162	3,947
- amortisation	38	791	2,956	162	3,947
- inclusion of new undertakings in consolidation	-	-	-	-	-
- other	-	-	-	-	-
Decrease	-	(444)	-	-	(444)
Amortisation as at Jun 30 2005 (unaudited)	**138**	**2,933**	**7,674**	**224**	**10,969**
Amortisation as at Jan 1 2005	**100**	**2,586**	**4,718**	**62**	**7,466**
Increase, including:	56	1,738	6,140	457	8,391
- amortisation	56	1,738	6,137	457	8,388
- other	-	-	3	-	3
Decrease	-	(481)	(4)	-	(485)
Amortisation as at Dec 31 2005	**156**	**3,843**	**10,854**	**519**	**15,372**
Amortisation as at Jan 1 2006	**156**	**3,843**	**10,854**	**519**	**15,372**
Increase, including:	96	1,178	3,700	280	5,254
- amortisation	96	1,178	3,700	280	5,254
- inclusion of new undertakings in consolidation					
- other					
Decrease		(21)	(1)	-	(22)
Amortisation as at Jun 30 2006 (unaudited)	**252**	**5,000**	**14,553**	**799**	**20,604**
Impairment charges as at Jan 1 2005	**-**	**49**	**-**	**-**	**49**
Increase	-	-	-	-	-
Inclusion of new undertakings in consolidation	-	-	-	-	-
Decrease	(20)	-	-	-	(20)
Impairment charges as at Jun 30 2005 (unaudited)	**(20)**	**49**	**-**	**-**	**29**
Impairment charges as at Jan 1 2005	**-**	**49**	**-**	**-**	**49**
Increase	-	8	-	-	8
Decrease	(27)	-	-	-	(27)
Impairment charges as at Dec 31 2005	**(27)**	**57**	**-**	**-**	**30**
Impairment charges as at Jan 1 2006	**(27)**	**57**	**-**	**-**	**30**

PLN '000	Development expense	Software	Licences, patents and trademarks	Other	Total
Increase					
Inclusion of new undertakings in consolidation					
Decrease		(2)			(2)
Impairment charges as at Jun 30 2006 (unaudited)	**(27)**	**55**	**-**	**-**	**28**
Net book value as at Jun 30 2005 (unaudited)	**209**	**3,344**	**42,602**	**857**	**47,012**
Net book value as at Dec 31 2005	**504**	**5,426**	**43,824**	**1,332**	**51,086**
Net book value as at Jun 30 2006 (unaudited)	**408**	**5,996**	**45,862**	**1,071**	**53,337**

16. Business Combinations

Consolidation Goodwill

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Balance-sheet value of consolidation goodwill:		
Lotos Partner Sp. z o.o.	1,862	1,862
Lotos Mazowsze S.A.	10,009	10,009
Total	**11,871**	**11,871**
Balance-sheet value of business combination goodwill, including:		
- purchase of the ESSO service stations network	47,542	42,717
- purchase of the Slovnaft Polska S.A. service stations network	11,601	-
Total	**59,143**	**42,717**
Total Goodwill	**71,014**	**54,588**

No goodwill valuation allowances were made by the Group in 2005 or during the six months ended June 30th 2006.

Acquisition of 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 is 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 June 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 June 30th 2006 is as follows:

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

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:
- 12 Slovnaft service stations situated in southern Poland, in an area of strategic importance to the development of the LOTOS network,
- 2 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. will finance 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 June 30th 2006, the expenditure incurred by LOTOS Paliwa Sp. z o.o. to purchase the organised part of business amounted to PLN 57,434 thousand and was used to acquire 12 stations.

The acquisition of the Slovnaft stations resulted in the recognition of goodwill of PLN 11,601 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.

(PLN '000)	**Jun 30 2006**
Merger cost (acquisition cost)	60,026
Non-current assets	48,425
Goodwill	11,601

17. Investments in Associated Undertakings

Company name	Registered office	Business area	Jun 30 2006	Dec 31 2005
Energobaltic Sp. z o.o.	Gdańsk	Production activities	32.16%	32.16%
UAB Naftos Gavyba	Klaipeda, Lithuania	Services	29.46%	29.46%
AB Geonafta	Gargždai, Lithuania	Crude oil production	27.60%	27.60%

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Investments in associated undertakings valued with equity method		
Naftos Gavyba Group	61,195	58,425
Total	61,195	58,425
Other non-current financial assets [(1)]	24,911	24,911
Total investments in associated undertakings	**86,106**	**83,336**

As at June 30th 2006 and December 31st 2005, the Petrobaltic Group recognised assets invested in UAB Naftos Gavyba, its associated undertaking. The recognised amount is the funds provided to UAB Naftos Gavyba by Petrobaltic in 2000 to finance the purchase of AB Geonafta shares, subject to a condition precedent (Conditional Agreement on Purchase of Ownership Rights to Shares, dated July 18th 2000; the Agreement). Transfer of the shares was conditional upon UAB Naftos Gavyba performance of its investment obligations towards AB Geonafta, as specified in the privatisation agreement of AB Geonafta. In 2001–2005, UAB Naftos Gavyba performed all of its investment obligations, which consumed LTL 56m, and acquired 41 million of AB Geonafta shares. The most recent increase in AB Geonafta's share capital took place on April 25th 2005. Performance of these obligations was financed in full with UAB Naftos Gavyba's own funds sourced from dividends paid out in consecutive years by AB Geonafta. With the condition precedent fulfilled on April 25th 2005, Petrobaltic could take over the shares in AB Geonafta specified in the Agreement. By the date of these financial statements, UAB Naftos Gavyba had not made any entry in the share register of AB Geonafta which would constitute the transfer the ownership rights to the shares purchased by Petrobaltic under a condition precedent. On March 15th 2006, the Management Board of Petrobaltic S.A. requested the Supervisory Board for an opinion on termination of the Agreement, and its consent to enter into an agreement with the shareholders of Lithuania's Naftos Gavyba on termination of the Agreement, and to enter into an agreement with Naftos Gavyba on termination of the Agreement. Concurrently, on March 24th 2006, an agreement supplementary to the Agreement of July 18th 2000 was signed by Petrobaltic S.A. and UAB Naftos Gavyba to postpone the deadline for transferring the ownership rights to the shares in AB Geonafta to August 31st 2007.
Following changes in the shareholder structure of Lithuania's Naftos Gavyba (UAB Naftos Tekme acquired all the UAB Naftos Gavyba shares not held by Petrobaltic S.A, thus becoming the largest shareholder in that company with a 57.3% stake in its share capital), the Management Board of Petroblatic S.A. decided to suspend the proposed actions relating to termination of the conditional AB Geonafta share purchase agreement. To determine the future strategy of Petrobaltic S.A., its Management Board recommended that appropriate legal and economic analyses be performed.

Net assets of material undertakings valued with equity method:

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Naftos Gavyba Group	n.a.	136,825
Energobaltic Sp. z. o.o.	143,938	151,894

Liabilities and provisions for liabilities of material undertakings valued with equity method:

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Naftos Gavyba Group	n.a.	68,630
Energobaltic Sp. z o.o.	126,586	135,880

Sales revenue of undertakings valued with equity method:

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Naftos Gavyba Group	n.a.	n.a.
Energobaltic Sp. z o.o.	12,333	10,332

Net profit/(loss) of undertakings valued with equity method:

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Naftos Gavyba Group	n.a.	n.a.
Energobaltic Sp. z o.o.	2,282	(5,687)

Share in profit (loss) of undertakings valued with equity method:

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Naftos Gavyba Group	n.a.	n.a.
Naftoport Sp. z. o.o.	-	2,355
Other undertakings valued with equity method	(4)	(121)
	=========	=========
Total	(4)	2,234
	=========	=========

18. Financial Assets

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Shares in non-consolidated subsidiary undertakings	1,626	1,954
Shares in other undertakings	10,031	10,031
Other non-current financial assets	8,141	8,208
	=========	=========
Total	**19,798**	**20,193**
	=========	=========

19. Methods and Material Assumptions Adopted for Measuring Financial Assets and Liabilities at Fair Value

Overview of Financial Instruments

The Group is exposed to market risk, including, in particular, fluctuations of the refining margin, exchange rates and interest rates. It manages those risks using derivatives and other financial instruments. The Parent Undertaking does not issue any derivative financial instruments held for trading.

The Parent Undertaking has implemented written guidelines for currency risk management; these guidelines define the risk tolerance level and the general risk management policy. The Parent Undertaking has also developed procedures designed to ensure timely and detailed monitoring and control of hedging transactions. At the meetings of the Risk Management Committee ("RMC"), results of currency risk management and results on derivatives hedging commodity risk are presented. The RMC is also responsible for recommending management strategies for individual risk types to the Management Board and proposing hedging transactions exceeding predefined risk limits.

As it does not meet formal requirements, the Group does not apply hedging accounting; accordingly, any change in fair value of derivatives is posted to the profit and loss account.

Description of Financial Instruments

Financial assets and liabilities held for trading

Financial assets held for trading comprise treasury bills and investment certificates. The Parent Undertaking discloses derivative transactions with positive fair values under financial assets held for trading. These transactions include unrealised forwards and swaps. Derivative transactions with negative fair value disclosed under financial liabilities held for trading comprise swaps.

Financial assets available for sale

Non-current financial assets available for sale measured at fair value as at June 30th 2006, December 31st 2005 and June 30th 2005 include mainly shares and equity interests for which there is no active market.

Loans advanced and receivables

1. On September 23rd 2003 and April 8th 2004, Grupa Lotos S.A. signed with Rafineria Nafty Glimar S.A. loan agreements for the financing of operating and investing activities, including, in particular, the Glimar Hydrocomplex investment project, for an aggregate amount of PLN 90m. By December 31st 2004, Grupa Lotos S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under these agreements. Additionally, in connection with the Letter of Comfort signed by Grupa LOTOS S.A. on February 12th 2004 for Bank Przemysłowo-Handlowy S.A., the Company undertook commitments relating to the co-financing of the Glimar Hydrocomplex investment project and maintaining of an appropriate financial standing of Rafineria Nafty Glimar S.A. In the opinion of the Company's Management Board, these commitments do not represent financial liabilities as at the balance-sheet date.

