GRUPA LOTOS S.A. CAPITAL GROUP
GDAŃSK, UL. ELBLĄSKA 135

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2008 FINANCIAL YEAR
WITH
AUDITOR'S OPINION
AND
AUDIT REPORT

TABLE OF CONTENTS

AUDITOR’S OPINION

To the Supervisory Board of Grupa LOTOS S.A. Capital Group

1. We have audited the attached consolidated financial statements of GRUPA LOTOS S.A. Capital Group (the Group, Capital Group), with GRUPA LOTOS S.A. (the Company, Parent) as its Parent with the registered office in Gdańsk, ul. Elbląska 135, including:
   - consolidated balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 12 201 998 thousand;
   - consolidated income statement for the period from 1 January 2008 to 31 December 2008, disclosing a net loss of PLN 389 933 thousand;
   - statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008, disclosing a decrease in equity of PLN 350 866 thousand;
   - consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a net cash outflow of PLN 138 751 thousand;
   - additional information and explanations.

2. Preparation of these consolidated financial statements has been the responsibility of the Management Board of the Parent. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these consolidated financial statements.

3. The consolidated financial statements of GRUPA LOTOS S.A. Capital Group for the period ended 31 December 2008 cover financial data of 17 subsidiaries, including 4 capital groups consolidated with the full method. The consolidated financial statements of 10 subsidiaries were audited by other entities authorized to audit financial statements. We received the financial statements of the aforementioned subsidiaries and the opinions resulting from the audits of these financial statements. Our opinion on the audit of the consolidated financial statements in respect of the data of these entities has been based on the opinions of certified auditors authorized to perform audits. The data from the financial statements of subsidiaries in the case of which our audit was fully based on opinions of other certified auditors account for 4.39% and 4.60% of consolidated assets and consolidated sales revenues before consolidation adjustments respectively.

4. Except for the issues described in paragraph 5-7, our audit of the consolidated financial statements was planned and performed in accordance with:

   – section 7 of the Accounting Act of 29 September 1994 (Dz.U. of 2002 No. 76, item 694 with subsequent amendments);

   – auditing standards issued by the National Council of Statutory Auditors in Poland

   in such a way as to obtain reasonable and sufficient basis for expressing an opinion as to whether the consolidated financial statements were free of material misstatements. Our audit included, in particular, examination of the consolidation documentation supporting the amounts and disclosures in the consolidated financial statements, assessment of the accounting principles (policy) applied in the preparation of the consolidated financial statements, related material estimates as well as evaluation of the overall presentation of the consolidated financial statements.
   We believe that our audit provides a sufficient basis for our opinion.

5. In the enclosed consolidated financial statements the Group discloses a provision for the cost of post-production waste removal and utilization in so called "acid pits" as well as provision for the cost of liquidation of installation and land reclamation in the total amount of PLN 38.7 million. The Group estimated the quantities of post-production waste as well as the area of land to be recultivated to the best knowledge of the Group's technical personnel. However, bore-hole technology measurements were not taken that would confirm the estimated value of provisions calculated by the Group. Land reclamation costs due to planned installation liquidation were also significantly different from the reports of the environmental experts.
   Additionally, the Group prepared a report on ecological review of water and soil pollution in one of its subsidiaries, as obliged by a decision issued by Podkarpacki Voivode in 2006. The report disclosing that the permitted soil pollution levels were exceeded along with a proposal regarding the scope and schedule of works aimed at cleaning of water and soil by the end of 2013 was presented to the Voivode. The final scope and schedule of works related to elimination of the pollution depends on the decision of the Podkarpackie Voivodeship Marshall Office. Due to lack of data regarding the way of eliminating the pollution, the Group did not estimate any provision for the related costs. Therefore, we were not able to assess the reliability of calculations regarding the total amount of the aforementioned provisions for environmental issues.

6. The Group discloses 42.7% interest in AB Naftos Gavyba Capital Group AB Naftos Gavyba Capital Group with its seat in Lithuania, measured based on equity method at the amount of PLN 73.5 million. The financial statements of AB Naftos Gavyba Capital Group were prepared for the financial period ended 31 December 2008 in accordance with the accounting regulations applied in Lithuania. On 20 March 2009, the certified auditor issued an opinion on AB Naftos Gavyba Capital Group's financial statements with the qualification concerning:
   - The fact that in the financial statements, the Company did not recognize financial consequences of the arbitration procedure, to which AB Geonafta, its subsidiary, was a party;
   - The limited scope of audit regarding measurement of shares in associates held by AB Geonafta. These limitations result from qualifications in the opinions issued by certified auditors for the AB Naftos Gavyba Capital Group associates as well as differences in the accounting policies applied by individual associates.

   Due to the aforementioned qualifications included in the certified auditor's opinion issued to the consolidated financial statements of AB Naftos Gavyba Capital Group for the financial year ended 31 December 2008 and since the AB Naftos Gavyba Capital Group applies different accounting policy, we were not able to determine whether the value of shares held in AB Naftos Gavyba Capital Group's parent disclosed in these consolidated financial statements was correct.

