GRUPA LOTOS S.A.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2006

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

ALONG WITH THE AUDITOR'S OPINION

BALANCE SHEETS
as at December 31st 2006 and December 31st 2005

PLN '000	Note	Dec 31 2006	Dec 31 2005
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,996,769	1,885,233
Prepayments for tangible assets under construction	11	122,558	100
Intangible assets	12	45,800	44,035
Financial assets	13	696,004	686,507
		2,861,131	**2,615,875**
Current assets			
Inventories	14	1,575,668	1,258,336
Trade and other receivables, including:	15	1,533,448	1,066,411
- income tax receivables	15	15,182	-
Prepayments	16	2,348	2,022
Current financial assets	17	3,360	133,938
Cash and cash equivalents	18	1,325	298,981
		3,116,149	**2,759,688**
Total assets		**5,977,280**	**5,375,563**

BALANCE SHEETS
as at December 31st 2006 and December 31st 2005

PLN '000	Note	Dec 31 2006	Dec 31 2005
EQUITY AND LIABILITIES			
Equity			
Share capital	21	113,700	113,700
Reserve funds		970,951	970,951
Retained earnings/(deficit)		3,400,496	2,993,782
Total equity		**4,485,147**	**4,078,433**
Non-current liabilities			
Non-current provisions	25	15,150	14,288
Deferred tax liability	33	165,952	178,079
Total non-current liabilities		**181,102**	**192,367**
Current liabilities			
Trade payables, accruals and deferred income, and other liabilities, including:	26	1,146,367	1,060,609
- income tax expense	26	-	60,211
Interest-bearing loans and borrowings	24	120,309	-
Current provisions	25	44,355	44,154
Total current liabilities		**1,311,031**	**1,104,763**
Total liabilities		**1,492,133**	**1,297,130**
Total equity and liabilities		**5,977,280**	**5,375,563**

INCOME STATEMENTS
for the years ended December 31st 2006 and December 31st 2005

PLN '000	Note	Year ended Dec 31 2006	Year ended Dec 31 2005
Sales revenue	28	11,629,821	8,545,728
Cost of sales	29	(10,722,068)	(7,549,452)
Gross profit on sales		**907,753**	**996,276**
Other operating income	30	1,859	9,828
Selling costs	29	(400,193)	(312,637)
General and administrative expenses	29	(165,940)	(148,242)
Other operating expenses	31	(5,002)	(10,144)
Operating profit		**338,477**	**535,081**
Financial income	32	163,211	139,156
Financial expenses	32	(10,177)	(27,067)
Pre-tax profit		**491,511**	**647,170**
Corporate income tax	33	(84,797)	(114,902)
Net profit on continued operations		**406,714**	**532,268**
Earnings per share			
- basic	23	3.58	5.51
- diluted		-	-

CASH FLOW STATEMENTS
for the years ended December 31st 2006 and December 31st 2005

PLN '000	Note	Year ended Dec 31 2006	Year ended Dec 31 2005
Cash flows from operating activities			
Net profit		**406,714**	**532,268**
Adjustments:			
Depreciation and amortisation		173,451	173,211
Foreign exchange gains/(losses)		(1,165)	-
Net interest and dividend paid		(63,232)	(45,284)
(Profit)/loss on investing activities		7,251	(25,501)
Current income tax		84,797	114,902
Income tax paid		(159,445)	(57,592)
(Increase) in receivables	20	(451,855)	(351,726)
(Increase) in inventories		(317,332)	(490,261)
Increase/(decrease) in liabilities	20	128,221	385,460
Increase/(decrease) in provisions	20	1,063	(2,254)
Decrease in prepayments and accrued income		(326)	1,472
Other, net		-	3
Net cash provided by/(used in) operating activities		**(191,858)**	**234,698**
Net cash provided by/(used in) investing activities			
Sale of property, plant and equipment and intangible assets		72	1,478
(Acquisition)/sale of financial assets		123,795	(90,193)
Dividend received		53,129	51,387
Interest received		411	298
Acquisition of property, plant and equipment and intangible assets		(269,732)	(269,659)
(Acquisition)/ sale of non-current financial assets		(4,389)	(234,890)
Other, net	20	(130,558)	(171,600)
Net cash provided by/(used in) investing activities		**(227,272)**	**(713,179)**
Cash flows from financing activities			
Increase in loans and borrowings		-	-
Share issue	21	-	1,015,000
Repayment of loans and borrowings		-	(289,316)
Repurchase of current debt securities		-	-
Interest paid		-	(6,985)
Dividends paid	22	-	(15,740)
Other, net		-	(5,394)
Net cash provided by/(used in) financing activities		**-**	**697,565**
Change in cash due to foreign exchange (gains)/losses		1,165	-
Change in net cash	20	**(417,965)**	**219,084**
Cash at beginning of period	20	**298,981**	**79,897**
Cash at end of period	20	**(118,984)**	**298,981**
- restricted cash	18	1,151	-

STATEMENTS OF CHANGES IN EQUITY
for the years ended December 31st 2006 and December 31st 2005

(PLN '000)	Share capital	Reserve funds	Retained earnings/ (deficit)	Total equity
Jan 1 2005	**78,700**	**-**	**2,473,654**	**2,552,354**
	========	========	========	========
Net profit for the year ended Dec 31 2005	-	-	532,268	532,268
Dividend	-	-	(15,740)	(15,740)
Share issue	35,000	-	-	35,000
Share premium	-	980,000	-	980,000
Issue expenses including income tax	-	(9,049)	-	(9,049)
Other	-	-	3,600	3,600
	========	========	========	========
Dec 31 2005	**113,700**	**970,951**	**2,993,782**	**4,078,433**
	========	========	========	========
Jan 1 2006	**113,700**	**970,951**	**2,993,782**	**4,078,433**
	========	========	========	========
Net profit for the year ended Dec 31 2006	-	-	406,714	406,714
	========	========	========	========
Dec 31 2006	**113,700**	**970,951**	**3,400,496**	**4,485,147**
	========	========	========	========

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Grupa LOTOS S.A. (“the Company”) was established by virtue of Notarial Deed of 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.

As disclosed in the Company’s Articles of Association, the Company’s core business comprises manufacturing, trading, and provision of services, in particular:

1) Manufacture of refined petroleum products (PKD 23.20.A)
2) Processing of refined petroleum products (PKD 23.20.B)
3) Manufacture of industrial gasses (PKD 24.11.Z)
4) Manufacture of other inorganic basic chemicals (PKD 24.13.Z)
5) Manufacture of other organic basic chemicals (PKD 24.14.Z)
6) Manufacture of plastics (PKD 24.16.Z)
7) Production of electricity (PKD 40.11.Z)
8) Transmission of electricity (PKD 40.12.Z)
9) Distribution and sale of electricity (PKD 40.13.Z)
10) Manufacture of gaseous fuels (PKD 40.21.Z)
11) Distribution and sale of gaseous fuels through mains (PKD 40.22.Z)
12) Heat (steam and hot water) production (PKD 40.30.A)
13) Heat (steam and hot water) supply (PKD 40.30.B)
14) Collection and purification of water, with services provision excluded (PKD 41.00.A)
15) Services related to distribution of water (PKD 41.00.B)
16) Extraction of crude petroleum (PKD 11.10.A)
17) Extraction of natural gas (PKD 11.10.B)
18) General construction work related to linear engineering structures: pipelines, power supply lines and telecommunication transmission lines (PKD 45.21.D)
19) Wholesale of solid, liquid and gaseous fuels and related products (PKD 51.51.Z)
20) Wholesale of chemical products (PKD 51.55.Z)
21) Transport via railway (PKD 60.10.Z)
22) Transport via pipelines (PKD 60.30.Z)
23) Cargo handling at sea ports (PKD 63.11.A)
24) Cargo handling at inland ports (PKD 63.11.B)
25) Cargo handling at other handling facilities (PKD 63.11.C)
26) Cargo storage and warehousing at sea ports (PKD 63.12.A)
27) Cargo storage and warehousing at inland ports (PKD 63.12.B)
28) Cargo storage and warehousing at other storage facilities (PKD 63.12.C)
29) Research and experimental development on chemical sciences and engineering (PKD 73.10.B)
30) Research and experimental development on technical sciences (PKD 73.10.G)
31) Research and experimental development on other natural sciences and engineering (PKD 73.10.H)

The Company's core business according to the Polish Classification of Business Activities (PKD) bears code "PKD 2320" – manufacture of refined petroleum products. The Company's segment of activities is manufacturing and distribution of crude oil, petroleum and chemical products.

2. Composition of the Supervisory and Management Boards

August 23rd 2005 saw the appointment of the Supervisory Board of Grupa LOTOS S.A. for the sixth term of office. The composition of the Supervisory Board was as follows:
Cezary Nowosad – Chairman of the Supervisory Board
Janusz Rachoń – Deputy Chairman of the Supervisory Board
Katarzyna Dawidczyk – Secretary of the Supervisory Board
Grzegorz Urban
Beata Zawadzka
Anna Andrzejczak
Piotr Krupa
Robert Karwowski
Jacek Mościcki

On January 30th 2006, the Extraordinary General Shareholders Meeting of Grupa LOTOS S.A. removed the following persons from the Supervisory Board:

Cezary Nowosad – Chairman of the Supervisory Board
Janusz Rachoń – Deputy Chairman of the Supervisory Board
Katarzyna Dawidczyk – Secretary of the Supervisory Board
Anna Andrzejczak
Grzegorz Urban
Piotr Krupa
Robert Karwowski

and appointed the following persons:

Jan Szomburg – Chairman of the Supervisory Board
Jan Stefanowicz – Deputy Chairman of the Supervisory Board
Grzegorz Szczodrowski – Secretary of the Supervisory Board
Jacek Tarnowski
Henryk Siodmok

On June 16th 2006, Mr Jan Szomburg resigned from the office of Chairman of the Supervisory Board of Grupa LOTOS S.A.

As at December 31st 2006 and as at the date of release of these financial statements, the composition of the Supervisory Board of Grupa LOTOS S.A was as follows:

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

Until June 19th 2006 the Management Board appointed for the fifth term of office was composed of:

Paweł Olechnowicz – President of the Management Board
Marek Sokołowski – Vice-President of the Management Board

Wojciech Kowalczyk – Vice-President of the Management Board

On June 19th 2006, the Supervisory Board of Grupa LOTOS S.A. adopted a resolution on the appointment of the Management Board for the sixth term of office. The composition of the Management Board is as follows:

Paweł Olechnowicz – President of the Management Board
Marek Sokołowski – Vice-President of the Management Board
Mariusz Machajewski – Vice-President of the Management Board

Furthermore, taking into consideration the position of the majority shareholders – Nafta Polska S.A. and the State Treasury – the Supervisory Board resolved to organise a contest for the post of the President and certain other posts on the Management Board of Grupa LOTOS S.A. It was decided that after closing of the contest the Management Board should be composed of not fewer that five members.

On September 29th 2006, the Supervisory Board of Grupa LOTOS S.A. defined the composition of the Management Board of the sixth term of office and the division of responsibilities between its members. Furthermore, after acquainting itself with the results of the qualification procedure, holding interviews with the candidates, and obtaining the recommendation of the President of the Management Board, the Supervisory Board resolved to appoint the following persons to the Company's Management Board:

Marek Sokołowski – to the position of Vice-President of the Management Board responsible for production and development, and
Jarosław Kryński – to the position of Vice-President of the Management Board responsible for sales.

As at December 31st 2006 and as at the date of release of these consolidated financial statements, the composition of the Management Board of Grupa LOTOS S.A was as follows:

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

3. Approval of the Financial Statements

These financial statements were approved for publication by the Management Board on April 17th 2007.

4. Information Whether the Company is a Parent Undertaking or a Major Investor and Whether It Prepares Consolidated Financial Statements

Grupa LOTOS S.A. is the parent undertaking of the LOTOS Group and a major investor in subordinated undertakings and their related undertakings, controlled by the Company. Accordingly, Grupa LOTOS S.A. has prepared consolidated financial statements of its Group, which include these undertakings' financial data for the year ended December 31st 2006, and which were approved for publication by the Management Board on April 17th 2007.