As at June 30th 2006, December 31st 2005 and June 30th 2005, assets under the advanced loans were fully covered by an allowance. As at the above dates, the Company also created a provision for the remaining amounts due under these agreements. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt.

2. On November 12th 2001 an agreement was concluded under which Petrobaltic S.A. granted a loan to Energobaltic Sp. z o.o. Petrobaltic S.A.'s receivables under the loan (including accrued interest) amounted to USD 6,623 thousand as at June 30th 2006 (USD 6,386 thousand as at December 31st 2005), which represented the equivalent of PLN 21,073 thousand as at June 30th 2006 (PLN 20,825 thousand as at December 31st 2005). On the basis of an analysis of the economic and financial standing of Energobaltic Sp. z o.o., performed based on the 2005 financial statements, and considering the projections for the following years and the related risk of a loss of liquidity in the event of failure of the measures taken by the Management Board of Energobaltic Sp. z o.o. to restructure the company's indebtedness, i.e. to postpone the repayment of bank loans and shareholder loans, a valuation allowance was made for the full value of the loan. A valuation allowance was also made for the value of shares held in Energobaltic Sp. z o.o.

Under the shareholder agreement, in the event that the aggregate amount of waste gas supplied by Petrobaltic S.A. to Energobaltic Sp. z o.o. in 2005 is lower than the minimum offtake amount provided for in the gas supply agreement for the year, Petrobaltic S.A. is obliged to offer to the other shareholder and lender of Energobaltic Sp. z o.o., that is Rolls-Royce Power Ventures (Władysławowo) Limited ("RRPV"), to purchase the claims under the loan advanced by RRPV to Energobaltic. If RRPV performs in accordance with the shareholder agreement, Petrobaltic S.A. may be obliged to gradually (2007–2011) purchase RRPV's claims under the loan at maturity of each principal instalment. If RRPV accepts Petrobaltic S.A.'s offer to purchase the claims, it will mean fulfilment of the condition precedent for RRPV's offer, made in 2001, to sell all the shares held by RRPV in Energobaltic at the time a default notice is served under the gas supply agreement. As at the date of these consolidated financial statements, no such notice was delivered. Any breach of the terms and conditions of the gas supply agreement in the following years entitles RRPV to issue such a notice within the timeframes provided for in the agreement. In view of the above, Petrobaltic S.A. created a provision of PLN 24,188 thousand related to the shareholder agreement and disclosed under other provisions (current portion).

Financial assets held to maturity

Financial assets held to maturity comprise purchased treasury bonds.

Commodity Risk

The most material component of commodity risk is the refining margin defined as the difference between the price of product sold and the price of raw materials purchased. At its meetings, the RMC adopts decisions concerning proposed hedging transactions. These decisions are subject to final approval by the President of the Management Board.

Interest Rate Risk

The Parent Undertaking's exposure to market risk arising in connection with interest rate fluctuations primarily relates to loans with variable interest rates, reinvestment of free cash, and the balance of future cash flows. The Company does not use derivative financial instruments to hedge its investment portfolio. In order to ensure liquidity of this portfolio, the Company invests a significant portion of assets in debt securities for which there is a ready secondary market or another market on which such securities may be sold.

Currency Risk

Main sources of currency risk are raw material imports, product exports, domestic sales indexed to foreign currencies and loans denominated in foreign currencies. Currency risk management is based on planned net foreign currency positions, in line with the assumptions stipulated in "Currency Risk Management Strategy for Grupa LOTOS S.A.", which also defines the maximum limit of the total foreign currency position and the gross global position to which the Company may be exposed in a budget year. The limit is expressed as a percentage of the Company's equity. The risk management falls within the powers of the RMC or the risk management division, depending on current risk exposure.

Credit Risk

As a rule, the Group executes transactions with recognised companies of good credit standing. All customers requesting trade credit undergo verification of their financial reliability. Moreover, thanks to ongoing monitoring of receivables, the risk of uncollectible receivables is low.
In terms of the Group's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivatives, the Group's credit risk arises as a result of the other party's inability to make the payment, and the maximum exposure to this risk is equal to the balance-sheet value of such instruments.
There is no material concentration of the credit risk within the Group.

The Company has developed a system for determining limits of exposure with respect to individual counterparties in a transaction, based on ratings granted by recognised rating agencies, solvency ratios, and value of equity of both the LOTOS Group and the counterparties. Results on hedging transactions are taken into account in exposure measurement.

20. Current Financial Assets

PLN '000	**Jun 30 2006 (unaudited)**	**Dec 31 2005**
Positive valuation of financial instruments, including:	7,617	5,328
- Currency forwards	7,617	2,016
- Currency swaps	-	24
- Currency and interest rate swaps	-	3,288
Repo transactions	-	30,024
Treasury bonds	3,966	3,879
Treasury bills	-	93,140
Loans	145	177
Other	3,009	3,212
Total	**14,737**	**135,760**

Financial Assets and Liabilities

Changes in financial assets and liabilities by category in consecutive reporting periods:

(PLN '000)	Financial assets held for trading	Financial liabilities held for trading	Loans advanced and receivables	Financial assets held to maturity	Financial assets available for sale
Opening balance as at Jan 1 2006	**128,492**	**-**	**177**	**3,879**	**6,395**
Gross value	120,013	-	48,216	3,783	6,813
Revaluation	8,479	-	(48,039)	96	(418)
Increase, including:	4,797,926	-	213	87	452
Acquisition	4,795,636	-	213	-	1,098
Inclusion of new undertakings in consolidation		-	-	-	-
Revaluation	2,290	-	-	87	(646)
Decrease, including:	(4,917,003)	-	(96)	-	-
Sale	(4,913,851)	-	(96)	-	-
Revaluation	(3,152)	-	-	-	-
Closing balance as at Jun 30 2006 (unaudited)	**9,415**	**-**	**294**	**3,966**	**6,847**
Gross value	1,798	-	48,333	3,783	7,911
Revaluation	7,617	-	(48,039)	183	(1,064)
Balance-sheet disclosure					
Non-current financial assets	-	-	148	-	6,847
Current financial assets	9,415	-	146	3,966	-
Current liabilities	-	-	-	-	-
	-----------	-----------	-----------	-----------	-----------
Total	**9,415**	**-**	**294**	**3,966**	**6,847**
	===========	===========	===========	===========	===========

(PLN '000)	Financial assets held for trading	Financial liabilities held for trading	Loans advanced and receivables	Financial assets held to maturity	Financial assets available for sale
Opening balance as at Jan 1 2005	**43,234**	**-**	**-**	**3,952**	**1,509**
Gross value	22,029	-	48,039	3,783	1,927
Revaluation	21,205	-	(48,039)	169	(418)
Increase, including:	8,111,541	-	3,097	-	6,312
Acquisition	8,091,910	-	177	-	-
Revaluation	8,479	-	2,920	-	-
Other	-	-		-	6,312
Inclusion of new undertakings in consolidation	11,152	-	-	-	-
Decrease, including:	(8,026,283)	-	(2,920)	(73)	(1,426)
Sale	(8,005,078)	-	-	-	(1,426)
Revaluation	(21,205)	-	(2,920)	(73)	-
Closing balance as at Dec 31 2005	**128,492**	**-**	**177**	**3,879**	**6,395**
Gross value	120,013	-	48,216	3,783	6,813
Revaluation	8,479	-	(48,039)	96	(418)
Balance-sheet disclosure					
Non-current financial assets	-	-	-	-	6,395
Current financial assets	128,492	-	177	3,879	-
Current liabilities	-	-	-	-	-
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Total	**128,492**		**177**	**3,879**	**6,395**
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(PLN '000)	Financial assets held for trading	Financial liabilities held for trading	Loans advanced and receivables	Financial assets held to maturity	Financial assets available for sale
Opening balance as at Jan 1 2005	**43,234**	**-**	**-**	**3,952**	**1,509**
Gross value	22,029	-	48,039	3,783	1,927
Revaluation	21,205	-	(48,039)	169	(418)
Increase, including:	2,727,764	10,439	2,743	182,194	-
Acquisition	2,716,109	-	-	180,035	-
Inclusion of new undertakings in consolidation	11,152	-		-	-
Revaluation	503	10,439	2,743	2,159	-
Decrease, including:	(2,496,629)	-	(2,743)	-	(1,427)
Sale	(2,480,290)	-	-	-	(1,427)
Revaluation	(16,339)	-	(2,743)	-	-
Closing balance as at Jun 30 2006 (unaudited)	**274,369**	**10,439**	**-**	**186,146**	**82**
Gross value	269,000	-	48,039	183,818	500
Revaluation	5,369	10,439	(48,039)	2,328	(418)
Balance-sheet disclosure					
Non-current financial assets	-	-	-	186,146	82
Current financial assets	274,369	-	-	-	-
Current liabilities	-	10,439	-	-	-
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Total	**274,369**	**10,439**	**-**	**186,146**	**82**
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Value of derivative transactions as at June 30th 2006 (PLN ’000):