7. The consolidated financial statements include financial data of KRAK-GAZ Sp. z o.o. with revenues amounting to 169.1 million and assets amounting to 10.6 million, constituting 0.08% and 0.55% of the Group's consolidated assets and revenues respectively. On 10 April 2009 the certified auditor issued a certified auditor's standpoint on the Company's financial statements related to his unability to carry out an audit.
   Therefore, we were unable to confirm the correctness of assets, liabilities and provisions as well as revenues and expenses related to business activity of KRAK-GAZ Sp. z o.o.

8. Except for consequences of any adjustments that might prove necessary, if we could verify the cost of environmental provisions and potential consequences of the issues related with the valuation of shares in AB Naftos Gavyba Capital Group, and if financial data of KRAK-GAZ Sp. z o.o. had been verified, in our opinion, based on the audit results and opinions of other certified auditors, the audited consolidated financial statements of GRUPA LOTOS S.A. Capital group for the financial year 2008 were prepared in all material respects in accordance with the International Financial Reporting Standards as approved by the European Union and present fairly and clearly all the information required to evaluate the economic and financial position of the Capital Group for the 12-month period ended 31 December 2008.

Without qualifying the accuracy and fairness of the audited consolidated financial statements, we would like to point out the following issues:

- Note 11 of the additional information and explanations to the financial statements, in which the Company undertakes to continue the implementation of the concept for Integrated Gasification Combined Cycle (IGCC), that allows launching of the second stage of Program 10+. We would like to point out that the second stage implementation shall depend on future events, including market factors, which might affect the effectiveness of the capital investment incurred so far, which as at 31 December 2008 amounted to PLN 45.8 million and pertained to implementation of works related to IGCC;

- Note 11 of the additional information and explanations to the consolidated financial statements, in which the Group discloses assets due to expenditure incurred on exploration of B-4 and B-6 gas deposits as well as bore-hole costs in the amount of PLN 48 million as at 31 December 2008. The Group ordered a profitability analysis regarding deposit development. The analysis indicated a need for significant capital expenditure to be incurred in order to exploit the aforementioned deposits. The amount of future benefits can change depending on future market conditions and actions taken by the Company as well as possible financing or presence of a partner to the project.

The Report on the activities of the Capital Group in the 2008 financial year is complete in the meaning of Article 49 clause 2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities, as well as conditions on the basis of which information required by regulations of a non-member state are considered equivalent, and is consistent with the underlying information disclosed in the audited consolidated financial statements.

....
Piotr Sokołowski
Certified auditor
No. 9752/7281

....
Represented by

....
Entity authorized to audit
financial statements entered under
number 73 on the list kept by
the National Council of Statutory Auditors

Warsaw, 27 April 2009

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF GRUPA LOTOS S.A. CAPITAL GROUP FOR THE 2008 FINANCIAL YEAR

I. GENERAL INFORMATION

1. Details of the audited entity

The Capital Group's parent company (hereinafter: the Company or Parent) operates under the name GRUPA LOTOS S.A. The Company's registered office is located at ul. Elbląska 135, 80-718 Gdańsk.

The Company operates as a joint stock company incorporated by the notarized deed on 18 September 1991 in Warsaw (Repertory No. 8932/91).

On 10 April 2002, the Company was recorded in the register of entrepreneurs kept by the District Court Gdańsk-Północ, VII Business Division of the National Court Register in Gdańsk, under number KRS 0000106150.

The Company has the following tax identification number NIP: 583-000-09-60, assigned by the First Tax Office in Gdańsk on 9 June 1993.
The REGON number assigned to the Company by the Statistical Office on 25 February 1998 is 190541636.

The parent is the issuer of securities, referred to in Article 4 of the regulation of the European Parliament and the Council of the European Union of 19 July 2002 on the application of the international accounting standards (O.J. WE L 243 of 11 September 2002, p 1; O.J. EU, special Polish edition, chapter 13, vol. 29, p. 609) and pursuant to Article 55.6a of the Accounting Act of 29 September 1994 (consolidated text: Dz.U. No. 76 of 2002 as amended) prepares consolidated financial statements of the Group in accordance with the International Financial Reporting Standards approved by the EU.

The Company operates based on the provisions of the Code of Commercial Companies.