5. Going Concern

The Company's financial statements were prepared on the assumption that the Company will continue its business activities in the foreseeable future. As at the date of approving these financial statements, the Company's Management Board has identified no facts or circumstances that might pose a threat to the Company continuing as a going concern in the 12 months following the balance-sheet date as a result of a planned or compulsory discontinuation or substantial limitation of its business activities.

6. Duration of the Company

The duration of the Company is unlimited.

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

These financial statements of Grupa LOTOS S.A. the balance-sheet data as at December 31st 2006 and comparable data as at December 31st 2005. The income statement, the cash-flow statement, and the statement of changes in the Company's equity present the data for January 1st – December 31st 2006 along with the comparable data for January 1st – December 31st 2005.

The financial information as at December 31st 2006 and for the year then ended contained in these financial statements was audited. The financial information as at December 31st 2005 and for the year then ended was audited and an opinion on it was issued by the auditor on April 27th 2006.

8. Measurement Currency and Reporting Currency

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

9. Basis for the Preparation of the Financial Statements

These financial statements were prepared in accordance with the International Financial Reporting Standards ("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").

As at the date of approval of these financial statements for publication, given the continuing process of implementation of the IFRS by the EU and the type of business conducted by the Company, as far as the accounting policies applied by the Company are concerned, there are no differences between the IFRS and the EU-endorsed IFRS.

The accounting policies and calculation methods adopted in the preparation of these consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2005.

Starting from January 1st 2006, the following standards were amended by the International Accounting Standards Board:

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

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

- IFRS 6: *Exploration for and Evaluation of Mineral Resources*
- IFRIC 4: *Determining whether an Arrangement contains a Lease*
- IFRIC 5: *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

- IFRIC 6: *Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*.

The Company has reviewed the new standards and the amendments to the existing ones. The new standards and the changes to the existing ones do not apply to these consolidated financial statements.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee but have not entered into force yet:

- Amendment to IAS 1: *Presentation of Financial Statements: Capital Disclosures* (applies to annual periods beginning after January 1st 2007),
- Amendment to IAS 23: *Borrowing Costs* (effective as of January 1st 2009, not yet adopted by the European Union),
- IFRS 7: *Financial Instruments: Disclosures* (applies to annual periods beginning after January 1st 2007),
- IFRS 8: *Operating Segments* (applies to annual periods beginning after January 1st 2009),
- IFRIC 7: *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies* (applies to annual periods beginning after March 1st 2006),
- IFRIC 8: *Scope of IFRS 2* (applies to annual periods beginning after May 1st 2006),
- IFRIC 9: *Reassessment of Embedded Derivatives* (applies to annual periods beginning after June 1st 2006),
- IFRIC 10: *Interim Financial Reporting and Impairment* (applies to annual periods beginning after November 1st 2006),
- IFRIC 11: *Group and Treasury Share Transactions* (applies to annual periods beginning after March 1st 2007),
- IFRIC 12: *Service Concession Arrangements* (applies to annual periods beginning after January 1st 2008).

The Management Board expects that the implementation of the standards and interpretations listed above will not have a material effect on the accounting policies applied by the Company.

Due to the introduction of IRFS 7 and amendments to IAS 1, the Company is obliged to provide further disclosures concerning the capital and financial instruments held by the Company in the year beginning on January 1st 2007. The Company is currently analysing the abovementioned requirements in order to make adequate disclosures in the financial statements prepared for the year beginning on January 1st 2007.

The Company does not prepare information on individual business segments, as it does not meet the requirements stipulated in IFRS 14: *Segment Reporting*.

10. Key Accounting Policies

These financial statements have been prepared in accordance with the historical cost principle, with the exception of financial derivatives, which are measured at fair value.

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

10.1. Intangible Assets

Intangible assets are recognised if the Company is likely to obtain future economic benefits attributable directly to the assets. Initially, intangible assets are recorded at acquisition or production cost, if they are acquired in separate transactions. Intangible assets acquired as part of the acquisition of a business are capitalised 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.

Intangible assets are amortised using the straight-line method over their estimated useful lives.

The expected useful lives of the Company's intangible assets are from 2 to 21 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in the asset are reflected by changing the amortisation period or amortisation method, respectively, and are accounted for as changes in accounting estimates.

Useful lives are also reviewed each year and, if required, they are adjusted with effect from the beginning of the following financial year.

With the exception of capitalised expenditure on research and development, expenditure on intangible assets produced by the Company is not capitalised and is disclosed under expenses for the period in which they were incurred.

10.2. 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. This cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. 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.

At the time of acquisition, the items of property, plant and equipment are divided into elements of material value to which separate useful economic lives can be assigned. The costs of major overhauls are also such elements.

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	1.14% - 30%
Plant and equipment	1.4% - 50%
Vehicles	6% - 50%
Other property, plant and equipment	6.67% - 33.33%

An item of property, plant and equipment may be derecognised from the balance sheet if it is sold or if the company does not expect to realise any economic benefits from its further use. Gains or losses on derecognition of an asset (calculated as the difference between net proceeds from its sale, if any, and the carrying value of the asset) are disclosed in the income statement in the period when the asset was derecognised.

The residual value, useful economic life and depreciation method are reviewed – and adjusted if required – with effect from the beginning of the next financial year.

The costs of each overhaul are included in the carrying value of property, plant and equipment, if relevant recognition criteria are fulfilled.

10.3. Tangible Assets under Construction

Investments in progress comprise property, plant and equipment which is under construction or assembly and are recognised at acquisition or production cost. Assets under construction are not depreciated until completed and placed in service.

10.4. Shares in Subsidiary and Associated Undertakings

Shares in subsidiary and associated undertakings are disclosed at historical cost.

10.5. Impairment Losses on Non-Financial Assets

As at each balance-sheet date, the Company assesses whether there is any evidence of impairment of any of its assets. If the Company finds that there is such evidence, or if the Company is required to perform annual impairment tests, the Company estimates the recoverable value of the given asset.

The recoverable value of an asset is equal to the higher of the fair value of the asset or cash generating unit, less the transaction costs, or its value in use. The recoverable value is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying value of an asset is higher than its recoverable value, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at each balance-sheet date, the Company assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset is no longer necessary or should be reduced. If there is such evidence, the Company estimates the recoverable value of the given asset. The recognised impairment loss is reversed only when following the recognition of the last impairment loss there has been a change in the estimates used to determine the recoverable value of the asset. In such a case, the carrying value of the asset is increased up to its recoverable value. The increased value may not exceed the carrying value of the asset that would have been determined (net of accumulated amortisation/depreciation) if the impairment loss related to that asset had not been recognised in the previous years. Reversal of an asset impairment loss is immediately recognised as revenue in the income statement, unless the asset has been revalued, in which case the reversal of an impairment loss is treated as an increase in the revaluation capital reserve. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to the given asset is adjusted so that over the remaining useful life of that asset its verified carrying value, less its residual value, can be regularly written off.

10.6. 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 and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

10.7. Trade and Other Receivables

Trade receivables, which typically mature in 14 to 55 days, are valued and recognised at amounts initially invoiced, accounting for valuation allowances for doubtful receivables. Valuation allowances for receivables are estimated when the collection of the full amount of receivables is no longer probable. Uncollectible receivables are written off through the income statement when recognised as unrecoverable accounts.

If the effect of time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as financial income.

10.8. Foreign Currency Transactions

Transactions denominated in foreign currencies are disclosed 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.

As at the balance-sheet date, cash assets and liabilities denominated in other currencies than the Polish złoty are translated into the złoty at the mid exchange rate quoted for a given currency by the National Bank of Poland (NBP) as at the end of the reporting period. The resulting foreign exchange gains and losses are carried as financial income/(expense) or cost of sales – and in cases provided for in the accounting policies – capitalised as assets. Non-cash assets and liabilities recognised at their historic cost expressed in a foreign currency are disclosed at the exchange rate effective on the transaction date. As at the balance-sheet date, non-cash assets and liabilities recognised at fair value expressed in a foreign currency are translated at the exchange rate effective on the date of the fair value measurement.

Exchange rates applied for the balance-sheet valuation purposes:

Mid exchange rate quoted by NBP	Dec 31 2006	Dec 31 2005
USD	2.9105	3.2613
EUR	3.8312	3.8598

10.9. 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 cash-flow statement comprise cash in hand and cash at banks, overdraft facilities as well as those bank deposits maturing within three months which are not classified as placements.

10.10. Accruals and Deferrals

The Company discloses prepayments if they relate to future reporting periods.

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

The Company's employees are entitled to holidays in accordance with the rules set forth in the Polish Labour Code. The Company 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.

10.11. Equity

Equity is disclosed 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 Grupa LOTOS S.A. is the share capital of the Company and is disclosed 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.

10.12. Provisions

Provisions are created when the Company has a liability (legal or following from commercial practice) resulting from past events and when it is probable that the discharge of this liability would cause an outflow of funds representing economic benefits, and the amount of the liability may be reliably estimated. If the Company anticipates that cost covered by provisions will be reimbursed, e.g. under an insurance agreement, reimbursement of such funds is disclosed as a separate item of assets, but only when such reimbursement is practically certain to occur; cost related to a given provision is disclosed in the income statement, less any received reimbursements. If the effect of time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to 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 liability. If the discount method is applied, an increase in provisions as a result of lapse of time is disclosed as financial expenses.

10.13. Retirement Severance Pays and Length-of-Service Awards

In accordance with the company remuneration systems, the Company's employees are entitled to length-of-service awards and severance pays upon retirement due to old age or disability. Length-of-service awards are paid out after a specific period of employment. Old-age and disability retirement severance pays are one-off and paid upon retirement. Amounts of severance pays and length-of-service awards depend on the length of employment and the average remuneration. The Company creates a provision for future liabilities under retirement severance pays and length-of-service awards in order to assign costs to the periods in which they are incurred. According to IAS 19, length-of-service awards are classified as other long-term employee benefits, while retirement severance pays – as defined post-employment benefit plans. The present value of the obligations as at each balance-sheet date is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account the employment turnover, and relate to the period ending at the given balance-sheet date. Information concerning demographics and employment turnover is sourced from historical data. Actuarial gains and losses are recognised in the income statement.

10.14. Interest-Bearing Bank 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 income statement upon removal of the liability from the balance sheet or recognition of value impairment.

10.15. Trade and Other Payables

Current trade payables are disclosed at amounts payable.

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

10.16. 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.

10.17. Government Subsidies

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

If a subsidy concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. If it concerns an asset, its fair value is recognised as deferred income, and then it is written off annually in equal parts through profit or loss over the estimated useful life of the asset.

10.18. Emission Credits

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

10.19. Income Tax

Mandatory decrease of profit/(increase of loss) comprises: current income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) established for tax purposes differs from the net profit (loss) established for financial reporting purposes due to the exclusion of the income which is taxable and the costs which are deductible in future years and the expenses and income which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

For the purposes of financial reporting, the Company 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 carrying value as disclosed in the 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).

Deferred tax assets are disclosed in relation to all deductible temporary differences, unused tax credits, 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).

The carrying 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 disclosed under equity and not in the income statement.

The Company offsets deferred tax asset against deferred tax liability only if it holds an enforceable legal right to offset income tax receivable against deferred tax liability and payable, and the deferred income tax is related to the same taxpayer and the same tax authority.

10.20. 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 recognised at fair value through profit or loss;
- Financial instruments held to maturity which are recognised at amortised cost using the effective interest rate,
- Loans and accounts receivable which are recognised at amortised cost using the effective interest rate; the related gains and losses are disclosed in the income statement. Accounts receivable which mature in the short term and do not have a specified interest rate are recognised at amounts due.
- Financial instruments available for sale which are recognised 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 income statement.

The fair value of financial instruments for which a ready market exists is determined 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 instruments are derecognised from the balance sheet when the Company 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.

10.21. Derivative Financial Instruments

Derivatives used by the Company to hedge against interest rate risk and currency risk include in particular FX forwards and interest rate swaps. Derivative financial instruments of this type are measured at fair value. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative. Gains or losses resulting from changes in the fair value of a derivative which does not qualify for hedge accounting are charged directly to the net profit or loss for the financial year. Fair value of FX forwards is established by reference to the forward rates of contracts with similar maturity prevailing at a given time. Fair value of interest rate swaps is established by reference to the market value of similar instruments.