Company	Type of forward transaction	Transaction execution date	Transaction settlement date*	Forward rate	Currency pair	Base amount sold at closing (EUR ‘000)	Base amount sold at closing (PLN ‘000)	Fair value as at Jun 30 2006 (PLN ‘000)**
Grupa Lotos S.A.	Currency forward	Mar 24 2006 Fri	Jul 28 2006 Fri	3.2	USD/PLN		16,243	327
Grupa Lotos S.A.	Currency forward	Mar 24 2006 Fri	Jul 28 2006 Fri	3.2	USD/PLN		16,245	330
Grupa Lotos S.A.	Currency forward	Mar 24 2006 Fri	Jul 28 2006 Fri	3.2	USD/PLN		16,246	331
Grupa Lotos S.A.	Currency forward	Mar 24 2006 Fri	Jul 28 2006 Fri	3.3	USD/PLN		16,253	337
Grupa Lotos S.A.	Currency forward	Mar 28 2006 Tue	Oct 30 2006 Mon	3.3	USD/PLN		39,021	948
Grupa Lotos S.A.	Currency forward	Mar 29 2006 Wed	Oct 31 2006 Tue	3.3	USD/PLN		31,303	1,001
Grupa Lotos S.A.	Currency forward	Mar 29 2006 Wed	Jul 31 2006 Mon	3.3	USD/PLN		42,693	1,316
Grupa Lotos S.A.	Currency forward	Mar 31 2006 Fri	Jul 5 2006 Wed	3.2	USD/PLN		32,470	616
Grupa Lotos S.A.	Currency forward	Apr 10 2006 Mon	Sep 12 2006 Tue	3.3	USD/PLN		32,560	779
Grupa Lotos S.A.	Currency forward	Apr 13 2006 Thu	Oct 18 2006-Wed	3.2	USD/PLN		64,664	1,188
Grupa Lotos S.A.	Currency forward	Apr 13 2006 Thu	Aug 18 2006 Fri	3.2	USD/PLN		32,409	602
Grupa Lotos S.A.	Currency forward	Apr 21 2006 Fri	Jul 6 2006 Thu	1.2	EUR/USD	6,166		(604)
Grupa Lotos S.A.	Currency forward	Apr 28 2006 Fri	Jul 6 2006 Thu	1.3	EUR/USD	19,006		(201)
Grupa Lotos S.A.	Currency forward	May 30 2006 Tue	Jul 6 2006 Thu	1.3	EUR/USD	32,233		1,432
Grupa Lotos S.A.	Currency forward	Jun 6 2006 Tue	Jul 10 2006 Mon	4.0	EUR/PLN		39,642	(857)
Grupa Lotos S.A.	Currency forward	Jun 6 2006 Tue	Aug 8 2006 Tue	4.0	EUR/PLN		39,675	(859)
Grupa Lotos S.A.	Currency forward	Jun 12 2006 Mon	Jul 6 2006 Thu	1.3	EUR/USD	18,914		(494)
Grupa Lotos S.A.	Currency forward	Jun 13 2006 Tue	Jul 17 2006 Mon	3.2	USD/PLN		160,062	856
Grupa Lotos S.A.	Currency forward	Jun 20 2006 Tue	Jul 19 2006 Wed	4.1	EUR/PLN		40,697	185
Grupa Lotos S.A.	Currency forward	Jun 22 2006 Thu	Jul 6 2006 Thu	1.3	EUR/USD	18,877		(610)
Grupa Lotos S.A.	Currency forward	Jun 23 2006 Fri	Jul 10 2006 Mon	4.1	EUR/PLN		20,573	323
Grupa Lotos S.A.	Currency forward	Jun 23 2006 Fri	Jul 19 2006 Wed	4.1	EUR/PLN		41,158	645
							Total	**7,591**

Company	Type of forward transaction	Transaction execution date	Transaction settlement date*	Forward rate	Currency pair	Base amount sold at closing (EUR '000)	Base amount sold at closing (PLN '000)	Fair value as at Jun 30 2006 (PLN '000)**
Grupa Lotos S.A.	Currency forward	Apr 4 2006 Tue	Jul 6 2006 Thu	1.2	EUR/USD	20,812		2,514
Grupa Lotos S.A.	Currency forward	May 16 2006 Tue	Jul 6 2006 Thu	1.3	EUR/USD	32,211		(1,406)
Grupa Lotos S.A.	Currency forward	Jun 13 2006 Tue	Jul 10 2006 Mon	4.0	EUR/PLN		104,863	229
Grupa Lotos S.A.	Currency forward	Jun 14 2006 Wed	Jul 19 2006 Wed	4.0	EUR/PLN		80,628	233
Grupa Lotos S.A.	Currency forward	Jun 14 2006 Wed	Aug 8 2006 Tue	4.0	EUR/PLN		80,419	490
Grupa Lotos S.A.	Currency forward	Jun 20 2006 Tue	Jul 6 2006 Thu	1.3	EUR/USD	18,863		630
Grupa Lotos S.A.	Currency forward	Jun 27 2006 Tue	Oct 18 2006 Wed	3.2	USD/PLN		38,610	(589)
Grupa Lotos S.A.	Currency forward	Jun 28 2006 Wed	Aug 18 2006 Fri	3.2	USD/PLN		9,706	(180)
Grupa Lotos S.A.	Currency forward	Jun 28 2006 Wed	Oct 18 2006 Wed	3.2	USD/PLN		25,823	(475)
Grupa Lotos S.A.	Currency forward	Jun 29 2006 Thu	Jul 5 2006 Wed	3.3	USD/PLN		42,488	(1,142)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 6 2006 Thu	3.2	USD/PLN		31,839	(36)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 17 2006 Mon	3.2	USD/PLN		31,877	(87)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 17 2006 Mon	3.2	USD/PLN		31,802	(12)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 17 2006 Mon	3.2	USD/PLN		31,852	(62)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 17 2006 Mon	3.2	USD/PLN		31,844	(54)
Grupa Lotos S.A.	Currency forward	Jun 30 2006 Fri	Jul 17 2006 Mon	3.2	USD/PLN		31,817	(27)
							Total	**26**
							AGGREGATE TOTAL	**7,617**

* It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures laid down by banks.

** The fair value of a transaction is calculated on the basis of its discounted market value established by marking to market. The resulting amount is the amount of a hypothetical offsetting position (closing the transaction) taken on the valuation day. In the case of currency swaps, in order to determine their fair value, such transactions are valued using forward rates calculated on the basis of spot rates and swap points quotations published by Reuters at 11am on the valuation date.

Value of derivative transactions as at December 31st 2005 (PLN '000):

Company	Type of forward transaction	Transaction execution date	Transaction settlement date *	Forward rate	Currency pair	Base amount sold at closing (EUR '000)	Base amount sold at closing (PLN '000)	Fair value as at Dec 31 2005 (PLN '000)**
Grupa LOTOS S.A.	Currency forward	Jul 6 2005	Apr 24 2006	2.7	CHF/PLN	-	53,747	3,501
Grupa LOTOS S.A.	Currency forward	Dec 20 2005	Jan 12 2006	3.2	USD/PLN	-	32,152	(501)
Grupa LOTOS S.A.	Currency forward	Dec 30 2005	Feb 2 2006	3.9	EUR/PLN	-	5,028	(5)
Grupa LOTOS S.A.	Currency swap	Dec 30 2005	Jan 31 2006	2.8	JPY/PLN	-	99,655	24***
							TOTAL	**3,019**

Company	Type of forward transaction	Transaction execution date	Transaction settlement date *	Forward rate	Currency pair	Base amount bought at closing (EUR '000)	Base amount bought at closing (PLN '000)	Fair value as at Dec 31 2005 (PLN '000)**
Grupa LOTOS S.A.	Currency forward	Dec 20 2005 Tue	Jan 5 2006 Thu	1.2	EUR/USD	24,000		(1,219)
Grupa LOTOS S.A.	Currency forward	Dec 27 2005 Tue	Jan 6 2006 Fri	3.2	USD/PLN	-	25,860	229
Grupa LOTOS S.A.	Currency forward	Dec 29 2005 Thu	Jan 6 2006 Fri	3.2	USD/PLN	-	32,581	31
Grupa LOTOS S.A.	Currency forward	Dec 30 2005 Fri	Jan 9 2006 Mon	3.3	USD/PLN	-	22,849	(20)
							Total	**(979)**
							AGGREGATE TOTAL	**2,040**

* It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures laid down by banks.
** The fair value of a transaction is established by marking to market. The resulting amount is the amount of a hypothetical offsetting position (closing the transaction) taken on the valuation day. In the case of currency swaps, in order to determine their fair value, such transactions are valued using forward rates calculated on the basis of spot rates and swap points quotations published by Reuters at 11am on the valuation date.
*** The fair value of the transaction is determined by discounting the difference between the sale of currency at a forward rate and the purchase of currency at a spot rate.

Company	Type of forward transaction *	Transaction execution date	Contract term	Currency pair	Exchange rate	Base amount bought at closing (EUR '000)	Bank's reference rate	Reference rate	Fair value as at Dec 31 2005 (PLN '000)**
Grupa LOTOS S.A.	Currency/interest rate swap	Sep 4 2003	Sep 8 2003 – Apr 24 2006	CHF/PLN	2.9	57,200	LIBOR CHF/ 6M	5.2	(8,291)
					Total	**57,200**			**(8,291)**

Company	Type of forward transaction *	Transaction execution date	Contract term	Currency pair	Exchange rate	Base amount sold at closing (EUR '000)	Bank's reference rate	Reference rate	Fair value as at Dec 31 2005 (PLN '000)**
Grupa LOTOS S.A.	Currency/interest rate swap	Sep 4 2003	Sep 8 2003 – Apr 24 2006	USD/PLN	4.0	57,200	5.2	2.8	11,579
					Total	**57,200**			**11,579**

AGGREGATE TOTAL	**114,400**		**3,288**

* Purpose of the transaction:
- to hedge a long-term CHF-denominated loan bearing interest at the variable 6M CHF LIBOR rate. The purpose of the transaction was to mitigate the risk related to a change (increase) in the CHF/PLN exchange rate (affecting the principal) as well as the risk of a change (increase) in the 6M CHF LIBOR rate (affecting the repayment of interest);
- to hedge future receivables under domestic sales, sensitive to the USD exchange rate. The potential future receivables from domestic sales are dependent, by and large, on the USD/PLN exchange rate and are larger than the liabilities arising primarily in connection with the purchases of raw materials made in the U.S. dollars. Given the above, in order to safeguard its core business, Grupa LOTOS S.A. has a long currency position, and thus, it is exposed to the risk related to a decrease in the USD/PLN exchange rate. The purpose of the transaction was to mitigate the risk related to a change (decrease) in the USD/PLN exchange rate.

** As at end of period, the fair value of the financial instrument is established in accordance with the model applied by the bank.

21. Inventories

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Finished products	464,626	418,958
Semi-finished products and work in progress	397,871	293,182
Goods for resale	47,760	15,216
Materials	702,492	705,583
Net inventories	**1,612,749**	**1,432,939**

Valuation Allowances for Inventories

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Finished products	6,778	9,629
Semi-finished products and work in progress	3,286	2,353
Goods for resale	1,106	1,107
Materials	7,184	8,727
Total valuation allowances for inventories	**18,354**	**21,816**

In the six months ended June 30th 2006, the Group made a valuation allowance for inventories in the amount of PLN 10,023 thousand and reversed a valuation allowance for inventories in the amount of PLN 13,485 thousand

As at June 30th 2006, the balance-sheet value of inventories valued at net realisable selling prices was PLN 42,124 thousand, compared to PLN 148,879 thousand as at December 31st 2005.