In accordance with its Articles of Association, the scope of the Company's business activities includes production, services and trade, in particular:
- manufacturing of crude oil refined products (PKD 23.20.A);
- processing of crude oil refined products (PKD 23.20.B);
- production of technical gases (PKD 24.11.Z);
- production of other basic inorganic chemicals (PKD 24.13.Z);
- production of other basic organic chemicals (PKD 24.14.Z);
- production of plastics (PKD 24.16.Z);
- production of electric energy (PKD 40.11.Z);
- transmission of electric energy (PKD 40.12.Z);
- distribution and sales of electric energy (PKD 40.13.Z);
- production of gas fuels (PKD 40.21.Z);
- distribution and sale of liquid fluids in the network system (PKD 40.22.Z);
- production of heat (steam and hot water) (PKD 40.30.A);
- distribution of heat (steam and hot water) (PKD 40.30.8);
- water consumption and treatment, except for service activity (PKD 41.00.A);
- activity in the area of water distribution (PKD 41.00.B);
- production of crude oil (PKD 11.10.A.);

- production of natural gas (PKD 11.10.B);
- general construction work on line distribution structures: pipelines, electric energy lines and telecommunication-local lines - (PKD 45.21.D);
- wholesale of solid, liquid and gas fuels as well as derivative products (PKD 51.51.Z);
- wholesale of chemical products (PKD 51.55.Z),
- railway transport (PKD 60.10.2);
- pipeline transport (PKD 60.30.Z);
- cargo transshipment at sea harbours (PKD 63.11.A);
- cargo transshipment at inland harbours (PKD 63.11.B);
- cargo transshipment in other transshipment points (PKD 63.11.C);
- warehousing and storage of goods in sea harbours (PKD 63.12.A);
- warehousing and storage of goods in inland harbours (PKD 63.12.B);
- warehousing and storage of goods in other storage facilities (PKD 63.12.C);
- research and development work in chemical science (PKD 73.10.B);
- research and development work in technical science (PKD 73.10.G);
- research and development work in technical and natural science (PKD 73.10.H).

In the audited period, the Group was involved in production and processing of crude oil refining products and their wholesale and retail sale. The Group also deals with exploration and development of natural gas and crude oil fields.

The Parent holds the following concessions for its core activities:

- production of liquid fuels granted to the Company by the President of the Energy Regulatory Authority on 28 November 1998, extended for the period until 31 December 2025 by the decision of the President of the Energy Regulatory Authority of 5 October 2007;
- production of fuels as a result of crude oil processing and composing the fuel with the use of appropriate hydrocarbon fractions and projected component technologies, as well as in specific processes for the period until 31 December 2025 granted by the decision of the President of the Energy Regulatory Authority of 5 October 2007;
- liquid fuel trading concession granted to the Company by the President of the Energy Regulatory Authority on 23 November 1998, extended for the period until 31 December 2025 by the decision of the President of the Energy Regulatory Authority of 5 October 2007;
- storage of liquid fuels expiring on 15 October 2016 issued by the President of the Energy Regulatory Authority on 10 October 2006;
- production of electric energy expiring on 5 October 2010 issued by the President of the Energy Regulatory Authority on 29 September 2000;
- electric energy trading concession for the period until 10 September 2001 issued by the President of the Energy Regulatory Authority on 5 September 2001;
- transmission and distribution of electric energy for the period until 10 September 2011 issued by the President of the Energy Regulatory Authority on 5 September 2001.

In addition, Capital Group entities hold the following concessions and licenses:

- issued by the Minister of Environment for exploration and prospecting of oil and natural gas deposits in individual regions (South Gas region - expiring on 14 December 2012; North Gas, Gotland, Łeba, Rozewie, Sambia-E, Sambial-W - expiring on 14 December 2010; Wolin – expiring on 14 June 2011);

- issued by the Minister of Environment for development of individual deposits (deposit B6 – expiring on 7 November 2026; deposit B3 expiring on 29 July 2016, deposit B8 expiring on 5 September 2016; and deposit B4 – expiring on 11 May 2032);
- issued by the President of Energy Regulatory Authority for production, storage and trading of liquid fuels, trading of gas fuels, gas fuel transmission and distribution; heat transmission and distribution; electric energy production; energy transmission and distribution; trading of electric energy;
- issued by the President of the Agricultural Market Agency for production, storage and trading of bio-components (bio-component – methyl ester);
- issued by the President of the Railway Transport Office for rail transport of objects and rental of traction vehicles;
- issued by Norwegian Ministry of Crud Oil and Energy for search, identification and exploration of carbohydrate deposits in the area marked PL 316, PL 316B, PL 316CS and PL 316DS (from 29 August 2008) and PL 455 within Norwegian Continental Shelf;
- issued by Norwegian Ministry of Crude Oil and Energy for making the final call on the prequalification round on APA 2008 on shares in exploration concessions in the area of the southern part of North Sea and Norwegian Sea:
  1. PL 497: LOTOS Exploration and Production Norge AS -10% share (other partners: Det Norske Oljeselskap ASA (Operator) – 35%, Bridge Energy AS – 30%, Dana Petroleum Norway – 25%).
  2. PL 498: LOTOS Exploration and Production Norge AS (Operator) – 25% share (other partners: Skagen 44 AS – 25%, 4 Sea Energy AS – 25%, Edison International Spa Norway branch – 25%).
  3. PL 503: LOTOS Exploration and Production Norge AS (Operator) – 25% share (other partners: Skagen 44 AS – 25%, 4 Sea Energy AS – 25%, Edison International Spa Norway branch – 25%).
  4. PL 515: LOTOS Exploration and Production Norge AS – 20% (other partners: Rocksource ASA (Operator) – 60%, Skagen 44 AS – 20%).