10.22. Impairment of Financial Assets

As at each balance-sheet date the Company determines whether there is objective evidence of impairment of a financial asset or a group of financial assets.

Assets Carried at Amortised Cost

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying value of a financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying value of an asset is reduced directly or by creating relevant provisions. The amount of loss is recognised in the income statement.
First the Company determines whether there exists objective evidence of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there exists no objective evidence of impairment of an individually tested asset, regardless of whether it is material or not, the Company includes the asset into the group of financial assets with similar credit risk profile and tests it for impairment together with the other assets from this group. Assets which are tested for impairment individually, and with respect to which an impairment loss has been

recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.
If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost as at the reversal date.

Financial Assets Carried at Cost

If there exists objective evidence of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, the amount of impairment loss is established as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial Assets Available for Sale

If there exists objective evidence of impairment of a financial asset available for sale, the amount of the difference between the acquisition cost of that asset (less any principal payments and depreciation/amortisation charges) and its current fair value, reduced by any impairment losses previously recognised in the income statement, is derecognised from equity and charged to the income statement. Reversal of an impairment loss concerning equity instruments qualified as available for sale may not be recognised in the income statement. If the fair value of a debt instrument available for sale increases in the next period, and the increase may be objectively associated with an event that occurred subsequent to the impairment loss recognition in the income statement, the amount of the reversed impairment loss is recognised in the income statement.

10.23. Recognition of Revenue

Revenue is recognised in the amount of probable economic benefits to be derived by the Company in connection with a given transaction and when the amount of revenue may be reliably estimated.

10.24. Sales of Goods for Resale and Products

Sales revenue is disclosed 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 products and goods for resale are recognised at the moment of delivery, when material risk and benefits resulting from the ownership of the products and goods have been transferred to the purchaser. The value of sales revenue is adjusted for the income on settlement of transactions in instruments hedging cash flows.

10.25. Interest

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

10.26. Dividends

Dividend is recognised as financial income as of the date on which the appropriate governing body of the Company adopts a resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

10.27. Management'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 areas in which the Management Board prepared estimates include provisions, property, plant and equipment, as well as intangible assets and financial assets. The material assumptions used in the estimates are described in the relevant notes.

Valuation of Provisions

Provisions for employee benefits were estimated with actuarial methods.

Depreciation/Amortisation Charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates.

Fair Value of Financial Instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate methods and assumptions, the Company relies on professional judgment.

Deferred Tax Asset

The Company recognises a deferred tax asset if it is assumed that taxable profit will be generated in the future against which the asset can be used. If the taxable profit deteriorates in the future, this assumption may prove invalid.

10.28. 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 Company does not disclose the diluted earnings/loss per share, since there are no dilutive instruments outstanding.

10.29. Contingent Liabilities and Receivables

A contingent liability is understood as a duty to discharge an obligation which is conditional upon the occurrence of certain circumstances. Contingent liabilities are not recognised in the balance sheet, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of funds embodying economic benefits is negligible. Contingent receivables are not recognised in the balance sheet, however information on them is disclosed if the inflow of funds embodying economic benefits is likely to occur.

11. Property, Plant and Equipment and Prepayments for Tangible Assets under Construction

PLN '000	Dec 31 2006	Dec 31 2005
Land	174,915	174,915
Buildings and structures	976,572	954,661
Plant and equipment	584,835	613,549
Vehicles and other tangible assets	27,038	28,863
Tangible assets under construction	233,409	113,245
Prepayments for tangible assets under construction	122,558	100
	===========	===========
Total	**2,119,327**	**1,885,333**
	===========	===========

Changes to Property, Plant and Equipment and Prepayments for Tangible Assets under Construction

PLN '000	Land	Buildings and structures	Plant and equipment	Vehicles and other	Tangible assets under construction	Prepayments for tangible assets under construction	Total
Gross book value as at Jan 1 2005	**174,936**	**945,069**	**696,049**	**42,744**	**111,672**	**7,744**	**1,978,214**
Increase,						1,738	
including:	-	104,330	133,386	22,915	1,625		263,994
- purchase	-	-	42	22,106	246,123	-	268,271
- transfer from investments	-	104,330	133,344	809	(244,498)	-	(6,015)
-other	-	-	-	-	-	1,738	1,738
Decrease,						(9,382)	
including:		(115)	(6,937)	(646)	(52)		(17,132)
- sale	-	-	(1,029)	(411)	-	-	(1,440)
- liquidation	-	(115)	(5,905)	(188)	-	-	(6,208)
- other	-	-	(3)	(47)	(52)	(9,382)	(9,484)
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Gross book value as at Dec 31 2005	**174,936**	**1,049,284**	**822,498**	**65,013**	**113,245**	**100**	**2,225,076**
Gross book value as at Jan 1 2006	**174,936**	**1,049,284**	**822,498**	**65,013**	**113,245**	**100**	**2,225,076**
Increase,						135,414	
including:	-	76,368	73,243	7,977	120,266		413,268
- purchase	-	-	-	3,377	284,104	135,414	422,895
- transfer from investments	-	76,368	73,243	4,600	(163,838)	-	(9,627)
Decrease,						(12,956)	
including:		(181)	(963)	(66)	(102)		(14,268)
- sale		-	(291)	-	-	-	(291)
- liquidation		(181)	(672)	(66)	-	-	(919)
- other	-	-	-	-	(102)	(12,956)	(13,058)
Gross book value as at Dec 31 2006	**174,936**	**1,125,471**	**894,778**	**72,924**	**233,409**	**122,558**	**2,624,076**

PLN '000	Land	Buildings and structures	Plant and equipment	Vehicles and other	Tangible assets under construction	Prepayments for tangible assets under construction	Total
Accumulated depreciation as at Jan 1 2005	**21**	**46,807**	**105,169**	**24,945**	**-**	**-**	**176,942**
Increase, including:	-	47,822	107,513	11,680	-	-	167,015
- depreciation	-	47,822	107,513	11,680	-	-	167,015
Decrease, including:	-	(6)	(3,733)	(475)	-	-	(4,214)
- sale	-	-	(197)	(254)	-	-	(451)
- liquidation	-	(6)	(3,536)	(174)	-	-	(3,716)
- other	-	-	-	(47)	-	-	(47)
Accumulated depreciation as at Dec 31 2005	**21**	**94,623**	**208,949**	**36,150**	**-**	**-**	**339,743**
Accumulated depreciation as at Jan 1 2006	**21**	**94,623**	**208,949**	**36,150**	**-**	**-**	**339,743**
Increase, including:	-	54,327	101,460	9,802	-	-	165,589
- depreciation	-	54,327	101,460	9,802	-	-	165,589
Decrease	-	(51)	(466)	(66)	-	-	(583)
Accumulated depreciation as at Dec 31 2006	**21**	**148,899**	**309,943**	**45,886**	**-**	**-**	**504,749**
Impairment losses as at Jan 1 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Impairment losses as at Dec 31 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impairment losses as at Jan 1 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Impairment losses as at Dec 31 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at Jan 1 2005	**174,915**	**898,262**	**590,880**	**17,799**	**111,672**	**7,744**	**1,801,272**

PLN '000	Land	Buildings and structures	Plant and equipment	Vehicles and other	Tangible assets under construction	Prepayments for tangible assets under construction	Total
Net book value as at Dec 31 2005	**174,915**	**954,661**	**613,549**	**28,863**	**113,245**	**100**	**1,885,333**
	=======	=======	=======	=======	=======	=======	=======
Net book value as at Dec 31 2006	**174,915**	**976,572**	**584,835**	**27,038**	**233,409**	**122,558**	**2,119,327**
	=======	=======	=======	=======	=======	=======	=======

During the year ended December 31st 2006 and the year ended December 31st 2005, the Company did not capitalise any costs of external financing.

As at December 31st 2006 and December 31st 2005 there was no property, plant and equipment securing the Company's liabilities.

Comprehensive Technical Upgrade Programme

With respect to the execution of the Comprehensive Technical Upgrade Programme (PKRT, the Project), which is of key importance for the Company' s development and future growth of the shareholder value, the Company's efforts in 2006 focused on further technological development, negotiating agreements concerning various areas of the Project and contacts with selected financial institutions. Additionally, the Company continued the work on expanding the scope of the Project, on its technological development, on updating the Project's financial assumptions, and on selecting the contractors for the implementation of investment tasks under the Project.

The end of January and beginning of February 2006 saw the completion of work by the licensors of three main technologies for the Project – Shell Global Solutions and KBR – related to developing the front-end engineering design of the Project's main units. The ROSE unit front-end engineering design was delivered to the LOTOS Group by KBR in January, and the front-end engineering design for MHC and IGCC units were delivered by SGSI in February 2007.

On January 31st 2006, the terms of cooperation were agreed upon and the parties signed agreements on the execution of the front-end engineering design for PKRT and provision of engineering services relating to the development of the Project (FEED-PB Agreement) with selected bidders, i.e. Fluor and the consortium of UHDE/Technip. The aggregate cost of both contracts amounted to PLN 101,736 thousand and increased the value of tangible assets under construction. The Company is in the course of analysing both projects with a view to preparing a complex project that would be most suitable for the Company's needs. The current state of analysis is not sufficient for the Company to determine the scope to which both projects will be used in the future with regard to preparation of the final base project for PKRT.

On April 11th 2006, an agreement was signed with STASCO, for the supply of additional feedstock for the Project units.

Given the rapid changes of conditions prevailing on global oil markets, the rise in the prices of crude oil and petroleum products, as well as higher costs of materials, investment equipment, labour and services in the oil industry, the LOTOS Group mandated Purvin&Gertz, an independent market consultant, to update the assumptions adopted in the Project's financial model. Concurrently, the estimate of capital expenditure on the Project execution was updated.

Relying on the modelling results, based on updated assumptions, it was decided to change the Project's scope and structure. In addition to the main PKRT units (IGCC, MHC, ROSE), a new crude distillation unit will be built (CDU), thanks to which it will not be necessary to import additional feedstock for PKRT units. Moreover, in order to enable the Company to produce more atmospheric and vacuum distillates while meeting quality requirements for diesel oils, to be effective from 2009 (10ppm S), the PKRT project will also encompass the construction of a diesel oil hydro-desulphurisation unit (HDS) and construction of storage tanks required in connection with expanded production scale. Both production units (HDS, the hydrocracking unit) will be built based on the licence from Chevron Lummus Global.

On June 27th 2006, the Supervisory Board of Grupa LOTOS S.A. approved the sending of letters of intent by the LOTOS Group, which have the financial effect of concluding agreements, concerning the delivery of four reactors for the MHC unit forming part of the PKRT Project. The assumption of financial obligations related to the delivery of the MHC reactors is one of the milestones in the PKRT execution schedule. To the extent described above, the work related to the construction of the reactors was executed in accordance with the schedule. As at December 31st 2006 the Company made prepayments for deliveries totalling PLN 75,290 thousand.

Upon completion of a two-stage tender for the construction of the HDS unit for diesel oil, which resulted in selection of the contractor and commencement of contract negotiations, on November 11th 2006 the Management Board of Grupa Lotos S.A. signed an EPC contract for the construction of the unit with ABB Lummus Global. Under the terms of the contract, the scope of the work comprises engineering, procurement and construction of the HDS unit. The unit will be constructed under a licence from Chevron Lummus Global. It will enable the Group to meet the quality requirements which are to apply to diesel oils as of 2009 (sulphur content of 10 ppm).

We continued our efforts to commence the construction of a new CDU unit as part of the Front End Engineering Design Contract of August 2006 concluded with Uhde Edeleanu. Given the significant progress of the work, in December 2006 invitations to tender for the construction of the CDU unit were sent to six leading engineering companies. Based on the bids submitted in February 2007, Grupa LOTOS S.A. held negotiations, as a result of which the selected contractor will commence work in April 2007. Following the construction of the new CDU unit, the annual oil throughput in the Gdańsk refinery of the LOTOS Group will increase to 10.5m tonnes in 2010 and the Company will no longer have to depend on imports of additional feedstock for the PKRT units.