As at June 30th 2006, the value of inventories which serve as collateral for the Group's liabilities amounted to PLN 24,629 thousand.

Mandatory Liquid Fuel Reserves

Pursuant to Art. 19a.5 of the Polish State Reserves and Mandatory Fuel Reserves Act of May 30th 1996 (Dz.U. of 2003, No. 24 item 197; Dz.U. of 2004, No. 42, item 386; Dz.U. of 2005, No. 132, item 1110, and No. 143, item 1201), producers and importers of liquid fuels are obliged to create mandatory liquid fuel reserves, hereinafter referred to as "reserves," based on the volume of production or imports realised by them in the previous calendar year as part of intra-community acquisition or import, taking into account the schedule for reaching the required volume of liquid fuel reserves determined as at the end of a given year, in accordance with the appendix to the Regulation of the Minister of Economy on the schedule for the creation of liquid fuel reserves, dated December 19th 2005.

This schedule specifies the path to reach in 2008 and the subsequent years the level of reserves corresponding to the level of 76-day average internal consumption of fuels as at the end of year. Together with the existing economic reserves accounting for a 14-day consumption level, the level of 90-day reserves will be reached, as required by the EU regulations.
In each subsequent year, the required level of reserves should be increased by the reserves volume required for such number of days as is specified for each subsequent year in the Regulation on the schedule for the creation of liquid fuel reserves, dated December 19th 2005.

Mandatory fuel reserves may be stored in the form of finished products, semi-finished products and crude oil. However, the total volume of reserves in the form of semi-finished products and crude oil (taking into account the capacity for processing crude oil into fuels) may not exceed the percentage shares of the individual types of fuel in total reserves as specified in the Regulation of the Minister of Economy on the detailed manner of creating and determining the volume of the mandatory liquid fuel reserves, dated May 12th 2006 (Dz.U. No. 92, item 642).

In the balance sheet, the Group disclosed the following mandatory reserves:

PLN '000	**Jun 30 2006 (unaudited)**	**Dec 31 2005**
Mandatory reserves	877,743	800,688

22. Trade and Other Receivables

PLN '000	**Jun 30 2006 (unaudited)**	**Dec 31 2005**
Trade receivables, including:	1,251,802	926,267
- from related undertakings	733	501
- from other undertakings	1,251,069	925,766
Receivables from the state budget	62,364	107,517
Other receivables, including:	16,519	26,564
- from related undertakings	9	47
- from other undertakings	16,510	26,517
Net receivables	**1,330,685**	**1,060,348**
Valuation allowance for receivables	138,529	134,178
Gross receivables	**1,469,214**	**1,194,526**

Information on transactions with related parties is presented in Note 43.

The payment period for trade receivables in the normal course of sales is 14–50 days. The concentration of risk related to sales is limited due to the large number of the Group's business partners.

Impairment Charges on Receivables

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Beginning of period	**134,178**	**92,244**
Increase	23,200	39,357
Release	(18,849)	(8,922)
End of period	**138,529**	**122,679**

23. Cash and Cash Equivalents

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Cash in hand and cash at banks	796,482	762,753
Other cash	30,565	5,041
Total	**827,047**	**767,794**

Cash at banks bears interest at variable rates set according to the interest rate for one-day bank deposits. Short-term deposits are placed for various periods ranging from one day to one month, depending on the Group's current demand for cash, and bear interest at the interest rates set for them. As at June 30th 2006, the amount of undrawn loan funds available to the Group was PLN 419,938 thousand (as at December 31st 2005: PLN 763,681 thousand); all conditions precedent relating to these loans had been fulfilled.

As at June 30th 2006, restricted cash amounted to PLN 22,179 thousand (as at December 31st 2005: PLN 1,572 thousand). As at June 30th 2006, restricted cash comprises mainly a security deposit created by LOTOS Biopaliwa to secure the payment of PLN 21,674 thousand under an agreement for the construction biodiesel production unit concluded with MAN Ferrostal of Germany.

Cash Structure (supplementary information to the cash-flow statement)

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Cash at banks	793,672	761,024
- current accounts	567,085	515,259
- deposits up to 1 year	226,587	245,765
Cash in hand	2,810	1,729
Other cash	30,565	5,041
Total cash	**827,047**	**767,794**

24. Breakdown of the Group's Activities as Disclosed in the Cash-Flow Statement

Operating activities include transactions and events related to the core business of an undertaking and other activities which are not included in investing or financing activities.
Investing activities include transactions and events which consist in the purchase or sale of property, plant and equipment (tangible assets, tangible assets under construction), intangible assets, long-term investments and current financial assets (excluding cash and cash equivalents), as well as related monetary costs and benefits, excluding those related to income tax.
Financing activities include transactions and events which consist in the raising and repayment of funds from sources other than operating activities, as well as related monetary costs and benefits, excluding those related to income tax. The occurrence of cash flows in the financing activities gives rise to changes in the amount of equity and financial indebtedness and the proportion between them.

Causes of Differences between the Balance-Sheet Changes in Certain Items and Changes Disclosed in the Cash-Flow Statement

Receivables PLN '000	**Jun 30 2006** **(unaudited)**	**Jun 30 2005** **(unaudited)**
Balance-sheet change in net non-current and current receivables	(272,427)	(201,083)
Change in investment receivables	-	(6,413)
Inclusion of new undertakings in consolidation	-	153,099
Other	231	(4,300)
Change in receivables as disclosed in the cash-flow statement	(272,196)	(58,697)

Liabilities PLN '000	**Jun 30 2006** **(unaudited)**	**Jun 30 2005** **(unaudited)**
Balance-sheet change in current and non-current liabilities	266,533	445,105
Change in short- and long-term loans	(2,731)	111,624
Change in investment liabilities	(38,000)	29,092
Inclusion of new undertakings in consolidation	-	(344,817)
Accrued dividend	(2,521)	-
Negative valuation of financial instruments	-	(10,568)
Other	(3,929)	(5,327)
Change in liabilities as disclosed in the cash-flow statement	219,352	225,109

Inventories PLN'000	**Jun 30 2006** **(unaudited)**	**Jun 30 2005** **(unaudited)**
Balance-sheet change in inventories	(179,810)	(294,798)
Inclusion of new undertakings in consolidation	-	145,508
Other	(13)	-
Change in inventories as disclosed in the cash-flow statement	(179,823)	(149,290)

Provisions PLN '000	**Jun 30 2006** **(unaudited)**	**Jun 30 2005** **(unaudited)**
Balance-sheet change in provisions	773	173,444
Inclusion of new undertakings in consolidation	-	(181,800)
Other	2,685	5,947
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Change in provisions as disclosed in the cash-flow statement	3,458	(2,409)

Prepayments and accrued income PLN'000	**Jun 30 2006** **(unaudited)**	**Jun 30 2005** **(unaudited)**
Balance-sheet change in prepayments and accrued income	(26,457)	(23,549)
Inclusion of new undertakings in consolidation	-	6,232
Other	136	341
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Change in prepayments and accrued income as disclosed in the cash-flow statement	(26,321)	(16,976)

Other Items of the Cash-Flow Statement

The item "Other, net" under cash flows from operating activities includes the following adjustments:

PLN '000	**Six months ended Jun 30 2006** **(unaudited)**	**Six months ended Jun 30 2005** **(unaudited)**
Excess of interest in net assets over acquisition cost	-	(266,625)
Other	(818)	2,047
	==========	==========
Total other net items	(818)	(264,578)
	==========	==========

25. Share Capital and Reserve Funds

Structure of Grupa LOTOS S.A.'s share capital as at June 30th 2006 and December 31st 2005:

	Number of shares	Number of votes	Par value	% of 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 shareholders	46,796,970	46,796,970	46,796,970	41.16 %
Total	113,700,000	113,700,000	113,700,000	100.00 %

26. 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".

27. Earnings per Share

	Six months ended Jun 30 2006	Six months ended Jun 30 2005
	(unaudited)	(unaudited)
Net profit attributable to the Parent Undertaking's shareholders (PLN '000) (A)	380,807	406,564
Weighted average number of shares (in thousands) (B)*	113,700	79,281
Earnings per share (A/B)	3,35	5,13

* The earnings per share for the six months ended June 30th 2006 were computed on the basis of the weighted average number of shares in the period January 1st – June 30th 2006. The earnings per share for the six months ended June 30th 2005 were computed on the basis of the weighted average number of shares in the period January 1st – June 30th 2005.

28. Minority Interests

PLN '000	Jun 30 2006	Dec 31 2005	Jun 30 2005
	(unaudited)		(unaudited)
Balance as at beginning of period	254,281	14,882	14,882
Inclusion of new undertakings in consolidation	-	203,454	203,454
Share in profit/(loss) of subsidiary undertakings	33,458	53,715	11,135
Dividends paid out by subsidiary undertakings	(2,521)	(2,521)	(2,521)
Other	1	(15,249)	(13,587)
Balance as at end of period	**285,219**	**254,281**	**213,363**

29. Loans, Borrowings and Other Financial Liabilities

Loans and Borrowings

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Bank loans	395,831	392,100
Borrowings	12,550	13,550
Total	**408,381**	**405,650**
Including:		
Current portion	86,745	111,452
Non-current portion	321,636	294,198

Loans and Borrowings by Lender

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Non-current portion		
Kredyt Bank S.A.	47,988	50,987
BRE Bank S.A.	1,400	2,233
NFOŚiGW (National Fund for Environmental Protection and Water Management)	10,550	11,550
PeKaO S.A	26,483	30,874
PKO BP S.A.	2,132	2,809
Bank syndicate (PKO BP S.A. and PeKaO S.A)	233,083	195,745
Total non-current portion	**321,636**	**294,198**
Current portion		
Kredyt Bank S.A.	6,000	7,776
BRE Bank S.A.	833	2,912
PeKaO S.A.	10,457	32,542
ING Bank Śląski S.A.	27,515	31,898
PKO BP S.A.	12,708	29,985
Podkarpacki Bank Spółdzielczy S.A.	4,300	4,300
Bank Handlowy w Warszawie S.A.	1,534	2
NFOŚiGW (National Fund for Environmental Protection and Water Management)	2,000	2,000
Bank syndicate (PKO BP S.A. and PeKaO S.A)	21,250	37
Bank Millennium S.A.	148	-
Total current portion	**86,745**	**111,452**
Total	**408,381**	**405,650**

Bank Loans and Borrowings by Currency

PLN '000	USD loans	PLN loans	Total
H2 2006	4,117	49,047	53,164
2007	7,272	56,955	64,227
2008	7,272	53,522	60,794
2009	7,272	51,500	58,772
2010	7,272	51,800	59,072
after 2010	1,030	111,322	112,352
Total	**34,235**	**374,146**	**408,381**

The table above presents loans and borrowings according to their maturity dates.
The average effective interest rate of the loans is approx. 5.3%.