As of 31 December 2008, the Company's share capital equalled PLN 113,700 thousand and was divided into 113,700 ordinary shares of face value PLN 1 each.

Based on the current reports published in accordance with the requirements of Article 69 of the Law on public procurement, conditions for introducing financial instruments into organized trading and on public companies of 29 July 2005 (Dz. U. No. 184 of 2005 item 1539 as amended), the Company's structure of the share capital at 31 December 2008 was as follows:

	Number of shares	Number of votes	Face value per share in PLN	Interest in the share capital
State Treasury	7,878,030	7,878,030	7,878,030	6.93%
Nafta Polska S.A.	59,025,000	59,025,000	59,025,000	51.91%
Other shareholders	46,796,970	46,796,970	46,796,970	41.16%
Total	113,700,000	113,700,000	113,700,000	100.00%

No changes in parent's share capital were recorded during the reporting period.

The Capital Group's financial year is the calendar year.
As at the date of issuing the opinion, the composition of the Company's Supervisory Board was as follows:

- Wiesław Skwarko – Chairman of the Supervisory Board;
- Leszek Starosta – Deputy Chairman of the Supervisory Board;

- Mariusz Obszyński – Secretary of the Supervisory Board;
- Radosław Barszcz – Member of the Supervisory Board;
- Małgorzata Hirszel – Member of the Supervisory Board;
- Jan Stefanowicz – Member of the Supervisory Board.

The following changes in the composition of the Supervisory Board took place during the audited period:

- 30 June 2008 was the last day of office of the Supervisory Board composed of:
  1) Jan Stefanowicz – Chairman of the Supervisory Board;
  2) Henryk Siodmok – Deputy Chairman of the Supervisory Board;
  3) Grzegorz Szczodrowski – Secretary of the Supervisory Board;
  4) Marta Busz – Member of the Supervisory Board;
  5) Izabela Emerling – Member of the Supervisory Board;
  6) Jacek Mościcki – Member of the Supervisory Board
- On 30 June 2008 a new Supervisory Board was appointed and included the following people:
  1) Wiesław Skwarko – Chairman of the Supervisory Board;
  2) Radosław Barszcz – Member of the Supervisory Board;
  3) Piotr Chajderowski – Member of the Supervisory Board;
  4) Leszek Starosta – Member of the Supervisory Board;
  5) Jan Stefanowicz – Member of the Supervisory Board;
  6) Mariusz Obszyński – Member of the Supervisory Board.
- On 30 June 2008 the State Treasury i.e. the Company's shareholder dismissed Mrs. Beata Zawadzka from the position of Member of the Supervisory Board and appointed Mrs. Małgorzata Hirszel to hold the position of Member of the Supervisory Board as at 1 July 2008.
- On 10 March 2009 Mr. Piotr Chajderowski resigned from the position of Member of the Supervisory Board effective as of 10 March 2009.

As at the opinion date, the composition of the Company's Management Board was as follows:

- Paweł Olechnowicz - Chairman of the Management Board;
- Marek Sokołowski - Vice Chairman of the Management Board;
- Mariusz Machajewski - Vice-Chairman of the Management Board.

No changes to the composition of the Company's Management Board took place in the audited period and in the period between 1 January 2009 and the opinion date.

As of 31 December 2008, GRUPA LOTOS S.A. Capital Group included:

- parent – GRUPA LOTOS S.A., and
- direct subsidiaries:
  - LOTOS Paliwa Sp. z o.o.
  - LOTOS Kolej Sp. z o.o.
  - LOTOS Ekoenergia Sp. z o.o.
  - LOTOS Oil S.A.
  - LOTOS Serwis Sp. z o.o.
  - LOTOS Lab Sp. z o.o.
  - LOTOS Asfalt Sp. z o.o.
  - LOTOS Straż Sp. z o.o.
  - LOTOS Gaz S.A.
  - LOTOS Ochrona Sp. z o.o.
  - LOTOS Czechowice S.A.
  - LOTOS Jasło S.A.
  - PETROBALTIC S.A.

  - UAB LOTOS Baltija
  - LOTOS Tank Sp. z o.o.
  - LOTOS Parafiny Sp. z o.o.
  - LOTOS Park Technologiczny Sp. z o.o.

- indirect subsidiaries:
  - RCEkoenergia Sp. z o.o.
  - LOTOS Exploration and Production Norge AS
  - LOTOS Biopaliwa Sp. z o.o.
  - RCSerwis Sp. z o.o.
  - Plastekol Organizacja Odzysku S.A.
  - Chemipetrol Sp. z o.o.
  - KRAK – GAZ Sp. z o.o.
  - Miliana Shipping Company Ltd.
  - Aphrodite Offshore Services Ltd.

The following companies have been covered by the consolidated financial statements as of 31 December 2008:

a) Parent – GRUPA LOTOS S.A.