After the signing of relevant agreements with Fluor and the UHDE/Technip consortium in the first quarter of 2006, the subsequent quarters of 2006 were the time of intensive work on the development of the Front End Engineering Design for the PKRT Project, and on the preparation of UHDE's and Technip's bids for the Project implementation (excluding the scope of work covered by the contracts for the construction of HDS and CDU units). The bids for the execution of the Project were submitted in mid December 2006. The LOTOS Group is currently conducting negotiations with the bidders to optimise the scope and terms and conditions of the submitted bids. The negotiations are scheduled to be completed in April 2007.

In 2006, all the preparatory work on the construction site located on the Gdańsk refinery grounds was practically completed. The work included soil survey, soil removal, ground levelling, draining, providing electricity to the site, building temporary roads, etc. In 2007, work has commenced to prepare the construction backup facilities.

12. Intangible Assets

PLN '000	Dec 31 2006	Dec 31 2005
Development expense	204	306
Software	1,973	1,345
Patents, trademarks and licences	43,533	42,249
Other	90	135
Total	**45,800**	**44,035**

Changes in Intangible Assets

PLN '000	Development expense	Software	Patents, trademarks and licences	Other	Total
Gross book value as at Jan 1 2005	**100**	**2,131**	**46,690**	**225**	**49,146**
Increase	306	-	6,015	-	6,321
- transfer from investments	-	-	6,015	-	6,015
Decrease	-	-	-	-	-
Gross book value as at Dec 31 2005	**406**	**2,131**	**52,705**	**225**	**55,467**
Gross book value as at Jan 1 2006	**406**	**2,131**	**52,705**	**225**	**55,467**
Increase	-	967	8,660	-	9,627
- transfer from investments	-	967	8,660	-	9,627
Decrease	(100)	-	(1)	-	(101)
-liquidation	(100)	-	(1)	-	(101)
Gross book value as at Dec 31 2006	**306**	**3,098**	**61,364**	**225**	**64,993**
Accumulated amortisation as at Jan 1 2005	**100**	**568**	**4,523**	**45**	**5,236**
Increase	-	218	5,933	45	6,196
- amortisation	-	218	5,933	45	6,196
Decrease	-	-	-	-	-
Accumulated amortisation as at Dec 31 2005	**100**	**786**	**10,456**	**90**	**11,432**
Accumulated amortisation as at Jan 1 2006	**100**	**786**	**10,456**	**90**	**11,432**
Increase	102	339	7,376	45	7,862
- amortisation	102	339	7,376	45	7,862
Decrease	(100)	-	(1)	-	(101)

PLN '000	Development expense	Software	Patents, trademarks and licences	Other	Total
Accumulated amortisation as at Dec 31 2006	**102**	**1,125**	**17,831**	**135**	**19,193**
Impairment losses as at Jan 1 2005	**-**	**-**	**-**	**-**	**-**
Increase	-	-	-	-	-
Decrease	-	-	-	-	-
Impairment losses as at Dec 31 2005	**-**	**-**	**-**	**-**	**-**
Impairment losses as at Jan 1 2006	**-**	**-**	**-**	**-**	**-**
Increase	-	-	-	-	-
Decrease	-	-	-	-	-
Impairment losses as at Dec 31 2006	**-**	**-**	**-**	**-**	**-**
Net book value as at Jan 1 2005	**-**	**1,563**	**42,167**	**180**	**43,910**
Net book value as at Dec 31 2005	**306**	**1,345**	**42,249**	**135**	**44,035**
Net book value as at Dec 31 2006	**204**	**1,973**	**43,533**	**90**	**45,800**

13. Non-Current Financial Assets

PLN '000	Dec 31 2006	Dec 31 2005
Shares in subsidiary undertakings	437,978	435,081
Shares in associated undertakings	150	150
Shares in other undertakings	6,395	6,395
Other non-current financial assets, including:	251,481	244,881
- additional contributions to equity	247,081	241,981
- loans granted	4,400	2,900
Total	**696,004**	**686,507**

Undertakings in which the Company Holds Shares or Votes at the General Shareholders Meeting

As at December 31st 2006 and December 31st 2005, the Company's share in the total vote at General Shareholders Meetings of its subsidiary undertakings equals the Company's share in the share capital of these undertakings.

Name	Registered office	Business profile	Percentage of share capital held by the Group		Carrying value of shares (PLN '000)	
			Dec 31 2006	Dec 31 2005	Dec 31 2006	Dec 31 2005
LOTOS Paliwa Sp. z o.o.	Gdańsk	wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	100,00%	100,00%	114,706	114,706
LOTOS Partner Sp. z o.o.	Gdańsk	sales of fuels and provision of services for retail networks of international concerns; logistic services	100,00%	100,00%	13,642	13,642
LOTOS Mazowsze S.A.	Mława	sales of LPG, heavy fuel oil and special products (sulphur, plasticizers, fuels containing recycled components)	100,00%	100,00%	16,284	16,284
LOTOS Oil S.A.	Gdańsk	production and sale of lubricating oils and lubricants, and domestic sales of base oils	100,00%	100,00%	505	505
LOTOS Asfalt Sp. z o.o.	Gdańsk	production and sale of bitumens	100,00%	100,00%	78	78
LOTOS Ekoenergia S.A.	Gdańsk	construction of basic PKRT units; the company has not commenced operations	100,00%	100,00%	505	505
LOTOS Kolej Sp. z o.o.	Gdańsk	railway transport	100,00%	100,00%	233	233
LOTOS Serwis Sp. z o.o.	Gdańsk	maintenance of mechanical and electric operations and controlling devices, repairs	100,00%	100,00%	2,520	2.520
LOTOS Lab Sp. z o.o.	Gdańsk	laboratory testing	100,00%	100,00%	50	50
LOTOS Straż Sp. z o.o.	Gdańsk	fire protection	100,00%	100,00%	3,906	3.906
LOTOS Ochrona Sp. z o.o.	Gdańsk	personal and property protection	100,00%(1)	87,44%	353	265
LOTOS Parafiny Sp. z o.o.	Jasło	production and sale of paraffin	100,00%	100,00%	20,843	20.843
LOTOS Czechowice S.A. (parent undertaking of another group; formerly Rafineria Czechowice S.A. (2))	Czechowice	storage and distribution of fuels (3)	80.04%	80.04%	13,918	13.918
LOTOS Jasło S.A. (parent undertaking of another group; formerly Rafineria Jasło S.A. (4))	Jasło	production and processing of refined petroleum products and their wholesale and retail sale	80.01%	80.01%	-	-
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	acquisition of reserves, crude oil and natural gas production	69.00%	69.00%	245,931	245.931
UAB LOTOS Baltija	Lithuania	wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	100.00%	100.00%	1,158	1.158
BiproRaf Sp. z o.o.	Gdańsk	design services for oil industry	(5)	50.00%	(5)	35
Rafineria Nafty Glimar S.A. w upadłości (in bankruptcy)	Gorlice	refining (currently discontinued due to the company's bankruptcy)	91.54%	91.54%	-	-
LOTOS Hydrokompleks Sp. z o.o.	Gorlice	construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	100.00%	100.00%	51	51

Name	Registered office	Business profile	Percentage of share capital held by the Group		Carrying value of shares (PLN '000)	
			Dec 31 2006	**Dec 31 2005**	**Dec 31 2006**	**Dec 31 2005**
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	business and management consultancy services	27.45%[(6)]	90.00%	3,295	451
Total shares in subsidiary undertakings					**437,978**	**435,081**
LOTOS Tank Sp.z o.o.[(7)]	Jasło	wholesale of liquid and gaseous fuels and derivative products	30.00%	30.00%	150	150
Total shares in associated undertakings					**150**	**150**
Naftoport Sp.z o.o.	Gdańsk	operation of reloading terminals for crude oil and petroleum products	8.97%	8.97%[(8)]	6,312	6.312
Daltrade Ltd.	London	import and distribution of chemical products	1.99%	1.99%	83	83
Total shares in other undertakings					**6.395**	**6.395**

(1) On December 20th 2006, the LOTOS Group acquired the remaining 12.56% of shares in LOTOS Ochrona Sp. z o.o. under a share purchase agreement. The aggregate price of the acquired shares was PLN 88 thousand.

(2) On December 19th 2005, the District Court of Katowice registered the change of the name of Rafineria Czechowice S.A. to LOTOS Czechowice S.A.

(3) On March 31st 2006, the company discontinued crude oil processing.

(4) On January 2nd 2006, the District Court of Rzeszów registered the change of the name of Rafineria Jasło S.A. to LOTOS Jasło S.A.

(5) In connection with the disposal of shares in Przedsiębiorstwo Projektowo-Usługowe BiproRaf Sp. z o.o. (PPU BiproRaf Sp. z o.o.) by Grupa LOTOS S.A. (see Note 37), as at the date of these financial statements the PPU BiproRaf Sp. z o.o. shares were disclosed under current financial assets.

(6) On January 17th 2006, the District Court for Kraków-Śródmieście of Kraków, XII Commercial Division of the National Court Register, registered a share capital increase to PLN 12,374 thousand at LOTOS Park Technologiczny Sp. z o.o. Following the increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 24,748 shares with a par value of PLN 500 per share, conferring the right to 24,748 votes. The share capital increase was effected through a cash contribution of PLN 4,300 thousand made by Grupa LOTOS S.A. As a consequence, Grupa LOTOS S.A.'s share in the share capital of LOTOS Park Technologiczny Sp. z o.o. was increased to 38.4%. On December 6th 2006 LOTOS Jasło S.A. acquired, in exchange for a contribution in kind, 9,866 shares in the share capital of LOTOS Park Technologiczny Sp. z o.o.; the total value of the shares amounted to PLN 4,933 thousand. As a result of the transaction LOTOS Jasło S.A. came to hold 28.5% of the shares in LOTOS Park Technologiczny Sp. z o.o. On January 19th 2007, the District Court for Kraków-Śródmieście of Kraków, XII Commercial Division of the National Court Register, registered the increase in the share capital of LOTOS Park Technologiczny Sp. z o.o. to PLN 17,307 thousand. Following the increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 34,634 shares with the par value of PLN 500 per share, carrying 34,634 votes. On December 28th 2006, in connection with the incorporation of CBA Racer Sp. z o.o. by LOTOS Czechowice S.A., the share held by LOTOS Czechowice S.A. in the share capital of LOTOS Park Technologiczny Sp. z o.o. increased from 28.26% to 35.58%. As a result of the changes in the shareholder structure of LOTOS Park Technologiczny Sp. z o.o., as at December 31st 2006 Grupa LOTOS S.A. held 27.45% of the share capital of LOTOS Park Technologiczny Sp. z o.o.

(7) On April 11th 2007, Grupa LOTOS S.A. and LOTOS Jasło S.A. concluded an agreement concerning the purchase of 700 shares in LOTOS Tank Sp. z o.o. (see Note 35). The total acquisition price amounted to PLN 642.5 thousand. As a result of this transaction Grupa LOTOS S.A. holds 100% of the shares in the share capital of LOTOS Tank Sp. z o.o.

(8) On April 14th 2005, Grupa LOTOS S.A., as the Seller, and PERN Przyjaźń S.A. ("PERN"), as the Buyer, concluded an agreement concerning the sale of 13 shares with a par value of PLN 589 thousand per share and aggregate par value of PLN 7,657 thousand, which as at the agreement date represented 16.67% of the share capital of Przedsiębiorstwo Przeładunku Paliw Płynnych Naftoport Sp. z o.o. ("Naftoport"). To be finalised, the transaction had to be approved by the Competition and Consumer Protection Office; such approval was issued

on April 13th 2005. Following the disposal of the shares, as at December 31st 2005 Grupa LOTOS S.A. held an 8.97% equity interest in Naftoport Sp. z o.o. In 2005, the Company realised a profit of PLN 26,344 thousand as a result of selling a part of its interest in Naftoport.