Bank name and form of incorporation	Location of the registered office	Amount of loan/borrowing as per the agreement		Amount of loan/borrowing outstanding (current portion)		Amount of loan/borrowing outstanding (non-current portion)		Repayment date		Financial terms (rate of interest, manner of interest payment, other)	Collateral
		PLN	Foreign currency	PLN	Foreign currency	PLN	Foreign currency	Current portion	Non-current portion	PLN	
Kredyt Bank S.A.	Gdańsk branch	60,000	-	6,000	-	47,988	-	Jun 30th 2007	Jun 30th 2015	1M WIBOR + bank's margin	mortgage, blank promissory note, assignment of rights under insurance policies
Pekao S.A.	Warsaw	25,000	-	3,185	-	-	-	Mar 31st 2007	-	1M WIBOR + bank's margin	power of attorney to charge the account with amounts due, representation on submission to enforcement
Bank syndicate (PKO BP S.A. and Pekao S.A.)	Warsaw	340,000	-	21,250	-	233,083	-	Jun 30th 2007	Dec 31st 2014	3M WIBOR + bank's margin	blanket security (deposit) mortgage for each lender, representation on submission to enforcement, assignment of receivables under insurance policies, trade agreements, lease agreements; registered pledge on assets
BRE Bank S.A.	Gdańsk	5,000	-	833	-	1,400	-	Jun 29th 2007	Sep 30th 2008	1M WIBOR + bank's margin	registered pledge, assignment of receivables, blank promissory note
Bank Handlowy S.A.	Warsaw	2,000	-	1,029	-	-	-	-	-	T/N WIBOR + bank's margin	
ING Bank Śląski S.A.	Warsaw	30,000	-	26,765	-	-	-	Aug 8th 2006	-	1M WIBOR + bank's margin	mortgage, pledge, assignment
PKO BP S.A.	Krosno branch	5,000	-	5,000	-	-	-	Aug 30th 2006	-	1M WIBOR + bank's margin	promissory note, assignments, pledge on inventories

Bank name and form of incorporation	Location of the registered office	Amount of loan/borrowing as per the agreement		Amount of loan/borrowing outstanding (current portion)		Amount of loan/borrowing outstanding (non-current portion)		Repayment date		Financial terms (rate of interest, manner of interest payment, other)	Collateral
		PLN	Foreign currency	PLN	Foreign currency	PLN	Foreign currency	Current portion	Non-current portion	PLN	
Podkarpacki Bank Spółdzielczy	Sanok	4,300	-	4,300	-	-	-	Sep 29th 2006	-	1M WIBOR + bank's margin	mortgage, promissory note, pledge, assignments
PKO BP S.A.	Krosno branch	7,000	-	6,355	-	-	-	Jul 29th 2006	-	1M WIBOR + bank's margin	mortgage, promissory note
ING Bank Śląski S.A.	Krosno branch	4,500	-	750	-	-	-	Sep 30th 2006	-	1M WIBOR + bank's margin	pledge on inventories and tangible assets
PKO BP S.A.	Krosno branch	4,500	-	1,353	-	2,132	-	Apr 10th 2007	Dec 31st 2008	1M WIBOR + bank's margin	assignment of receivables, mortgage
NFOŚiGW (The National Fund for Environmental Protection and Water Management)	Warsaw	15,000	-	2,000	-	10,550	-	Apr 30th 2007	Sep 30th 2010	1/2 of the bill rediscount rate	surety
Pekao S.A.	Warsaw	56,409	USD 14,800	7,272	-	26,483	-	Jun 30th 2007	Feb 28th 2011	1M LIBOR + bank's margin	pledge on property, plant and equipment
Bank Millennium S.A.	Warsaw	60,000	-	148	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	representation on submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-	USD 18,500 or equivalent	24		-	-	overdraft facility	-	T/N WIBOR + bank's margin	representation on submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-	USD 18,500 or equivalent	6	USD	-	-	overdraft facility	-	T/N LIBOR + bank's margin	representation on submission to enforcement

Bank name and form of incorporation	Location of the registered office	Amount of loan/borrowing as per the agreement		Amount of loan/borrowing outstanding (current portion)		Amount of loan/borrowing outstanding (non-current portion)		Repayment date		Financial terms (rate of interest, manner of interest payment, other)	Collateral
		PLN	Foreign currency	PLN	Foreign currency	PLN	Foreign currency	Current portion	Non-current portion	PLN	
Bank Handlowy w Warszawie S.A.	Warsaw	-	USD 18,500 or equivalent	475	EUR	-		overdraft facility	-	T/N LIBOR + bank's margin	representation on submission to enforcement

The bank margins on the contracted loans and borrowings are in the range of 0.05% – 2.0%.

30. Provisions

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Non-current provisions		
Provision for land reclamation	37,649	37,190
Length-of-service awards and retirement severance pays	54,412	49,771
Provision for the Offshore Oil Rig	77,199	77,199
Other provisions	3,134	27,642
Total non-current provisions	**172,394**	**191,802**
Current provisions		
Provision for land reclamation	2,683	3,142
Length-of-service awards and retirement severance pays	10,229	12,751
Provision for the Offshore Oil Rig	2,400	2,400
Other provisions	84,529	61,367
Total current provisions	**99,841**	**79,660**
Total	**272,235**	**271,462**

Computation of the provisions for employee benefits was based on the following assumptions:

- the long-term annual remuneration growth rate is 1.8% (i.e. it equals the long-term annual inflation rate expected as at the balance-sheet date);
- discount rate for future payments of the benefits is 5.1% (i.e. it equals the yield rate on the safest long-term securities traded on the Polish capital market, as was effective on the balance-sheet date);
- the adopted employee turnover rate is based on the data submitted by the Group companies on employee turnover in 2001–2005;
- the adopted mortality and longevity ratios are based on the Life Expectancy Tables of Poland for 2004 published by the Polish Central Statistics Office (GUS) and assume that the Group's employee population is representative of the average Polish population in terms of mortality;
- it is assumed that the Group employees will retire according to the standard system, i.e. men – after their 65th birthday, women – after the 60th birthday, except for those employees who, based on the information provided by the Group companies, meet the conditions necessary to retire early.

The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of-service awards and retirement severance pays	Provision for the Offshore Oil Rig(1)	Other provisions*	Total
Jan 1 2005	**2,050**	**44,045**	**-**	**51,497**	**97,592**
Increase	39,915	23,522	81,997	45,550	190,984
Decrease	(633)	(1,065)	-	(15,841)	(17,539)
Jun 30 2005 (unaudited)	**41,332**	**66,502**	**81,997**	**81,206**	**271,037**

PLN '000	Provision for land reclamation	Length-of-service awards and retirement severance pays	Provision for the Offshore Oil Rig(1)	Other provisions*	Total
Jan 1 2005	**2,050**	**44,045**	**-**	**51,497**	**97,592**
Increase	39,915	30,342	82,026	63,241	215,524
Decrease	(1,633)	(11,865)	(2,427)	(25,729)	(41,654)
	=========	=========	=========	=========	=========
Dec 31 2005	**40,332**	**62,522**	**79,599**	**89,009**	**271,462**
	=========	=========	=========	=========	=========
Jan 1 2006	**40,332**	**62,522**	**79,599**	**89,009**	**271,462**
Increase	-	5,108	-	13,325	18,433
Decrease	-	(2,989)	-	(14,671)	(17,660)
	=========	=========	=========	=========	=========
Jun 30 2006 (unaudited)	**40,332**	**64,641**	**79,599**	**87,663**	**272,235**
	=========	=========	=========	=========	=========

(1) - Petrobaltic has a legal obligation to create a provision for the liquidation of the Offshore Oil Rig in the amount of 3% to 10% of the value of depreciation charges on non-current assets involved in the operations of the Offshore Oil Rig.

(*) The item "Other provisions" includes the following:

PLN '000	Provision for Glimar(2)	Provision for Energobaltic(3)	Provision for interest	Other	Total
Jan 1 2005	41,107	-	-	10,390	51,497
Increase	-	24,188	-	21,362	45,550
Decrease	-	-	-	(15,841)	(15,841)
	=========	=========	=========	=========	=========
Jun 30 2005 (unaudited)	41,107	24,188	-	15,911	81,206
	=========	=========	=========	=========	=========
Jan 1 2005	41,107	-	-	10,390	51,497
Increase	-	24,188	3,416	35,637	63,241
Decrease	-	-	-	(25,729)	(25,729)
	=========	=========	=========	=========	=========
Dec 31 2005	41,107	24,188	3,416	20,298	89,009
	=========	=========	=========	=========	=========
Jan 1 2006	41,107	24,188	3,416	20,298	89,009
Increase	-	-	-	13,325	13,325
Decrease	-	-	(3,416)	(11,255)	(14,671)
	=========	=========	=========	=========	=========
Jun 30 2006 (unaudited)	41,107	24,188	-	22,368	87,663
	=========	=========	=========	=========	=========

(2) - Grupa LOTOS S.A. and Rafineria Nafty Glimar S.A. signed loan agreements for the financing of operating and investing activities, including, in particular, the Glimar Hydrocomplex investment project, for an aggregate amount of PLN 90m. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under these agreements. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. As at June 30th 2006, December 31st 2005 and June 30th 2005, the assets under the loans advanced were fully covered by an allowance. As at the above dates, the Company also created a provision for the remaining receivables under these agreements.