We have audited the financial statements of the Parent, GRUPA LOTOS S.A. for the period from 1 January to 31 December 2008. As a result of our audit, on 27 April 2009, we issued an opinion pointing out note 11 of the additional information and explanations to the financial statements, in which the Company undertakes to continue the implementation of the concept for Integrated Gasification Combined Cycle (IGCC), that allows launching of the second stage of Program 10+. We would like to point out that the second stage implementation shall depend on future events, including market factors, which might affect the effectiveness of the capital investment incurred so far, which as at 31 December 2008 amounted to PLN 45.8 million and pertained to implementation of works related to IGCC;

b) Related parties – *direct subsidiaries*:

  - LOTOS Paliwa Sp. z o.o.
  - LOTOS Kolej Sp. z o.o.
  - LOTOS Ekoenergia Sp. z o.o.
  - LOTOS Oil S.A.
  - LOTOS Serwis Sp. z o.o.
  - LOTOS Lab Sp. z o.o.
  - LOTOS Asfalt Sp. z o.o.
  - LOTOS Straż Sp. z o.o.
  - LOTOS Gaz S.A.
  - LOTOS Ochrona Sp. z o.o.
  - LOTOS Czechowice S.A.
  - LOTOS Jasło S.A.
  - PETROBALTIC S.A.
  - UAB LOTOS Baltija
  - LOTOS Tank Sp. z o.o.
  - LOTOS Parafiny Sp. z o.o.
  - LOTOS Park Technologiczny Sp. z o.o.

– *indirect subsidiaries*:

  - RCEkoenergia Sp. z o.o.
  - LOTOS Exploration and Production Norge AS
  - LOTOS Biopaliwa Sp. z o.o.
  - RCSerwis Sp. z o.o.

- Plastekol Organizacja Odzysku S.A.
- Chemipetrol Sp. z o.o.
- KRAK-GAZ Sp. z o.o.
- Miliana Shipping Company Ltd.
- Aphrodite Offshore Services Ltd.

Entities and Capital Groups included in full consolidation:

Company's name	Registered office	Share in the capital (in %)	Name of entity that audited the financial statements	Type of opinion issued	Opinion date
LOTOS Paliwa Sp. z o.o.	Gdańsk	100.00	Deloitte	with comments	08.04.2009
LOTOS Oil S.A.	Gdańsk	100.00	Deloitte	unqualified opinion	06.03.2009
LOTOS Kolej Sp. z o.o.	Gdańsk	100.00	Kancelaria Biegłego Rewidenta Ewa Dreliszak	unqualified opinion	13.03.2009
LOTOS Serwis Sp. z o.o.	Gdańsk	100.00	Kancelaria Biegłego Rewidenta Ewa Dreliszak	unqualified opinion	28.02.2009
LOTOS Gaz S.A.	Mława	100.00	Biegli Rewidenci Szuszkiewicz i Spółka	with comments	10.04.2009
KRAK-GAZ Sp.z o.o.	Bochnia	100.00	Biegli Rewidenci Szuszkiewicz i Spółka	auditor's standpoint	10.04.2009
LOTOS Lab Sp. z o.o.	Gdańsk	100.00	Kancelaria Biegłego Rewidenta Ewa Dreliszak	unqualified opinion	27.02.2009
LOTOS Ochrona Sp. z o.o.	Gdańsk	100.00	Not audited	-	-
LOTOS Asfalt Sp. z o.o.	Gdańsk	100.00	Deloitte	unqualified opinion	20.03.2009
LOTOS Straż Sp. z o.o.	Gdańsk	100.00	Not audited	-	-
LOTOS Ekoenergia S.A.	Gdańsk	100.00	Stowarzyszenie Ekspertów Księgowych i Podatkowych Sp. z o.o.	unqualified opinion	16.02.2009
LOTOS Parafiny Sp. z o.o.	Jasło	100.00	PKF Consult Sp. z o.o.	unqualified opinion	13.03.2009
LOTOS Park Technologiczny Sp. z o.o.	Jasło	86.91	"EKSPERT" Biuro Usług Finansowo-Ksiegowych i Ekspertyz Stowarzyszenia Księgowych w Polsce Sp. z o.o.	unqualified opinion	18.02.2009
GK Lotos Jasło S.A.	Jasło	80.01	Deloitte	with qualification and comment	20.03.2009
GK LOTOS Czechowice S.A.	Czechowice	80.04	Kancelaria Porad Finansowo-Księgowych Dr Piotr Rojek Sp. z o.o.	with qualification	09.03.2009
Petrobaltic S.A.	Gdańsk	69.00	Deloitte	with comments	22.04.2007
UAB LOTOS Baltija	Lithuania	100.00	Apskaitos ir mokesciu konsultacijos	unqualified opinion	20.02.2009
LOTOS Tank Sp. z o.o.	Jasło	100.00	Biuro Rachunkowe Andrzej Jaguszewski	unqualified opinion	27.02.2009

2. Information on the consolidated financial statements for the previous financial year

The activities of the Capital Group in 2007 resulted in a net profit of PLN 814,147 thousand. The consolidated financial statements of the Capital Group for the 2007 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 6 May 2008, the certified auditor issued an opinion on these financial statements with the following comment:

Qualifications regarded:

- In the enclosed consolidated financial statements the Group disclosed a provision for the cost of post-production waste removal and utilization in so called “acid pits” as well as provision for the cost of liquidation of installation and land reclamation in the total amount of PLN 39 million. The Group estimated the quantities of post-production waste as well as the area of land to be recultivated to the best knowledge of the Group's technical personnel. However, bore-hole technology measurements were not taken that would confirm the estimated value of provisions calculated by the Group. Land reclamation costs due to planned installation liquidation were also significantly different from the reports of the environmental experts. In addition, the Group prepared a report on ecological analysis of soil and water pollution in one of the subsidiaries, to which it was obligated by the decision of Podkarpackie Voivodship Voivode of 2006. The report indicating that the admissible soil pollution levels were exceeded and containing the proposal and schedule of measures aimed at soil and water purification by the end of 2013 was submitted to the Voivode. The final scope and schedule for work related to removal of waste is subject to the decision of the Marshall Office of Podkarpackie Voivodship. Due to lack of data on the purification methods, the Group did not estimate the related provision. Due to the above, we were not able to assess the reliability of calculations regarding the total amount of the aforementioned provisions for environmental issues.
- the Group disclosed 42.7% interest in Parent of AB Naftos Gavyba Capital Group (“NG Group”) with its seat in Lithuania, measured based on equity method at the amount of PLN 48.5 million. The financial statements of were prepared for the financial period ended 31 December 2007 in accordance with the accounting regulations applied in Lithuania. On 20 March 2008, the certified auditor issued an opinion on NG Group financial statements with the qualification concerning:
    - limited audit scope due to lack of possibility to evaluate financial consequences of arbitration proceedings, in which AB Geonafta, a subsidiary, is the party;
    - lack of independent estimate of the deposits owned by AB Naftos Gavyba Group, resulting in limited audit scope as regards net value of property, plant and equipment employed in mining operations and their depreciation;
    - limited audit scope as regards evaluation of shares in associates held by AB Geonafta, a subsidiary. These limitations result from qualifications in the opinions issued by certified auditors for the NG Group associates as well as differences in the accounting policies applied by individual associates.

Comments regarded:

- note 11 of the additional information and explanations to the consolidated financial statements, in which the Company undertakes to continue the implementation of the concept for Integrated Gasification Combined Cycle (IGCC), that allows launching of the second stage of Program 10+. We would like to point out that the second stage implementation shall depend on future events, including market factors, which might affect the effectiveness of the capital investment incurred so far, which as at 31 December 2007 amounted to PLN 46.5 million and pertained to implementation of works related to IGCC;

- note 11 of the additional information and explanations to the consolidated financial statements, in which the Group discloses assets due to expenditure incurred on exploration of B-4 and B-6 gas deposits as well as bore-hole costs in the amount of PLN 48 million as at 31 December 2007. The Group ordered a profitability analysis regarding deposit development. The analysis indicated a need for significant capital expenditure to be incurred in order to exploit the aforementioned deposits. As referred to in Note 11, it is not certain whether the benefits from future deposit operation will suffice to cover the expenditure incurred and necessary to be incurred, so as to commence the operation.

The consolidated financial statements were approved for publication by the Management Board on 6 May 2008.

The General Shareholders' Meeting, which approved the consolidated financial statements for the 2007 financial year, was held on 30 June 2008.

The consolidated financial statements for the 2007 financial year were submitted in accordance with the law to the National Court Register on 11 July 2008 and submitted for publication in Monitor Polski B on 15 July 2008. The financial statements were published in Monitor Polski B No. 204 on 13 February 2009.

3. Data identifying the entity authorized to audit financial statements and the certified auditor acting on its behalf

The audit of the consolidated financial statements was performed based on the agreement of 29 June 2007, concluded between GRUPA LOTOS S.A. and Deloitte Audyt Sp. z o.o. with the registered office in Warsaw, ul. Piękna 18, registered under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit was conducted under the supervision of a certified auditor Piotr Sokołowski (No. 9752/7281), at the Parent's premises from 22 October to 6 November 2008 and from 27 February to 27 April 2008.

The authorized entity was appointed by the Supervisory Board by resolution No. 95/VI/2007 of 8 May 2007 based on authorization provided for in Article 13 of the Parent's Articles of Association.