Changes in the Number of Shares Held by the Company

PLN '000	Shares in subsidiary undertakings	Shares in associated undertakings	Shares in other undertakings
Book value as at Jan 1 2005	**158,543**	**14,119**	**1,509**
Shares acquired[1]	276,538	-	-
Shares sold	-	(7,657)	(1,426)
Transfers	-	(6,312)	6,312
Book value as at Dec 31 2005	**435,081**	**150**	**6,395**
Book value as at Jan 1 2006	**435,081**	**150**	**6,395**
Shares acquired	4,389	-	-
Shares sold	-	-	-
Revaluation [2]	(1,457)	-	-
Transfers [3]	(35)	-	-
Book value as at Dec 31 2006	**437,978**	**150**	**6,395**

(1) The agreement of January 13th 2005, under which Grupa LOTOS S.A. purchased shares in Rafineria Czechowice S.A. (80.04%), Rafineria Jasło S.A. (80.01%), Petrobaltic S.A. (69.00%) and Rafineria Nafty Glimar S.A. w upadłości (in bankruptcy) (91.54%) from Nafta Polska S.A., was finalised on February 3rd 2005. Under the agreement, the total value of shares sold stood at PLN 257,276 thousand. The value of the acquired shares was PLN 259,849 thousand. Under the agreement of December 16th 2005, the Company acquired shares in LOTOS Parafiny Sp. z o.o. for a total of PLN 15,674 thousand. On November 16th 2005, Grupa LOTOS S.A. acquired, for a total of PLN 516 thousand, 4,400 shares in UAB LOTOS Baltija of Lithuania, representing 39.71% of its share capital. Moreover, the values of shares in LOTOS Hydrokompleks Sp. z o.o. and LOTOS Park Technologiczny Sp. z o.o. increased by PLN 50 thousand and PLN 450 thousand, respectively.

(2) The Company made valuation allowances for shares in LOTOS Park Technologiczny Sp. z o.o. in the amount of PLN 1,457 thousand.

(3) In connection with the disposal of shares in PPU BiproRaf Sp. z o.o. by Grupa LOTOS S.A. (see Note 37), as at the date of these financial statements the PPU BiproRaf Sp. z o.o. shares were disclosed under current financial assets.

14. Inventories

PLN '000	Dec 31 2006	Dec 31 2005
Finished products	368,819	303,779
Semi-finished products and work in progress	219,203	228,478
Goods for resale	109,296	17,557
Materials	878,350	708,522
Net inventories	**1,575,668**	**1,258,336**

As at December 31st 2006, the carrying value of finished products recognised at net selling prices was PLN 187,917 thousand (PLN 79,183 thousand as at December 31st 2005).

Valuation Allowances for Inventories

PLN '000	Dec 31 2006	Dec 31 2005
Finished products	16,739	2,578
Semi-finished products and work in progress	-	-
Goods for resale	-	-
Materials	4,425	7,056
Total valuation allowances for inventories	**21,164**	**9,634**

During the year ended December 31st 2006, the Company made a valuation allowance for inventories in the amount of PLN 16,740 thousand and reversed a valuation allowance for inventories in the amount of PLN 5,210 thousand.

During the year ended December 31st 2005, the Company made a valuation allowance for inventories in the amount of PLN 9,442 thousand and reversed a valuation allowance for inventories in the amount of PLN 13,070 thousand.

As at December 31st 2006 and December 31st 2005, no pledge was established on the Company's inventories as security for its liabilities.

Mandatory Liquid Fuel Stocks

Pursuant to Art. 19a.5 of the Polish State Reserves and Mandatory Fuel Stocks 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 stocks, hereinafter referred to as "stocks," based on the volume of liquid fuels produced or imported – from an EU member state or another state – in the previous year, taking into account the schedule for reaching the volume of liquid fuel stocks required 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 stocks, dated December 19th 2005 (Dz. U. of 2005, No. 266, item 2240).

This schedule specifies the path to reach in 2008, and subsequent years, the level of stocks corresponding to 76-day average internal fuel consumption at the end of the year. Thus, together with the existing economic reserves accounting for a 14-day consumption, the 90-day stocks required by the European Union regulations will be reached.

In each subsequent year, the required level of stocks should be increased by the stocks volume required for such number of days as is specified for each subsequent year in the Regulation of the Minister of Economy on the schedule for the creation of liquid fuel stocks, dated December 19th 2005.

Mandatory fuel stocks may be stored in the form of finished products, semi-finished products and crude oil. However, the total volume of stocks 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 share of each type of fuels in the stocks, as stipulated in the Regulation of the Minister of Economy on the detailed procedure for the creation and determination of the volume of liquid fuel stocks, dated May 12th 2006 (Dz.U. of 2006 No. 92, item 642).

In the balance sheet, the Company disclosed the following mandatory stocks:

PLN '000	**Dec 31 2006**	**Dec 31 2005**
Mandatory stocks	988,479	744,322

15. Trade and Other Receivables

PLN '000	**Dec 31 2006**	**Dec 31 2005**
Trade receivables, including:	1,506,275	1,046,133
- from related undertakings	1,373,514	915,448
Corporate income tax receivables	15,182	-
Other receivables, including:	11,991	20,278
- from related undertakings	38	94
Net receivables	**1,533,448**	**1,066,411**
Valuation allowance for receivables	72,655	71,780
Gross receivables	**1,606,103**	**1,138,191**

Information on transactions with related parties is presented in Note 40. The payment period for trade receivables in the normal course of sales is 14–55 days.

As at December 31st 2006 and December 31st 2005, none of the Company's receivables had been assigned by way of security.

Impairment Losses on Receivables

PLN '000	**Year ended Dec 31 2006**	**Year ended Dec 31 2005**
Beginning of period	71,780	72,734
Recognised	1,473	2,987
Reversed	(598)	(3,941)
End of period	**72,655**	**71,780**

16. Prepayments

PLN '000	Dec 31 2006	Dec 31 2005
Property and other insurance	2,319	1,882
Other	29	140
Total	**2,348**	**2,022**
Current	2,348	2,022
Non-current	-	-

17. Current Financial Assets

PLN '000	Dec 31 2006	Dec 31 2005
Positive valuation of financial instruments, including:	190	5,328
- Currency forwards	190	2,016
- Currency swaps	-	24
- Currency and interest rate swaps	-	3,288
Repo transactions	-	30,024
Treasury bonds	-	3,879
Treasury bills	-	93,140
Other, including	3,170	1,567
- loans to related undertakings	3,135	1,567
- shares	35(1)	-
Total	**3,360**	**133,938**

(1) As described in Note 13, as at the date of these financial statements the shares of PPU BiproRaf Sp. z o.o. are disclosed under current financial assets.

18. Cash and Cash Equivalents

PLN '000	Dec 31 2006	Dec 31 2005
Cash in hand and cash at banks	1,325	298,981
Total	**1,325**	**298,981**

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 Company's current demand for cash, and bear interest at the interest rates set for them.

As at December 31st 2006, restricted cash amounted to PLN 1,151 thousand. The restricted cash included mainly the margin placed in the account of Grupa LOTOS S.A. held with Marex Financial, a brokerage firm, in order to enable the execution of transactions on the ICE Futures Internet platform.

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

Overview of Financial Instruments

The Company 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 Company does not issue any derivative financial instruments held for trading.

The Company has implemented written guidelines for currency risk management; these guidelines define the risk tolerance level and the general risk management policy. The Company 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 Company does not apply hedging accounting; accordingly, any change in fair value of derivatives is charged to the income statement. The fair value of financial instruments corresponds to their book value.

Description of Financial Instruments

Financial Assets and Liabilities Held for Trading

Financial assets held for trading comprise treasury bills and investment certificates. The Company 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 are disclosed under financial liabilities held for trading.

Financial Assets Available for Sale

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

Loans Advanced and Receivables

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 December 31st 2006 and December 31st 2005, assets under the advanced loans were fully covered by an allowance. As at the above dates, the Company also created a provision of PLN 42m (see Note 25) for potential liabilities under these agreements.

On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt.

On September 8th 2005, Grupa LOTOS S.A. executed an agreement under which it granted a loan of PLN 2,500 thousand to LOTOS Parafiny Sp. z o.o. The loan, repayable in full by the end of June 2008, is intended to finance the investment in a candle production plant in Czechowice.

On March 10th 2006, Grupa LOTOS S.A. executed an agreement under which it granted a loan of PLN 4,500 thousand to LOTOS Parafiny Sp. z o.o. The loan, repayable in full by the end of June 2008, is intended to finance the investment in a candle production plant in Czechowice.

On August 24th 2005, Grupa LOTOS S.A. executed an agreement under which it granted a loan of PLN 1,900 thousand to LOTOS Park Technologiczny Sp. z o.o. In accordance with the terms of the agreement, the loan is to be repaid in full by the end of August 2008.

On January 25th 2006, Grupa LOTOS S.A. executed an agreement under which it granted a loan of PLN 350 thousand to LOTOS Park Technologiczny Sp. z o.o. In accordance with the terms of the agreement, the loan was repaid in full in 2006.

As at December 31st 2006 and December 31st 2005 the total amount of loans advanced, together with interest, was PLN 7,535 thousand and PLN 4,467 thousand, respectively.

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 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 Company 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 Company's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivatives, the Company'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 carrying value of such instruments.

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 Grupa LOTOS S.A. and the counterparties. Results on hedging transactions are taken into account in exposure measurement. The Company executes the transactions chiefly with undertakings from its Group. There is no material concentration of the credit risk within the Company.

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**	**-**	**4,467**	**3,879**	**6,395**
Gross value	120,013	-	52,439	3,783	6,813
Revaluation	8,479	-	(47,972)	96	(418)
Increase, including:	12,400,302	-	4,985	-	35
Acquisition	12,400,112	-	4,850	-	-
Revaluation	190	-	135	-	-
Other	-	-	-		35
Decrease, including:	(12,528,604)	-	(1,917)	(3,879)	-
Sale	(12,520,125)	-	(1,850)	(3,783)	-
Revaluation	(8,479)	-	(67)	(96)	-
Closing balance as at Dec 31 2006	**190**	**-**	**7,535**	**-**	**6,430**
Gross value	-	-	55,439	-	6,848
Revaluation	190	-	(47,904)	-	(418)
Balance-sheet disclosure					
Non-current investments	-	-	4,400	-	6,395
Current investments	190	-	3,135	-	35
Current liabilities	-	-	-	-	-
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Total	**190**	**-**	**7,535**	**-**	**6,430**
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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:	8,100,389	-	4,467	-	6,312
Acquisition	8,091,910	-	4,400	-	-
Revaluation	8,479	-	67	-	-
Other	-	-	-	-	6,312
Decrease, including:	(8,015,131)	-	-	(73)	(1,426)
Sale	(7,993,926)	-	-	-	(1,426)
Revaluation	(21,205)	-	-	(73)	-
Closing balance as at Dec 31 2005	**128,492**	**-**	**4,467**	**3,879**	**6,395**
Gross value	120,013	-	52,439	3,783	6,813
Revaluation	8,479	-	(47,972)	96	(418)
Balance-sheet disclosure					
Non-current investments	-	-	2,900	-	6,395
Current investments	128,492	-	1,567	3,879	-
Current liabilities	-	-	-	-	-
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Total	**128,492**	**-**	**4,467**	**3,879**	**6,395**
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Value of derivative transactions as at December 31st 2006 (PLN ‘000):

Company	Type of forward transaction	Transaction execution date	Transaction settlement date*	Forward rate	Currency pair	Notional amount sold (USD ‘000)	Notional amount sold (PLN ‘000)	Fair value as at Dec 31 2006 (PLN ‘000)**
Grupa Lotos S.A.	Currency forward	Dec 20 2006	Jan 2 2007	2.9	USD/PLN	-	43,198	460
Grupa Lotos S.A.	Currency swap	Dec 28 2006	Jan 2 2007	3.8	EUR/PLN	-	10,393	(10)
Grupa Lotos S.A.	Currency forward	Dec 28 2006	Jan 10 2007	1.3	EUR/USD	13,179	-	(33)
Grupa Lotos S.A.	Currency forward	Dec 15 2006	Jan 19 2007	1.3	EUR/USD	13,089	-	243
							Total	**660**

Company	Type of forward transaction	Transaction execution date	Transaction settlement date*	Forward rate	Currency pair	Notional amount bought (USD ‘000)	Notional amount bought (PLN ‘000)	Fair value as at Dec 31 2006 (PLN ‘000)**
Grupa Lotos S.A.	Currency forward	Dec 21 2006	Jan 29 2007	2.9	USD/PLN	-	57,700	(455)
Grupa Lotos S.A.	Currency forward	Dec 28 2006	Mar 16 2007	2.9	USD/PLN	-	43,533	(15)
							Total	**(470)**

TOTAL	**190**

* It is possible to settle the transaction early by taking an offsetting position and discounting the payment, or by means of other procedures defined 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 date. 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 fixing rate quotations of the National Bank of Poland and the zero-coupon interest rate curve (CLOSE YIELD), as published by Reuters 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	Notional amount sold (EUR '000)	Notional amount sold (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	Notional amount bought (USD '000)	Notional amount bought (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)**
							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 defined 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 date. 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.