(3) - In 2001, Petrobaltic advanced a loan to Energobaltic Sp. z o.o., an associated company. Pursuant to the shareholders agreement ("the Shareholders Agreement"), Petrobaltic S.A. is obliged to offer to the other shareholder and lender of Energobaltic Sp. z o.o., that is Rolls-Royce Power Ventures (Władysławowo) Limited ("RRPV") to purchase the claims under the loan advanced by RRPV to Energobaltic in the event that the aggregate amount of waste gas supplied by Petrobaltic S.A. to Energobaltic Sp. z o.o. in 2005 is lower than the minimum offtake amount provided for in the Gas Supply Agreement for that year.

31. Liabilities, Accruals and Deferred Income

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Trade payables, including:	904,044	844,341
- from related undertakings	2,474	3,270
Tax and social security payable	446,448	319,236
Special accounts	8,196	8,182
Salaries and wages payable	6,656	7,432
Accrued expenses	42,019	45,759
Other liabilities, including:	92,153	48,569
- from related undertakings	-	2,824
- investment liabilities	75,803	37,803
Total	**1,499,516**	**1,273,519**

Transactions with related undertaking are presented in Note 43. Trade payables do not bear interest and are, as a rule, settled on a 7-30 day basis. Other liabilities do not bear interest, and their average payment period is three months. The amount resulting from the difference between VAT receivable and VAT payable is paid to the relevant tax authorities on a monthly basis. Interest payable is usually settled on a monthly basis during a financial year.

Pursuant to Art. 4.1.2. of the Excise Tax Act of January 23rd 2004 (Dz. U. of February 26th 2004), a tax liability arises e.g. at the moment of taking harmonised excise goods out of a tax warehouse. The Parent Undertaking and some other Group companies operate registered tax warehouses, in which harmonised excise goods are subject to suspended-excise-tax procedure and may be the object of the actions provided for in the Excise Tax Act.

The Act on Employee Benefits Fund of March 4th 1994, as amended, stipulates that each employer of more than 20 staff (in full-time job equivalents) should create the Social Benefits Fund. In accordance with the statutory provisions and internal rules of procedure, the Group companies have created such funds and make periodic contributions charged to costs. The purpose of the Social Benefits Fund is to subsidise social activities, finance loans to employees and other social spending.

The tables below sets forth the Fund's assets and liabilities.

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Assets of the Company's Social Benefits Fund		
Cash on separate bank account of the Company's Social Benefits Fund	9,915	2,770
Receivables from employees under the Company's Social Benefits Fund	5,738	6,662
Other	1,333	152
Total	16,986	9,584
Liabilities related to the Company's Social Benefits Fund		
Liabilities of the Company's Social Benefits Fund	16,149	9,146
Other	837	438
Total	16,986	9,584

32. Sales revenue

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Sales of products	8,387,289	4,698,389
Sales of services	38,568	24,242
Total sales of products and services	8,425,857	4,722,631
Sales of goods for resale	151,742	705,158
Sales of materials	3,451	475
Total sales of goods for resale and materials	155,193	705,633
	8,581,050	5,428,264
- including to related undertakings	5,380	4,459
Elimination of excise tax and fuel charge	(2,626,346)	(1,796,383)
Total	**5,954,704**	**3,631,881**

33. Costs by Type

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Depreciation and amortisation	147,827	128,303
Raw materials and energy used	4,827,987	2,544,159
Contracted services	284,066	221,442
Taxes and charges	40,995	34,580
Salaries and wages	140,536	126,073
Social security and other benefits	52,138	40,748
Other costs by type	53,091	50,660
Goods for resale and materials sold	117,516	530,718
Total	**5,664,156**	**3,676,683**
Adjustments:		
Change in products and adjustments in cost of sales	(184,687)	(242,030)
Total operating expenses, including:	**5,479,469**	**3,434,653**
Cost of sales	5,043,632	3,110,946
Selling costs	290,437	202,284
General and administrative expenses	145,400	121,423

34. Other Operating Income

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Gain on disposal of property, plant and equipment	440	2,817
Subsidies	304	256
Release of provision	449	1,811
Other	7,864	9,545
Total	**9,057**	**14,429**

35. Other Operating Expenses

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Loss on disposal of property, plant and equipment	525	281
Revaluation of non-financial assets	9,728	8,061
Other provisions	2,413	2,361
Other	5,985	4,198
Total	**18,651**	**14,901**

36. Net Financial Income (Expenses)

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Dividend received	2,154	554
Interest	16,168	9,367
Foreign exchange gains	10,782	8,275
Gains on disposal of investments	6,514	7,704
Revaluation of investments	2,376	-
Other	34,921	850
Total financial income	**72,915**	**26,750**
Interest	(20,962)	(19,820)
Loss on disposal of investments	-	(523)
Revaluation of investments	-	(24,119)
Other	(2,988)	(3,114)
Total financial expenses	**(23,950)**	**(47,576)**
Net financial income (expenses)	**48,965**	**(20,826)**

37. Corporate Income Tax

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Corporate income tax	110,874	72,433
Deferred tax	(10,537)	(29,253)
Total tax	100,337	43,180

The current portion of the income tax was calculated at the rate of 19% on the tax base.

The difference between the tax amount disclosed in the profit and loss account and the amount calculated by applying the tax rate to pre-tax profit results from the following items:

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Pre-tax profit	514,602	460,879
Corporate income tax at the applicable rate (19% in 2004 and 2005)	97,774	87,567
Permanent differences, including:		
Excess of net assets' fair value over acquisition cost	-	(266,625)
Interest in investments in associated undertakings	4	(2,234)
Other permanent differences	13,485	35,243
Tax effect of differences	2,563	(44,387)
Corporate income tax	100,337	43,180
Effective tax rate	19.5%	9.4%

As at June 30th 2006 and December 31st 2005, the net deferred tax liability comprises the following items:

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Deferred tax asset:		
Provision for employee benefits	9,742	9,612
Non-tax-deductible amortisation/depreciation	2,667	1,835
Valuation allowance for inventories	1,643	2,491
Foreign exchange losses on foreign-currency settlements	576	1,460
Tax loss amortised over time	207	457
Valuation allowance for accounts receivable	11,992	11,899
Other	36,844	27,874
Total deferred tax asset	**63,671**	**55,628**
Deferred tax liability:		
Difference between current tax value and book value of tangible assets	232,986	244,774
Positive valuation of foreign-currency settlements	2,182	-
Positive valuation of derivatives	1,447	1,012
Other	8,603	1,926
Total deferred tax liability	**245,218**	**247,712**
Net deferred tax asset/(liability)	**(181,547)**	**(192,084)**

Since the Group companies are separate taxpayers, deferred tax asset and deferred tax liability must be calculated at each company individually.

Consequently, consolidated balance-sheets present deferred tax assets and liabilities as follows:

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Deferred tax asset:	33,393	26,593
Deferred tax liability:	(214,940)	(218,677)
Net deferred tax asset/(liability)	**(181,547)**	**(192,084)**

Taxable timing differences are expected to expire in 2006–2084.

38. Contingent and Off-Balance-Sheet Liabilities

Material Contingent and Off-Balance-Sheet Liabilities of Grupa LOTOS S.A.

Surety Agreement of February 9th 2004 Concluded with the National Fund for Environmental Protection and Water Management

Under the agreement, the Company issued an irrevocable surety to repay the loan contracted by the Jasło Refinery from the National Fund for Environmental Protection and Water Management under a loan agreement of December 10th 2003. The surety covers the loan amount of up to PLN 15,000 thousand. In connection with the surety agreement, on February 6th 2004 the Jasło Refinery and the Company signed an agreement on securing the Company's interests with respect to the surety.
As at the date of these consolidated financial statements, the surety issued with respect to the loan, as amended with the annex of October 20th 2005, is a registered pledge under the registered pledge agreement of February 18th 2004 on the plastics processing units with the net value of PLN 8,155 thousand, owned by LOTOS Jasło.

Material Liabilities of the Parent Undertaking under Promissory Notes

1. On July 7th 2005, Grupa LOTOS S.A. submitted excise security in the form of a blank promissory note 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 July 7th 2006.

2. As at June 30th 2005, two cheques for a total amount of PLN 160,000 thousand were submitted to customs authorities to secure the Parent Undertaking's customs duty liabilities.

3. 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.

Material Contingent and Off-Balance-Sheet Liabilities of Petrobaltic S.A.

Liabilities to Bank Ochrony Środowiska S.A.

In connection with the loan advanced by Bank Ochrony Środowiska S.A. (the "Bank") to Energobaltic Sp. z o.o. (Energobaltic) under (i) investment loan agreement of September 11th 2001, and (ii) preferential investment loan agreement of September 11th 2001 concerning environmental protection, on December 12th 2001, Petrobaltic made a representation to the Bank whereby it agreed:

- to increase the share capital of Energobaltic by an amount equal to the company's cumulative net loss incurred in the period from the abovementioned loan agreements date to the date of the first sale (confirmed by an invoice) of power from the CHP plant in Władysławowo (according to the Issuer's information, such sale was made on July 3rd 2003), if the loss exceeds 20% of Energobaltic's share capital;
- to apply a part of net profit (in the amount not exceeding the amount assumed in the Bank-approved final projection for the project financed with the loan) towards share capital increase in Energobaltic;
- not to dispose of or encumber its shares in Energobaltic without a prior consent of the Bank.

Material Contingent and Off-Balance-Sheet Liabilities of LOTOS Jasło S.A.

Liabilities under Promissory Notes towards Nafta Polska S.A.

The Jasło Refinery has issued nine blank promissory notes to Nafta Polska S.A. Under the promissory note declarations of January 19th 2000, the promissory notes secure the liabilities of the Jasło Refinery under claims concerning environmental damage on the property specified in the agreement of January 19th 2000 between the Jasło Refinery and Carbon Black Polska Sp. z o.o. The promissory notes may be filled in by Nafta Polska if the Jasło Refinery fails to perform any of its obligations under the agreement. As provided for in the declarations, each promissory note may be filled in with up to PLN 1,000 thousand.