Deloitte Audyt Sp. z o.o. and the certified auditor Piotr Sokołowski confirm that they are authorized to audit financial statements and they meet the requirements of Article 66 clauses 2 and 3 of the Accounting Act to express an unbiased and independent opinion on the financial statements of GRUPA LOTOS S.A. Capital Group

4. Availability of data and management representations

The limitations as to the scope of our audit were as follows:

- we were not able to provide an opinion as to the amount of environmental provisions for the cost of post-production waste removal and utilization in so called "acid pits" as well as provision for the cost of future liquidation of installation and land reclamation as well as the amount of a provision for costs of soil and water purification in the areas used by the Group. The Group estimated the quantities of post-production waste as well as the area of land to be recultivated to the best knowledge of the Group's technical personnel. However, bore-hole technology measurements were not taken that would confirm the estimated value of provisions calculated by the Group. Land reclamation costs due to planned installation liquidation were also significantly different from the reports of the environmental experts. Additionally, the Group prepared a report on ecological review of water and soil pollution in one of its subsidiaries, as obliged by a decision issued by Podkarpacki Voivode in 2006. The report disclosing that the permitted soil pollution levels were exceeded along with a proposal regarding the scope and schedule of works aimed at cleaning of water and soil by the end of 2013 was presented to the Voivode. The final scope and schedule of works related to elimination of the pollution depends on the decision of the Podkarpackie Voivodeship Marshall Office. Due to lack of data regarding the way of eliminating the pollution, the Group did not estimate any provision for the related costs. Due to the above, we were unable to assess reliability of the total of the estimated environmental provisions as described above.

- we were not able to determine whether the shares in the parent of AB Naftos Gavyba Capital Group ("AB Naftos Gavyba Capital Group") measured based on equity method in the amount of PLN 73.5 million is correct due to the qualifications included in the certified auditor's opinion on the consolidated financial statements of AB Naftos Gavyba Capital Group for the financial year ended 31 December 2008. The certified auditor's qualifications included in the opinion issued on 20 March 2009 regarded:

  - the fact that in the financial statements, the Company did not recognize financial consequences of the arbitration proceedings in which AB Geonafta was a party

  - The limited scope od audit regarding measurement of shares in associates held by AB Geonafta. These limitations result from qualifications in the opinions issued by certified auditors for the AB Naftos Gavyba Capital Group associates as well as differences in the accounting policies applied by individual associates.

  Due to the above qualifications presented in the auditor's opinion issued with respect to the consolidated financial statements of the AB Naftos Gavyba Capital Group for the financial year ended 31 December 2008 and the Group's application of different accounting principles, we were unable to determine whether the value of shares in the parent company of the AB Naftos Gavyba Capital Group disclosed in these consolidated financial statements is correct.

- We were unable to assess whether recognized in the consolidated financial statements financial data of KRAK-GAZ Sp. z o.o., a subsidiary, whose revenues amount to PLN 169.1 million, and the value of assets amounts to PLN 10.6 million, and these figures constitute 0.08% and 0.55% of the Group's consolidated assets and revenues, respectively, are correct, since on 10 April 2009, the certified auditor issued a standpoint regarding the financial statements of KRAK-GAZ Sp. z o.o. related to inability of carrying out an audit.

Notwithstanding the above paragraph, during the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed, among others, in a written representation of the Management Board of the Parent of 27 April 2009.

5. Economic and financial position of the Capital Group

Presented below are the main items from the consolidated income statement as well as financial ratios describing the financial result of the Capital Group and its financial situation as compared with the same items in the previous year.

Main items from the income statement (in PLN '000)	2008	2007
Sales revenue	16 294 738	13 125 123
Operating expenses	(16 470 383)	(12 493 304)
Other operating revenue	29 817	81 845
Other operating expenses	(88 589)	(92 181)
Financial revenue	82 508	313 549
Financial expenses	(466 931)	(44 995)
Income tax	114 285	(190 347)
Net profit (loss)	(389 933)	814 147

Profitability ratios	2008	2007
– gross profit margin	(1 %)	5 %
– net profit margin	(2 %)	6 %
– net return on equity	(6 %)	15 %
Effectiveness ratios		
– assets turnover ratio	1.34	1.35
– receivables turnover in days	31	39
– liabilities turnover in days	22	27
– inventory turnover in days	56	63
Liquidity/Net working capital		
– debt ratio	52 %	37 %
– equity to fixed assets ratio	48 %	63 %
– net working capital (PLN '000)	2 398 098	2 854 175
– current ratio	1.89	2.21
– quick ratio	0.98	1.11

The analysis of the above figures and ratios identified the following trends in 2008:

- a significant decrease in profitability ratios, which at present are negative;
- a slight decrease in assets turnover ratio, as well as decrease in other turnover ratios – receivables, liabilities and inventory turnover ratio;
- an increase in the debt ratio;
- a decrease in equity to fixed assets ratio;
- a decrease in net working capital;
- a decrease in liquidity ratios.

II. DETAILED INFORMATION

1. Information on the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2008 and include:

– consolidated balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 12 201 998 thousand;

– consolidated income statement for the period from 1 January 2008 to 31 December 2008, disclosing a net loss of PLN 389 933 thousand;

– statement of changes in consolidated equity for the period from 1 January 2008 to 31 December 2008, disclosing a decrease in equity of PLN 350 866 thousand;

– consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a net cash outflow of PLN 138 751 thousand;

– additional information and explanations.

The structure of assets and liabilities plus equity as well as items affecting the financial result was presented in the consolidated financial statements.

The audit covered the period from 1 January 2008 to 31 December 2008 and concerned mainly:
– the audit of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent;
– audit of the consolidation documentation;
– evaluation of the correctness of consolidation methods and procedures applied during consolidation;
– review of opinions and reports on the audits of financial statements of subsidiaries and associates included in consolidation that were prepared by other certified auditors.