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

Company	Type of forward transaction*	Transaction execution date	Contract term	Currency pair	Exchange rate	Notional amount sold (EUR '000)	Bank's reference rate	Reference rate	Fair value as at Dec 31 2005 (PLN '000)**
Grupa LOTOS S.A.	Currency and 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**
					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.

** Valuation of the financial instrument as at end of period is disclosed at fair value.

The fair value of the financial instruments equals their carrying value.

20. Cash Structure in the Cash-Flow-Statement

PLN '000	Dec 31 2006	Dec 31 2005
Cash at banks	1,302	298,951
- current accounts	1,302	102,034
- deposits up to 1 year	-	196,917
Other cash	23	30
Overdraft facilities	(120,309)	-
Total cash	**(118,984)**	**298,981**

Breakdown of the Company'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, investments in progress), intangible assets, non-current 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	Dec 31 2006	Dec 31 2005
Balance-sheet change in net non-current and current receivables	(467,037)	(343,867)
Change in income tax receivables	15,182	(7,859)
Change in receivables as disclosed in the cash-flow-statement	(451,855)	(351,726)

Liabilities PLN '000	**Dec 31 2006**	**Dec 31 2005**
Balance-sheet change in current and non-current liabilities	206,067	154,681
Change in current and non-current loans	(120,309)	289,833
Change in income tax liabilities	60,211	(60,211)
Change in investment liabilities	(17,748)	8,725
Other	-	(7,568)
Change in liabilities as disclosed in the cash-flow-statement	128,221	385,460

Provisions PLN '000	**Dec 31 2006**	**Dec 31 2005**
Balance-sheet change in provisions	(11,064)	(20,527)
Change in deferred tax liability	12,127	12,880
Other	-	5,393
Change in provisions as disclosed in the cash-flow-statement	1,063	(2,254)

Cash PLN'000	**Dec 31 2006**	**Dec 31 2005**
Balance-sheet change in cash	(297,656)	219,084
Interest-bearing overdraft facilities	(120,309)	-
Change in cash as disclosed in the cash-flow-statement	(417,965)	219,084

Other Items of the Cash-Flow-Statement

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

PLN '000	**Year ended Dec 31 2006**	**Year ended Dec 31 2005**
Contributions to equity	(5,100)	(167,200)
Loans (advanced)/ repaid	(3,000)	(4,400)
Prepayments for tangible assets under construction	(122,458)	-
Total other items, net	(130,558)	(171,600)

21. Share Capital

The structure of Grupa LOTOS S.A.'s share capital as at December 31st 2006 and December 31st 2005 was as follows:

	Number of shares	Number of votes	Par value of shares [PLN]	% 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 %

As a result of the acquisition of Grupa LOTOS S.A. shares in transactions carried out on the Warsaw Stock Exchange, which were settled on March 6th 2007, ING Nationale-Nederlanden Polska OFE came into possession of the Company shares conferring the right to over 5% of the total vote at the General Shareholders Meeting of Grupa LOTOS S.A. Prior to the abovementioned transactions, ING Nationale-Nederlanden Polska held 5,676,589 shares in Grupa LOTOS S.A., which represented 4.99% of the share capital and conferred the right to 5,676,589 votes at the General Shareholders Meeting, accounting for 4.99% of the total vote. As at March 7th 2007, 5,876,589 Grupa LOTOS S.A. shares were registered in the securities account of ING Nationale-Nederlanden Polska, which account for 5.17% of the Company's share capital and confer the right to 5,876,589 votes at the General Shareholders Meeting, representing 5.17% of the total vote.

Share issue

On May 17th 2005, Grupa LOTOS S.A. applied to the Warsaw Stock Exchange for admission to trading on the main market of:

- 58,229,340 Series A ordinary registered shares,
- 20,470,660 Series A ordinary bearer shares,
- 35,000,000 Series B ordinary bearer shares,
- 35,000,000 rights to Series B new shares.

On June 3rd 2005, pursuant to Resolution No. 178/2005, the Management Board of the Warsaw Stock Exchange admitted the following shares of Grupa LOTOS S.A., with a par value of PLN 1 per share, to trading on the main market:

- 58,229,340 Series A ordinary registered shares,
- 20,470,660 Series A ordinary bearer shares,
- up to 35,000,000 Series B ordinary bearer shares, subject to a condition that the Company's share capital is increased through the issue of Series B shares.

Pursuant to Resolution No. 178/2005 of June 3rd 2005, the Management Board of the Warsaw Stock Exchange admitted up to 35,000,000 rights to Series B shares of Grupa LOTOS S.A. to trading on the main market.

On June 4th and June 6th 2005, the Company allotted Series B Shares in the Retail Offering and the Institutional Offering, respectively. Upon the allotment, the Public Offering was announced as successful.

1. The Public Offering comprised 35,000,000 Series B Shares.

   The Shares were offered as follows:

   - 8,800,000 Shares in the Retail Offering,
   - 26,200,000 Shares in the Institutional Offering, including:

- 16,500,000 Shares in the Polish Institutional Offering, and
- 9,700,000 Shares in the International Institutional Offering.

2. The reduction rate in the Retail Offering was 96.58%. Retail investors placed the aggregate number of 31,646 subscription orders for 257,634,549 Series B Shares.

3. In the Institutional Offering, during the Book-building process Polish and international institutional investors declared demand for 86,192,129 Offered Shares. In the Institutional Offering, Series B Shares were allotted in accordance with the subscription orders placed.

4. All the shares offered by the Company, i.e. 35,000,000 Series B Shares, were allotted as a result of the subscription.

5. The shares were acquired at the issue price of PLN 29.00.

6. The aggregate number of orders placed in the Public Offering for Series B Shares was 31,763, of which:

- 31,646 in the Retail Offering, and
- 117 in the Institutional Offering.

By virtue of Resolutions No. 179/2005 and 180/2005 of June 8th 2005, the Management Board of the Warsaw Stock Exchange decided to:

- introduce, by way of an ordinary procedure, 20,545,970 Series A ordinary bearer shares of Grupa LOTOS S.A., with a par value of PLN 1.00 per share (ISIN code: PLLOTOS00025) to trading on the main market,
- introduce 35,000,000 rights to Series B ordinary bearer shares of Grupa LOTOS S.A., with a par value of PLN 1.00 per share (ISIN code: PLLOTOS00041), to trading on the main market.

The abovementioned shares and rights to Series B ordinary bearer shares of Grupa LOTOS S.A. were first quoted on the Warsaw Stock Exchange on June 9th 2005.

The Management Board of the Warsaw Stock Exchange set the last listing date for 35,000,000 (thirty-five million) rights to Series B ordinary bearer shares of Grupa LOTOS S.A., with a par value of PLN 1 (one) per share (ISIN code: PLLOTOS00041), at July 7th 2005.

On June 28th 2005, the Company's Management Board received the decision of the District Court of Gdańsk, XII Commercial Division of the National Court Register, concerning registration of Grupa LOTOS S.A.'s share capital increase through the issue of Series B shares. The share capital increase was registered by the Court on June 28th 2005. Following the registration, the share capital amounts to PLN 113,700,000 and is divided into 113,700,000 shares. The total number of votes attached to all the shares issued by Grupa LOTOS S.A. after the registration of the share capital increase is 113,700,000 votes.

The share issue price was set at PLN 29.00 per share. The issue proceeds were PLN 1,015,000 thousand. The share premium was PLN 980,000 thousand and was disclosed under reserve funds, net of the expenses directly related to the share issue, adjusted for income tax of PLN 9,049 thousand (See "Statement of changes in equity"). The net proceeds from the share issue (net of the expenses directly related to the share issue, adjusted by income tax) reached PLN 1,005.9m.

22. 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".

As at the date of these financial statements, the Company's Management Board has not made any decisions regarding distribution of the 2006 profit.

On May 13th 2005, the General Shareholders Meeting of the Company approved the 2004 dividend amount of PLN 15,740 thousand (PLN 0.20 per share). Pursuant to the Resolution of the General Shareholders Meeting of Grupa LOTOS S.A. on the distribution of the Company's net profit for the year ended December 31st 2004, adopted on May 13th 2005, the dividend payment date was set at June 22nd 2005. Starting January 1st 2005, the Company distributed its net profit computed in accordance with the IFRS

23. Earnings per Share

	Year ended Dec 31 2006	**Year ended Dec 31 2005**
Net profit (PLN '000) (A)	406,714	532,268
Weighted average number of shares (in thousands) (B)	113,700	96,632
	===========	===========
Earnings per share (PLN) (A/B)	3,58	5,51
	===========	===========

* Earnings per share were computed on the basis of the weighted average number of shares in the period January 1st – December 31st 2005. New Series B shares were included in the weighted average number of shares starting June 28th 2005, which was the registration date of Grupa LOTOS S.A.'s share capital increase through the issue of Series B shares (see Note 21).

24. Interest-Bearing Loans and Borrowings

Loans and Borrowings

PLN '000	**Dec 31 2006**	**Dec 31 2005**
Bank loans	120,309	-
Other loans	-	-
	===========	===========
To tal	**120,309**	**-**
	===========	===========
Including:		
Non-current portion	-	-
Current portion	120,309	-

Loans and Borrowings by Lender

PLN '000	Dec 31 2006	Dec 31 2005
Current portion		
Pekao S.A.	15,255	-
ING Bank Śląski S.A.	29,646	-
PKO BP S.A.	10,635	-
Bank Handlowy w Warszawie S.A.	60,791	-
Bank Millennium S.A.	1,941	-
BZ WBK S.A.	2,040	-
Kredyt Bank S.A.	1	-
Total current portion	**120,309**	**-**
Value of loans in a given currency translated into PLN		
EUR	3,965	-
USD	58,366	-
PLN	57,978	-
Total	**120,309**	**-**

As at December 31st 2006, the average effective interest rate for loans is approx. 4.80%.

Loans as at December 31st 2006:

Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non- current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN	Currency	PLN	Currency	PLN	Currency	Current portion	Non-current portion		
Bank Millennium S.A.	Warsaw	30,000	-	1,941	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	Representation on submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	-	USD 40,000 or its equivalent	28,050	-	-	-	overdraft facility	-	T/N WIBOR + bank's margin	Representation on submission to enforcement
				32,547	11,183 USD	-	-		-	SW LIBOR USD + bank's margin	
				194	51 EUR	-	-		-	SW EURIBOR + bank's margin	
ING Bank Śląski S.A.	Warsaw	-	USD 9,000 or its equivalent	56	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	Representation on submission to enforcement
				25,819	8,871 USD	-	-		-	1M LIBOR USD + bank's margin	
				3,771	984 EUR	-	-		-	1M EURIBOR + bank's margin	
PKO BP S.A.	Warsaw	100,000	-	10,635	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	Representation on submission to enforcement
BZ WBK S.A.	Warsaw	30,000	-	2,040	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	Representation on submission to enforcement
Bank Pekao S.A.	Warsaw	100,000	-	15,255	-	-	-	overdraft facility	-	1M WIBOR + bank's margin	Representation on submission to enforcement
Kredyt Bank S.A.	Warsaw	10,000	-	1	-	-	-	overdraft facility	-	O/N WIBOR + bank's margin	Representation on submission to enforcement
TOTAL				**120,309**	**20,054 USD**						
					1,035 EUR						

The banks' margins on the loans fall in the range between 0.05% and 2.0%.