Under an agreement of January 19th 2000 between Nafta Polska S.A. and the Jasło Refinery, if no obligation arises on the part of Nafta Polska S.A. to provide any performance, in whole or in part, under the performance bond agreement relating to the agreement on environmental issues with Carbon Black Polska Sp. z o.o. by the time Nafta Polska S.A. is removed from the enterprise register, Nafta Polska S.A. will place the unrealised promissory notes in court deposit so that they can be returned after the court's decision on removing Nafta Polska S.A. from the enterprise register becomes final. Similarly, the unrealised promissory notes will be returned to the Jasło Refinery after 10 years following the agreement date if Nafta Polska S.A. is not removed from the enterprise register and is not obliged to any performance under the surety agreement.

Liabilities under Promissory Notes towards the Minister of Economy

The Jasło Refinery has also issued a blank promissory note to the Minister of Economy. Under the promissory note declaration issued on November 13th 2002, the promissory note is to secure performance of the Jasło Refinery's obligations under an agreement on financial support for a new investment project, concluded between the Minister of Economy and the Jasło Refinery on November 1st 2002. The promissory note may be filled in with an amount of up to PLN 5,674 thousand.

Other Liabilities under Promissory Notes

Furthermore, as at June 30th 2006, the Jasło Refinery had the following contingent liabilities:

- blank promissory note in the amount of PLN 4,300 thousand, issued to PBS Sanok as loan security, expiring on September 29th 2006,
- blank promissory note in the amount of PLN 12,000 thousand, issued to PKO BP S.A. (Jasło Branch) as loan security, expiring on August 30th 2006.

39. Material Events Subsequent to the Balance-Sheet Date

1. 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 Director of the Customs Chamber in Gdynia, as security with respect to outstanding customs duties, taxes and other charges arising in the period from July 4th 2006 to May 4th 2007, for a total amount of up to PLN 160,000 thousand. The bank's liability expires on July 3rd 2007.

2. The validity term of a blank promissory note of July 7th 2005 for PLN 200,000 thousand, issued as security for the Company's tax liabilities related to the suspended-excise-tax procedure, was extended to July 7th 2007. The initial validity term of the blank promissory note expired on July 7th 2006.

3. On July 25th 2006, LOTOS Czechowice received from the Head of the Second Silesian Tax Office in Bielsko-Biała a tax inspection authorisation, dated July 24th 2006, regarding corporate income tax for 2000. In August 2006, LOTOS Czechowice received the inspection report, in relation to which it filed explanations and reservations in September 2006.

40. Material Court, Arbitration or Administrative Proceedings, Other Risks Concerning the Parent Undertaking or Its Subsidiaries

Material Proceedings Pending before Public Administration Authorities in Connection with the Parent Undertaking's Business

On March 21st 2005, the President of the Polish Anti-Trust and Consumer Protection Authority issued a decision whereby anti-trust proceedings were instigated *ex officio* to investigate the issue of a suspected agreement between Polski Koncern Naftowy ORLEN S.A. of Płock and Grupa LOTOS S.A. of Gdańsk, concerning a simultaneous discontinuation of the production and distribution of the universal U95 gasoline. In the opinion of the Company's Management Board, given that in fact the production and sale of the U95 universal gasoline were not discontinued, the allegations of the Anti-Trust and Consumer Protection Authority are unfounded. In April 2005, the Management Board motioned for issuing a decision to the effect that Grupa LOTOS S.A. has not been found to use competition-limiting practices. In July 2005, the Parent Undertaking appealed to the Anti-Monopoly Court against the Anti-Trust and Consumer Protection Authority's decision limiting access to a part of the evidence gathered in the case. Independent of the appeal, in September 2005, the Company filed another request with the Court to issue a decision to the effect that Grupa LOTOS S.A. does not use competition-liming practices. In October 2005 the Company received another decision of the Anti-Trust and Consumer Protection Authority concerning limitation of access to a part of the evidence, against which the Parent Undertaking appealed to the Anti-Monopoly Court. The Regional Anti-Monopoly Court dismissed the appeals. Grupa LOTOS S.A. appealed to the Warsaw Court of Appeals against the dismissing decisions of the Anti-Monopoly Court, but these appeals were dismissed as well. The case is pending.

Material Proceedings Pending before Public Administration Authorities in Connection with the Business of the Czechowice Refinery (currently LOTOS Czechowice)

Tax Proceedings and Court and Administrative Proceedings Related to Taxes

Proceedings Related to the Value Added Tax for Certain Months of 1998

In connection with the tax inspections and the issued decisions related to the value added tax, on December 29th 2003 the Czechowice Refinery (currently LOTOS Czechowice) filed complaints with the Supreme Administrative Court against three decisions of the Director of the Tax Chamber of Katowice, concerning the value added tax for October 1998, July 1998 and May 1998. The total value of the disputed claims amounted to PLN 1,229 thousand. Decisions were issued in all of the above cases. Cassation complaints have been filed against all of the above decisions by the Czechowice Refinery (currently LOTOS Czechowice), in the case of the tax for July 1998, and by the Tax Chamber Director, in the case of the tax for October 1998, for July 1998 and for May 1998.
LOTOS Czechowice paid the amounts of VAT together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest.

In December 2005, the LOTOS Czechowice received the following decisions of the Supreme Administrative Court:
- a decision repealing the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for October 1998) in the part concerning determination of the tax liability, tax arrears and default interest; the above issues were submitted for re-examination to the Provincial Administrative Court, and with respect to other issues the cassation complaint was dismissed;
- a decision repealing the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for May 1998) in the part concerning determination of the tax liability, tax arrears and default interest; the above issues were submitted for re-examination to the Provincial Administrative Court, and with respect to other issues the cassation complaint was dismissed;
- a decision upholding the decision of the Provincial Administrative Court issued in December 2004 (with respect to the tax for July 1998); the Supreme Administrative Court resolved not to award costs of cassation proceedings.

Proceedings Related to Excise Tax for Certain Months of 1998

As a result of the inspections carried out by the tax authorities, there are six tax proceedings pending against the LOTOS Czechowice, related to the decisions concerning excise tax for certain months of 1998, against which LOTOS Czechowice submitted appeals to the administrative court. The total value of the disputed claims under appeal proceedings is PLN 2,881 thousand.
The Supreme Administrative Court set October 26th 2005 as the date for the court hearing concerning excise tax for September 1998, August 1998 and June 1998. By virtue of the Supreme Administrative Court's ruling, the Provincial Administrative Court's decision regarding the tax for September 1998, August 1998 and June 1998 was reversed in whole and remanded for reconsideration.
LOTOS Czechowice paid the amounts of excise tax together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest.

Proceedings Related to Excise Tax for Certain Months of 2000 and 2001

By virtue of its decisions of December 7th 2004, the Head of the Customs Office of Bielsko-Biała instigated ex *officio* two proceedings with respect to the Czechowice Refinery (currently LOTOS Czechowice) in order to determine the amount of excise tax liability, and reopened seven proceedings in order to determine the excise tax liability for March. The proceedings were closed – on March 31st 2005, the Head of the Customs Office issued a decision under which the Czechowice Refinery (currently LOTOS Czechowice) paid its tax arrears (plus interest) in the amount of PLN 273 thousand.

Proceedings Related to Corporate Income Tax for 1999

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

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

Inspection Related to Excise Tax for Certain Months of 2004

The Head of the Customs Office of Bielsko-Biała conducted an inspection at LOTOS Czechowice in order to determine the correct amount of the excise tax payable for the period January 1st 2004 – September 30th 2004. As a result of the inspection, tax proceedings were instigated *ex officio* on May 18th 2005. On May 5th 2006, LOTOS Czechowice S.A. received four decisions from the Head of the Customs Office of Bielsko-Biała, determining excise tax liabilities for January, February and March 2004. Proceedings concerning the determination of excise tax liabilities for April 2004 were discontinued. On May 19th 2006, the company filed appeals to the Director of the Customs Chamber against the above decisions and submitted applications for stay of execution of the decisions. In August 2006, the company received decisions of the Head of the Customs Office discontinuing the proceedings regarding the tax for May-September 2004.

Proceedings Related to Excise Tax Liabilities for the Period September 1st – December 31st 2003

On April 12th 2006, Head of the Customs Office of Bielsko-Biała initiated proceedings to determine the correct amount of excise tax payable for September 1st – December 31st 2003. Before conclusion of the proceedings, it is difficult to determine whether the excise tax liabilities will be reassessed, and if so, what their amounts will be.
By virtue of the decision of June 12th 2006, the Head of the Customs Office of Bielsko-Biała set the deadline for the settlement of the matter as September 30th 2006.

Material Proceedings before Administrative Authorities Related to the Business Conducted by Lotos Paliwa

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. The financial statements of LOTOS Paliwa Sp. z o.o. for the six months ended June 30th 2006 give no account of the effects of this event since the Management Board of the company appealed against the decision and believes that the appeal will be considered favourably for LOTOS Paliwa Sp. z o.o. On July 25th 2006, LOTOS Paliwa Sp. z o.o. received a decision of the Director of the Tax Chamber in Gdańsk, dated July 21st 2006, which reversed in whole the decision of the first instance authority determining VAT liability for January 2005 and imposing additional tax liability, and ordered reconsideration of the matter by the authority.

Material Court Proceedings Instigated against the Company

Proceedings upon Action Brought by PETROECCO JV Sp. z o.o. for Compensation for Damages Incurred as a Result of Monopolistic Practices

On May 18th 2001, PETROECCO JV Sp. z o.o. brought an action against the Company whereby it seeks the courts' decision awarding an amount of PLN 6,975 thousand, together with statutory interest as at May 1st 1999, as compensation for damages incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o.

The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Anti-Trust and Consumer Protection Authority of September 26th 1996, in which the Authority ordered the Company to abandon such practices. The Company appealed against the decision. The Provincial Court of Warsaw – the Anti-Monopoly Court, changed, by virtue of its decision of October 22nd 1997, only the wording of the decision and ordered the Company to abandon monopolistic practices. The cassation complaint against this decision filed by the Company was dismissed by the Supreme Court by virtue of its decision of June 2nd 1999.