In the period January 1st – December 31st 2006, the Company used revolving overdraft facilities.

In the period January 1st – December 31st 2005, a number of changes occurred in the Company's loans and borrowings, including the following:

- In April 2005, the Company repaid CHF 42,500 thousand under a loan from Dresdner Bank Luxembourg;
- In June and August 2005 the Company prepaid instalments under loans contracted from Kredyt Bank S.A. and BPH S.A., in the amounts of PLN 29,000 thousand and 35,714 thousand, respectively;
- In October 2005, the Company prepaid the last instalment of a loan from Dresdner Bank Luxembourg, totalling CHF 42,500 thousand.

As at December 31st 2006, the amount of undrawn loan funds available to the Company was PLN 292,307 thousand (as at December 31st 2005: PLN 579,680 thousand); all conditions precedent relating to these loans had been fulfilled.

25. Provisions

PLN '000	Dec 31 2006	Dec 31 2005
Non-current provisions		
Length-of-service awards and retirement severance pays	15,150	14,288
Total non-current provisions	**15,150**	**14,288**
Current provisions		
Length-of-service awards and retirement severance pays	2,189	2,193
Other provisions	42,166	41,961
Total current provisions	**44,355**	**44,154**
Total	**59,505**	**58,442**

Computation of the provisions for employee benefits as at December 31st 2006 was based on the following assumptions:

- the long-term annual growth rate of remuneration is 3.4% for 2007 and 1.8% for subsequent years;
- the discount rate for future payments of employee benefits is 5.0% (i.e. it equals the return on the safest long-term securities traded on the Polish capital market as at December 20th 2006);
- the probability of employee attrition is based on the historical data on employee turnover at the Company and statistical data on employee attrition in the industry;
- the adopted mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2005 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 reaching the age of 65, women – after reaching the age of 60, except for those employees who, based on the information provided by the Company, meet the conditions for early retirement.

Computation of the provisions for employee benefits as at December 31st 2005 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 Company 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 Company'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 Company, meet the conditions necessary to retire early.

PLN '000	Length-of-service awards and retirement severance pays	Other provisions*	Total
As at Jan 1 2005	**16,620**	**49,469**	**66,089**
Increase	161	-	161
Decrease	(300)	(7,508)	(7,808)
As at Dec 31 2005	**16,481**	**41,961**	**58,442**
As at Jan 1 2006	**16,481**	**41,961**	**58,442**
Increase	1,742	4,542	6,284
Decrease	(884)	(4,337)	(5,221)
As at Dec 31 2006	**17,339**	**42,166**	**59,505**

* including the amount referred to in Note 19.

26. Current Liabilities, Accruals and Deferred Income

PLN '000	Dec 31 2006	Dec 31 2005
Trade payables, including:	653,078	769,072
to related undertakings	28,361	78,813
Tax and social security payable, including [(1)]:	433,444	257,915
- corporate income tax	-	60,211
Special accounts	197	197
Salaries and wages payable	3,398	1,484
Accrued expenses	9,879	7,599
Deferred income under subsidies	16,560	13,144
Investment liabilities, including:	28,718	10,970
to related undertakings	5,572	903
Other liabilities, including:	1,093	228
to related undertakings	116	4
Total	**1,146,367**	**1,060,609**

(1) The value of tax liabilities was reduced by the fuel charge of PLN 14,759 thousand incurred in relation to imported diesel oil. The Company will apply to the relevant customs office for reimbursement of the amount, which in the Company's opinion is recoverable.

The transactions with related undertakings are described in Note 40.

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 one month. 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.

Grupa LOTOS S.A.'s liability under excise tax arises in connection with Art. 4.1 of the Excise Tax Act of January 23rd 2004 (Dz. U. No. 29, item 257, of February 26th 2004), which provides that excise tax is applicable to:
1) production of harmonised excise goods,
2) taking harmonised excise goods out of a bonded warehouse,
3) sale of excise goods in the territory of Poland,
4) import of excise goods,
5) intra-Community acquisition or supply of goods.

Pursuant to the authorisation of the Head of the Customs Office of Gdańsk, in connection with Art. 31.1 and Art. 32.1 of the Excise Tax Act of January 23rd 2004, the Company operates a bonded warehouse in Gdańsk at the site where the refinery is situated. The business conducted at the bonded warehouse, which involves production and distribution activities, is subject to suspended-excise-tax procedure.

27. Assets for Social Purposes and Liabilities of the Company's Social Benefits Fund

The Company offsets the Social Benefits Fund's assets against its liabilities towards the Fund because the Fund's assets are not fully controlled by the Company.

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

PLN '000	Dec 31 2006	Dec 31 2005
Assets related to the Company's Social Benefits Fund		
Cash in separate bank account of the Company's Social Benefits Fund	820	522
Receivables from employees under the Company's Social Benefits Fund	2,986	3,270
Other	23	-
Total	**3,829**	**3,792**
Liabilities related to the Company's Social Benefits Fund		
Liabilities under the Company's Social Benefits Fund	3,829	3,790
Other	-	2
Total	**3,829**	**3,792**

28. Sales Revenue

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Sales of products	16,285,825	11,198,927
Sales of services	86,910	56,082
Total sales of products	16,372,735	11,255,009
Sales of goods for resale	297,712	882,813
Sales of materials	76,802	137,968
Total sales of goods for resale and materials	374,514	1,020,781
Total	**16,747,249**	**12,275,790**
- including sales to related undertakings	13,432,487	8,702,287
Elimination of excise tax and fuel charge	(5,117,428)	(3,730,062)
Total	**11,629,821**	**8,545,728**

The transactions with related undertakings are presented in Note 40.

29. Cost by Type

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Depreciation and amortisation	173,451	173,211
Raw materials and energy used	10,089,314	6,663,565
Contracted services (1)	600,998	514,484
Taxes and charges	43,034	39,721
Salaries and wages	76,027	65,310
Social security and other benefits	20,628	16,372
Other costs by type	40,585	42,338
Goods for resale and materials sold	298,255	815,148
Total	**11,342,292**	**8,330,149**
Adjustments:		
Change in products and adjustments in cost of sales	(54,091)	(319,818)
Total operating expenses, including:	**11,288,201**	**8,010,331**
Cost of sales	10,722,068	7,549,452
Selling costs	400,193	312,637
General and administrative expenses	165,940	148,242

(1) Including costs of R&D work of PLN 1,952 thousand for the year ended December 31st 2006 and PLN 2,431 thousand for the year ended December 31st 2005.

30. Other Operating Income

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Gain on disposal of property, plant and equipment	-	488
Other	1,859	9,340
Total	**1,859**	**9,828**

31. Other Operating Expenses

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Loss on disposal of property, plant and equipment	134	-
Revaluation of non-financial assets	1,225	3,197
Other	3,643	6,947
Total	**5,002**	**10,144**

32. Net Financial Income and Expenses

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Dividend received	66,001	51,387
Interest	4,911	13,402
Foreign exchange gains	35,145	21,207
Gains on disposal of investments	3,415	40,354
Settlement of derivative instruments	53,739	12,806
Total financial income	**163,211**	**139,156**
Interest	(3,093)	(13,813)
Revaluation of financial assets	(5,138)	(12,797)
Valuation allowance for shares	(1,457)	-
Other	(489)	(457)
Total financial expenses	**(10,177)**	**(27,067)**
Net financial income (expenses)	**153,034**	**112,089**

33. Corporate Income Tax

The main items of the Company's tax charge for the year ended December 31st 2006 and December 31st 2005:

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Income statement		
Current tax	96,924	127,782
Current tax liability	96,915	128,001
Adjustments related to tax brought forward	9	4
Other	-	(223)
Deferred income tax	(12,127)	(12,880)
related to created and reversed temporary differences	(12,127)	(12,880)
Tax charge disclosed in the income statement	84,797	114,902
Statement of changes in equity		
Current tax	-	2,123
Tax impact of share capital increase	-	2,123
Deferred income tax	-	-
Tax benefit/(charge) disclosed under equity	-	2,123

Reconciliation of the income tax on pre-tax profit (loss) calculated at the statutory tax rate with the income tax on pre-tax profit (loss) calculated at the Company's effective tax rate, for the year ended December 31st 2006 and December 31st 2005:

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Pre-tax profit/(loss) on continuing operations	491,511	647,170
Pre-tax profit/(loss) on discontinued operations	-	-
Pre-tax profit/(loss)	491,511	647,170
Corporate income tax at the statutory rate applicable in Poland: 19% (2005: 19%)	93,387	122,962
Non-tax-deductible costs	301,499	202,135
Non-taxable income	(315,114)	(207,068)
Other	(31,598)	(37,488)
Total	(45,213)	(42,421)
Tax effect of the differences	(8,590)	(8,060)
Corporate income tax	84,797	114,902
Corporate income tax at the effective rate	0.17	0.18

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

PLN '000	Dec 31 2006	Dec 31 2005
Deferred tax asset		
Provision for employee benefits	3,295	3,131
Valuation allowance on inventories	4,021	1,831
Foreign exchange losses on foreign-currency settlements	897	1,395
Valuation allowance on accounts receivable	10,076	11,634
Other	8,792	6,229
Total deferred tax asset	**27,081**	**24,220**
Deferred tax liability		
Difference between current tax value and book value of fixed assets	192,608	200,465
Positive valuation of foreign-currency settlements	363	184
Positive valuation of derivatives	36	1,012
Other	26	638
Total deferred tax liability	**193,033**	**202,299**
Net deferred tax asset/(liability)	**(165,952)**	**(178,079)**

34. Contingent Liabilities

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 Rafineria Jasło S.A. 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 Rafineria Jasło S.A. (currently LOTOS Jasło S.A.) and the Company signed an agreement on securing the Company's interest with respect to the surety.

As at the date of these financial statements, the security for the loan, subject to Annex of October 20th 2005, is a registered pledge created under the registered pledge agreement of February 18th 2004 on plastics processing units owned by LOTOS Jasło S.A., whose net value is PLN 8,155 thousand.

Irrespectively of the above, the agreement states that LOTOS Jasło S.A. will seek to obtain a bank guarantee or surety to replace the surety issued by the Company.
If LOTOS Jasło S.A. is in breach of the agreement, it will pay the Company a contractual penalty of 10% of the surety value, subject to the reservation that if the value of the damage is higher than the contractual penalty, the Company may seek compensation equal to the full value of the damage.

Security Granted to Customs Office

1. The validity of the blank promissory note of March 16th 2006 for PLN 200,000 thousand, issued to secure the Company's tax liability connected with the suspended excise tax collection procedure, was extended until June 16th 2008. The original validity term of the blank promissory note expired on March 16th 2007.

2. The validity of the blank promissory note of July 7th 2005 for PLN 200,000 thousand, issued to secure the Company's tax liability connected with the suspended excise tax collection procedure, was extended until July 7th 2007. The original validity term of the blank promissory note expired on July 7th 2006.

3. On July 4th 2006, at the request of Grupa LOTOS S.A., Bank Millennium S.A. issued a bank guarantee for the benefit of the Head of the Customs Chamber in Gdynia in order to secure liabilities towards the customs office, liabilities connected with tax and other charges that may arise in the period from July 4th 2006 to May 4th 2007, for the aggregate amount of up to PLN 160,000 thousand. The bank's commitment under the guarantee expire on July 3rd 2007.

Other Contingent Liabilities

1. On May 23rd 2005, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued three performance bonds, for the amount of PLN 8.6m, for the benefit of the Military Property Agency (Agencja Mienia Wojskowego). On July 24th 2006 they were supplemented with another three guarantees for the total amount of PLN 20.06m. The total value of the guarantees is PLN 28,656 thousand. Their validity term expires on December 31st 2007.

2. On November 6th 2006, at the request of Grupa LOTOS S.A., Citibank Handlowy issued a bank guarantee in the form of a letter of credit for USD 74,998 thousand. The letter of credit was issued to secure a commercial transaction: payment for supplies of crude oil from Kuwait. The contingent liability related to the letter of credit expired on January 11th 2007.