The Regional Court of Gdańsk, by virtue of its decision of December 21st 2002, dismissed the action for compensation, fully complying with the Company's objection referring to the statute of limitation. However, this decision was overruled on December 4th 2003 by the Gdańsk Court of Appeals, in case No. I ACa 824/03, and submitted for re-examination by the District Court of Gdańsk. The Court of Appeals found that the reference to the statute of limitation was not justified. According to the Court, it was only on June 2nd 1999 (the date of the Supreme Court's ruling) that PETROECCO JV Sp. z o.o. became aware that the damage it incurred resulted from monopolistic practices giving rise to the Company's liability in tort, and it is as of that date, in the Court's opinion, that the three-year period of limitation of compensation claims should be counted.

As at the date of these consolidated financial statements, the case is pending before the Regional Court of Gdańsk (First Instance Court) and its file No. is IX GC 134/04. The Company defends itself by raising substantive charges (it questions the fact that any damage was incurred by PETROECCO JV Sp. z o.o., the amount of the alleged damage, and the existence of the cause and effect relationship between the monopolistic practices and the damage). Following the hearing of June 2005, the Regional Court of Gdańsk ordered a court expert in accountancy and economics to draw up a report concerning the extent of damages which the plaintiff incurred as a result of Grupa LOTOS S.A.'s activities. In its decision of July 2006, the Regional Court of Gdańsk ordered a second expert's opinion regarding the extent of losses suffered by the plaintiff due to Grupa LOTOS S.A.'s activities. The date of the next hearing has not been fixed.

Proceedings upon Action Brought by the Minister of State Treasury for Invalidation of the Share Purchase Agreement Concerning Shares in Naftoport Sp. z o.o.

On November 3rd 2005, Grupa LOTOS S.A. was served a nullity suit submitted by the Minister of State Treasury, concerning the agreement of August 18th 1998 between Grupa LOTOS S.A. and Polska Żegluga Morska, a state-owned company, concerning the sale of two shares in Naftoport Sp. z o.o., valued at PLN 3,340 thousand. On April 21st 2006, a ruling rejecting the claim in its entirety was passed. On June 8th 2006, the Minister of State Treasury filed an appeal against the court ruling of April 21st 2006. On June 30th 2006, the Company submitted a response to the appeal. The case is pending.

Court Proceedings Instigated by the Company or the Companies of Its Group

Court Proceedings Instigated by the Jasło Refinery (currently LOTOS Jasło) against a Private Individual

On December 4th 2003, the Regional Court of Krosno issued, in the course of binding advice procedure, a decision in favour of the Jasło Refinery (currently LOTOS Jasło), whereby it ordered payment of PLN 4,829 thousand, together with interest, representing claims under unpaid invoices for goods sold (file No. VIII GNc 292/03). The order for payment became final. Due to the fact that on April 2nd 2004 the debtor was declared bankrupt, with a possibility of concluding an arrangement, the Jasło Refinery (currently LOTOS Jasło) submitted to the judge-commissioner its claims in the total amount of PLN 7,668 thousand, including: (i) PLN 6,138 thousand – outstanding principal of the payment due for the goods sold; (ii) PLN 1,498 thousand – delayed payment interest; and (iii) PLN 32 thousand – costs of litigation before the Regional Court of Krosno related to the case. The claims of up to PLN 2,580 thousand, including the principal and interest, are not subject to the arrangement as they are secured on the bankruptcy estate by a security mortgage.

Material Proceedings before the Competent Arbitration Body Related to the Business Conducted by Petrobaltic and its Subsidiary

1. AB Geonafta, a subsidiary of Naftos Gavyba (hereinafter referred to as the Subsidiary) is a party to court proceedings against AB Svenska Petroleum Exploration (hereinafter referred to as SPE) related to the establishing of UAB Genciu Nafta, whose founders and shareholders are the Subsidiary and SPE. The litigation concerns applying the provisions of the Subsidiary's Articles of Association, and it was referred to the International Court of Arbitration at the International Chamber of Commerce (hereinafter referred to as the Arbitrator), which reached a final decision on October 30th 2003. The outcome of this case will remain unknown until the Arbitrator's award takes effect in the Lithuanian jurisdiction.

   Once the Arbitrator's decision has been confirmed and allowed, the Subsidiary will bear the following costs:

   a. The Subsidiary together with the Lithuanian government will reimburse SPE for the amount of USD 12,579 thousand along with interest calculated at the rate of 6% annually on that amount for the period from January 1st 2002 to the reimbursement date. If the Arbitrator's decision is confirmed in the Lithuanian jurisdiction, the Subsidiary will seek to have the Lithuanian government cover the liability in its entirety;
   b. The Subsidiary shall reimburse SPE for the amount of USD 312 thousand to cover the costs of court proceedings.

   Once the Arbitrator's decision has been confirmed and allowed, the Subsidiary will obtain the following sums:

   a. SPE will reimburse the Subsidiary for the amount of USD 1,325 thousand along with interest calculated at the rate of 6% annually on that amount for the period from April 6th 2002 to the reimbursement date;
   b. The Subsidiary will have the right to demand that the elected President of the Management Board and the Chief Executive Officer of UAB Genciu Nafta be the candidates put forward by the Subsidiary's representatives;
   c. The Subsidiary will have the right to demand that its share in the profits from oil production by UAB Genciu Nafta be increased from 50% to 75%, with effect as of January 1st 2002;
   d. The Subsidiary will have the right to demand that UAB Genciu Nafta repay the debt which it owes to the Subsidiary in the amount of LTL 664 thousand.

   In 2004, dividend in the amount of LTL 5,973 thousand and an outstanding payment for deliveries and services in the amount of LTL 885 thousand were allegedly remitted to the Subsidiary by UAB Minijos Nafta. The funds were blocked by a court enforcement officer in Copenhagen due to the claims filed by SPE against the Subsidiary. The subsidiary appealed against the court enforcement officer's decision to the Danish Supreme Court.

   As at the date of these financial statements AB Geonafta has not settled the abovementioned payment and the amounts due in connection with the court proceedings, as their outcome remains unknown and will remain so until the Arbitrator's award takes effect in the Lithuanian jurisdiction. On July 1st 2005, UAB Minijos Nafta's liability towards AB Geonafta expired as AB Geonafta obtained both sums in the aggregate amount of LTL 6,858 thousand.

41. Remuneration of the Management Board and the Supervisory Board and Information on Loans and Other Similar Benefits Advanced to Members of the Parent Undertaking's Management and Supervisory Staff

The remuneration paid and payable to the members of the Management Board and the Supervisory Board of the Company (the Parent Undertaking) and of the related undertakings of the Group was as follows:

PLN '000	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Management Board	337	294
Supervisory Board	116	145
Management Board – subsidiary or associated undertakings	34	10
Total	487	449

Loans and similar benefits provided to members of the management and supervisory bodies of the Parent Undertaking were as follows:

PLN '000	Jun 30 2006 (unaudited)	Dec 31 2005
Management Board	-	20
Supervisory Board	-	-
Total	-	20*

*10-year loan from the Company Social Benefits Fund, bearing interest at 4% p.a.

42. Employment Structure

Average employment by category:

	Six months ended Jun 30 2006 (unaudited)	Six months ended Jun 30 2005 (unaudited)
Blue-collar workers	4,357	3,117
White-collar workers	2,145	2,017
Total	6,502	5,134

43. Related Parties

Transactions with related undertakings are concluded on standard market terms.

(PLN '000)	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Liabilities to related parties**
	Six months ended Jun 30 2006	**Six months ended Jun 30 2006**	**As at Jun 30 2006**	**As at Jun 30 2006**
Associated undertakings valued with equity method	1,953	-	102	3,536
Non-consolidated undertakings	3,427	3,928	640	1,474
Total	5,380	3,928	742	5,010

In the period from January 1st to June 30th 2006, the total revenue from the sale of the Group's non-current assets to related parties (non-consolidated undertakings, associated undertakings valued with the equity method) amounted to PLN 16 thousand. In the same period, the total value of purchases of the Group's non-current assets from related parties (non-consolidated undertakings, associated undertakings valued with the equity method) amounted to PLN 2,809 thousand.

Furthermore, during the six months ended June 30th 2006 a member of the Management Board of Grupa LOTOS S.A. sold, during ordinary sessions of the Warsaw Stock Exchange, a total of 42,755 shares of Grupa LOTOS S.A. for an average price of PLN 42.65 per share. The total value of the transactions amounted to PLN 1,823.5 thousand.

(PLN '000)	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Liabilities to related parties**
	Six months ended Jun 30 2005	**Six months ended Jun 30 2005**	**As at Dec 31 2005**	**As at Dec 31 2005**
Associated undertakings valued with equity method	2,223	1,296	229	1,440
Non-consolidated undertakings	2,236	5,288	319	4,654
Total	4,459	6,584	548	6,094

In the period from January 1st to June 30th 2005, the total revenue from the sale of the Group's non-current assets to related parties (non-consolidated undertakings, associated undertakings valued with the equity method) amounted to PLN 52 thousand.

In the period from January 1st to June 30th 2005, the total value of purchases of the Group's non-current assets from related parties (non-consolidated undertakings, associated undertakings valued with the equity method) amounted to PLN 1,981 thousand.

44. Entity with Significant Influence over the Group

As at June 30th 2006, Nafta Polska S.A. held a stake of 51.91% in Grupa LOTOS S.A. Nafta Polska S.A. is controlled by the State Treasury, which as at June 30th 2006 held directly 6.93% of shares in Grupa LOTOS S.A. As at June 30th 2006, the State Treasury held in Grupa LOTOS S.A., directly and indirectly, an equity interest of 58.84%.

The aggregate value of transactions concluded between Grupa LOTOS S.A. and Nafta Polska S.A. during the six months ended Jun 30th 2006 was PLN 4 thousand.

45. Signatures of Management Board Members

President of the Management Board, CEO	
	Paweł Olechnowicz
Vice-President of the Management Board, COO	
	Marek Sokołowski
Vice-President of the Management Board, CFO	
	Mariusz Machajewski