3. On December 1st 2006, at the request of Grupa LOTOS S.A., Deutsche Bank Polska issued a bank guarantee in the form of a stand-by letter of credit for USD 12,000 thousand, for the benefit of Morgan Stanley Capital Group. The letter of credit was issued to secure a commercial transaction: payment for diesel oil. The contingent liability related to the letter of credit expired on January 31st 2007.

4. As at December 31st 2006, the Company's liabilities arising from the material agreements related to expenditure on property, plant and equipment (PKRT) amounted to PLN 655m.

35. Carbon Dioxide Emission Credits

As at December 31st 2006, the Company reported excess of carbon dioxide emission credits over the actual carbon dioxide emission.

36. Material Court, Arbitration or Administrative Proceedings, Other Risks

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

On March 21st 2005, the President of the Competition and Consumer Protection Office issued a decision whereby anti-trust proceedings were instigated *ex officio* to investigate the issue of a suspected agreement between Polski Koncern Naftowy ORLEN S.A. of Płock and Grupa LOTOS S.A. of Gdańsk, concerning a simultaneous discontinuation of the production and distribution of the universal U95 gasoline. In the opinion of the Company's Management Board, given that in fact the production and sale of the U95 universal gasoline were not discontinued, the allegations of the Competition and Consumer Protection Office are unfounded. In April 2005, the Management Board motioned for issuing a decision to the effect that Grupa LOTOS S.A. has not been found to use competition-limiting practices.

In July 2005, the Company appealed to the Anti-Monopoly Court against the Competition and Consumer Protection Office's decision 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 Competition and Consumer Protection Office concerning limitation of access to a part of the evidence, against which the Company appealed to the Anti-Monopoly Court. The Regional Anti-Monopoly Court dismissed the appeals. Grupa LOTOS S.A. appealed to the Warsaw Court of Appeals against the Regional Anti-Monopoly Court's decisions, but these appeals were dismissed as well. The case is pending.

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

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

As at the date of these 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 the issued opinion, the expert witness indicated that based on the materials presented by PETROECCO JV Sp. z o.o. it was impossible to establish the amount of the losses or even state whether the losses were actually incurred. Besides, the expert pointed out that an opinion should be requested from an expert witness in a field other than accountancy. The lack of evidence required to issue such an opinion prevented the plaintiff from causing the appointment of another expert witness. The hearing was held on March 27th 2007. The ruling was scheduled to be announced on April 10th 2007, then postponed until April 20th 2007.

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. The proceedings have been postponed until mid-April 2006 in order to hear the testimony of a witness. On April 21st 2006, a ruling rejecting the claim in its entirety was passed. On June 8th 2006, the Minister of State Treasury appealed against a court ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998, concluded by Grupa LOTOS S.A. and Polska Żegluga Morska (a state-owned company) and providing for the sale of two shares in Naftoport Sp. z o.o., worth PLN 3,340 thousand. On June 30th 2006, the Company filed its response to the appeal. On December 28th 2006, the Court of Appeals passed a ruling reversing the challenged decision of April 21st 2006 and declaring the agreement on the sale of two shares in Naftoport Sp. z o.o. as invalid. On April 6th 2007, the Company filed a cassation complaint and a request to arrest enforcement of the decision of the second instance.

Tax Settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the construction of tax legislation are frequent, both within governmental authorities and between those authorities and enterprises, leading to uncertainty and conflicts. Consequently, the tax-related risk in Poland is significantly higher than in countries where tax systems are better developed.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company. In the Company's opinion, as at December 31st 2006, relevant provisions for identified and measurable tax risk have been created.

37. Material Events Subsequent to the Balance-Sheet Date

1. On January 15th 2007, Grupa LOTOS S.A. disposed of 35 shares in Przedsiębiorstwo Projektowo-Usługowe BiproRaf Sp. z o.o. (PPU BiproRaf Sp. z o.o.) to KTI Poland S.A. of Warsaw. The shares, with the total par value of PLN 35 thousand, are equal and indivisible, and represent 50% of the share capital of PPU BiproRaf Sp. z o.o. Grupa LOTOS S.A. sold the shares for PLN 2,750 thousand. The transaction was executed as part of the programme aimed at streamlining the structure of the LOTOS Group.

2. On February 27th 2007, the Management Board of Grupa LOTOS S.A. signed the plan of merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o., prepared in accordance with Art. 499.1 of the Commercial Companies Code. The two companies will be merged pursuant to Art. 492.1.1 of the Commercial Companies Code, through the transfer of all assets of LOTOS Partner Sp. z o.o. to Grupa LOTOS S.A. As the acquirer holds 100% of shares in the acquired company, the merger will be executed pursuant to Art. 515.1 of the Commercial Companies Code, i.e. without increasing the share capital of Grupa LOTOS S.A. The merger is executed as part of the restructuring of the LOTOS Group, aimed at streamlining its organisational structure. The objective of the restructuring programme is to provide the LOTOS Group with more operating flexibility and facilitate quicker response to changes in the market environment. The merger of Grupa LOTOS S.A. and LOTOS Partner Sp. z o.o. is an element of the restructuring of the sales division within the entire LOTOS Group and should not have a material effect on the consolidated financial results of the LOTOS Group.

3. On February 27th 2007, Grupa LOTOS S.A. executed an agreement on a loan of PLN 1,200 thousand to LOTOS Park Technologiczny Sp. z o.o. Under the terms of the agreement, the loan is to be paid out in tranches. The first tranche of PLN 600 thousand was advanced on the agreement date, and the second one, also of PLN 600 thousand, on March 30th 2007. In accordance with the terms of the agreement, the loan is repayable in full by the end of 2007.

4. On April 11th 2007, Grupa LOTOS S.A. and LOTOS Jasło S.A executed an agreement providing for the purchase of 700 shares of LOTOS Tank Sp. z o.o. The shares, with the total par value of PLN 350 thousand, are equal and indivisible, and represent 70% of the share capital of LOTOS Tank Sp. z o.o. Grupa LOTOS S.A. acquired the shares for PLN 642.5 thousand, using its own financial resources. As a result of the transaction, Grupa LOTOS S.A. holds 1,000 shares, representing 100% of LOTOS Tank Sp. z o.o.'s share capital. The shares were acquired by Grupa LOTOS S.A. in pursuance of its strategy. The acquisition is a part of the consistently implemented programme aimed at streamlining the structure of the LOTOS Group, and the programme for the restructuring of the Southern Refineries. The value of the assets purchased under the agreement as disclosed in the accounting books of LOTOS Jasło S.A. is PLN 355.2 thousand.

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

The remuneration paid and payable to the members of the Company's Management Board and Supervisory Board was as follows:

PLN '000	Year ended Dec 31 2006	Year ended Dec 31 2005
Management Board	548	497
Supervisory Board	237	286
Management Board – subsidiary or associated undertakings	86	43
Total*	**871**	**826**

*The value of remuneration reflects changes in the composition of the Management and Supervisory Boards of Grupa LOTOS S.A. made during the reporting period.

Information on loans and similar benefits advanced to members of the management and supervisory staff:

PLN '000	Dec 31 2006	Dec 31 2005
Management Board	-	20
Total	**-****	**20***

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

**On June 19th 2006, the composition of the Management Board of Grupa LOTOS S.A. changed. As at June 19th 2006, the value of advanced loans was PLN 18.5 thousand.

39. Employment Structure

Average employment by category:

	Year ended Dec 31 2006	Year ended Dec 31 2005
Blue-collar workers	374	357
White-collar workers	505	441
Total	**879**	**798**

40. Transactions with Related Undertakings

(PLN '000)	Sales to related undertakings (incl. excise tax and fuel charge)	Purchases from related undertakings (incl. excise tax and fuel charge)	Receivables from related undertakings	Liabilities to related undertakings
	year ended Dec 31 2006	year ended Dec 31 2006	As at Dec 31 2006	As at Dec 31 2006
Consolidated undertakings	13,432,231	845,206	1,373,428	33,156
Associated undertakings valued with equity method	3	3,259	1	201
Non-consolidated undertakings	253	1,392	123	692
Total	**13,432,487**	**849,857**	**1,373,552**	**34,049**

In the period January 1st – December 31st 2006, the total income on sale of property, plant and equipment and intangible assets of Grupa LOTOS S.A. to related undertakings was PLN 77 thousand. In the period January 1st – December 31st 2006, the total value of property, plant and equipment and intangible assets purchased by Grupa LOTOS S.A. from related undertakings was PLN 22,448 thousand.

Furthermore, during the 12 months ended December 31st 2006, a member of the Management Board of Grupa LOTOS S.A. sold, during ordinary trading sessions at 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 undertakings (incl. excise tax and fuel charge)**	**Purchases from related undertakings (incl. excise tax and fuel charge)**	**Receivables from related undertakings**	**Liabilities to related undertakings**
	year ended Dec 31 2005	**year ended Dec 31 2005**	**As at Dec 31 2005**	**As at Dec 31 2005**
Consolidated undertakings	8,702,135	1,078,042	915,528	79,220
Associated undertakings valued with equity method	-	-	-	-
Non-consolidated undertakings	152	5,979	14	500
Total	**8,702,287**	**1,084,021**	**915,542**	**79,720**

In the period January 1st – December 31st 2005, the total income on sale of property, plant and equipment and intangible assets of Grupa LOTOS S.A. to related undertakings was PLN 1,077 thousand. In the period January 1st – December 31st 2005, the total value of property, plant and equipment and intangible assets purchased by Grupa LOTOS S.A. from related undertakings was PLN 6,853 thousand.

41. Entity with Significant Influence over the Company

As at December 31st 2006 and December 31st 2005, Nafta Polska S.A. held a 51.91% stake in Grupa LOTOS S.A. Nafta Polska S.A. is controlled by the State Treasury, which, as at December 31st 2006 and December 31st 2005, directly held a 6.93% stake in Grupa LOTOS S.A. As at December 31st 2006 and December 31st 2005, the State Treasury held, directly and indirectly, 58.84% of shares in Grupa LOTOS S.A.

The aggregate value of transactions concluded between Grupa LOTOS S.A. and Nafta Polska during the year ended December 31st 2006 was PLN 7 thousand.

The aggregate value of transactions concluded between Grupa LOTOS S.A. and Nafta Polska S.A. during the year ended December 31st 2005, in addition to the transaction described in Note 13, stood at PLN 23,932 thousand (including dividend payment of PLN 11,805 thousand).

42. Other Information

The Act on Special Rights Vested in the State Treasury and How These Rights Should Be Exercised in Companies of Material Importance to Public Order or Safety ("strategic companies"), dated June 3rd 2005 (Dz.U. No. 132, item 1108) ("the Act") introduced the institution of observers on behalf of the State Treasury. The Company was included in the list of strategic companies referred to in Art. 8 of the Act, published in the Polish Council of Ministers' Regulation on the list of companies of material importance to public order or safety, dated December 13th 2005 (Dz.U. of December 29th 2005). The responsibility of the observers acting on behalf of the State Treasury at strategic companies is to monitor the operations of these companies regarding, among other things, the following issues:

- management of company assets of material importance to its operations,
- changes of the actual business profile, changes of the intended use or discontinuation of the use of a company's asset of material importance,
- adoption by the General Shareholders Meeting of resolutions concerning dissolution of the company, relocation of its registered office abroad, change of its business profile, sale or lease of its business or an organised part of its business, or encumbrance of the business or its organised part with limited property rights,
- if there is reasonable suspicion that such a legal action would violate public order or safety.

The assumptions of the state's policies concerning social or economic life spheres of material importance to public order or safety will be published in *Monitor Polski*.

The observers are authorised to request from companies any documents or explanations regarding the above issues, and, having analysed them, they are required to submit the obtained materials to the Minister of the State Treasury, together with their position expressed in writing and the statement of reasons.

The State Treasury Minister is required in certain cases, and in other cases he is authorised, to voice his objection to an action of a given strategic company of which he has been notified by the observers. Provided that it is not appealed against, such an objection renders a given legal action invalid as of the date on which it was performed.

Until the approval of these financial statements, the Company has received no statement on the appointment of an observer for the Company.

43. Signatures of the Management Board Members and the Person Responsible for Keeping the Accounting Books of Grupa LOTOS S.A.

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