The audit of the consolidated financial statements was conducted in line with the relevant legal regulations as well as auditing standards issued by the National Council of Statutory Auditors.

2. Consolidation documentation

The Parent presented the consolidation documentation including:

1) financial statements of related parties, including:
    a) individual (original) financial statements of related parties;
    b) financial statements of controlled entities adjusted to the accounting principles (policy) applied in consolidation;
    c) restatement of previously published consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards;
2) all adjustments and eliminations made during consolidation, required for the preparation of the consolidated financial statements;
3) calculations of goodwill.

Basis for preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the 2008 financial year were prepared in accordance with the International Financial Reporting Standards in the form approved by the European Union.

Description of the entities within the Capital Group

The criteria specified in the International Financial Reporting Standards were applied when determining relationships as well as the consolidation scope and methods.

Financial period

The consolidated financial statements were prepared as of the same balance sheet date and the same financial year as the financial statement of the Parent – GRUPA LOTOS S.A. Subsidiaries and associates included in consolidation prepared financial statements as of the same balance sheet date as the Parent. The financial year of all subsidiaries included in consolidation ended 31 December 2008.

Consolidation method

The consolidation of the financial statements of the Capital Group was carried out in line with the full method by summing up all individual items of respective financial statements of the parent company and subsidiaries included in consolidation.

After adding up values, consolidation adjustments and exclusions were applied to:

- acquisition value of shares held by the Parent in subsidiaries and part of net assets of subsidiaries, corresponding to the interest held by the parent in these entities;
- mutual receivables and liabilities of entities included in consolidation;
- material revenues and expenses related to transactions between entities included in consolidation.

In the case of associates, the equity method was applied. The value of the Parent's interest held in the associate was adjusted by increases or decreases in the equity of the associated entity attributable to the parent company, which occurred in the period covered by consolidation less dividends receivable from these companies.

3. Justification of the opinion issued

We have issued an opinion on the audited financial statements for 2008 pointing to the following limitations of the scope of our audit:

1. In the enclosed consolidated financial statements the Group discloses a provision for the cost of post-production waste removal and utilization in so called "acid pits" as well as provision for the cost of liquidation of installation and land reclamation in the total amount of PLN 38.7 million. The Group estimated the quantities of post-production waste as well as the area of land to be recultivated to the best knowledge of the Group's technical personnel. However, bore-hole technology measurements were not taken that would confirm the estimated value of provisions calculated by the Group. Land reclamation costs due to planned installation liquidation were also significantly different from the reports of the environmental experts.

Additionally, the Group prepared a report on ecological review of water and soil pollution in one of its subsidiaries, as obliged by a decision issued by Podkarpacki Voivode in 2006. The report disclosing that the permitted soil pollution levels were exceeded along with a proposal regarding the scope and schedule of works aimed at cleaning of water and soil by the end of 2013 was presented to the Voivode. The final scope and schedule of works related to elimination of the pollution depends on the decision of the Podkarpackie Voivodeship Marshall Office. Due to lack of data regarding the way of eliminating the pollution, the Group did not estimate any provision for the related costs. Due to the above, we were not able to assess the reliability of calculations regarding the total amount of the aforementioned provisions for environmental issues.

2. The Group discloses 42.7% interest in AB Naftos Gavyba Capital Group ("AB Naftos Gavyba Capital Group") with its seat in Lithuania, measured based on equity method at the amount of PLN 73.5 million. The financial statements of AB Naftos Gavyba Capital Group were prepared for the financial period ended 31 December 2008 in accordance with the accounting regulations applied in Lithuania. On 20 March 2009, the certified auditor issued an opinion on AB Naftos Gavyba Capital Group's financial statements with the qualification concerning:

- The fact that in the financial statements, the Company did not recognize financial consequences of the arbitration procedure, to which AB Geonafta, its subsidiary, was a party;
- The limited scope of audit regarding measurement of shares in associates held by AB Geonafta. These limitations result from qualifications in the opinions issued by certified auditors for the AB Naftos Gavyba Capital Group associates as well as differences in the accounting policies applied by individual associates.

Due to the aforementioned qualifications included in the certified auditor's opinion issued to the consolidated financial statements of AB Naftos Gavyba Capital Group for the financial year ended 31 December 2008 and due to the fact that the AB Naftos Gavyba Capital Group applies different accounting policy, we were not able to determine, whether the value of shares held in AB Naftos Gavyba Capital Group's parent disclosed in these consolidated financial statements is correct.

3. The consolidated financial statements include financial data of KRAK-GAZ Sp. z o.o. with revenue amounting to 169.1 million and assets amounting to 10.6 million, constituting 0.08% and 0.55% of the Group's consolidated assets and revenues respectively have been included in the consolidated financial statements of Grupa Lotos S.A. Capital Group using the full method. On 10 April 2009 the certified auditor issued a certified auditor's standpoint on the Company's financial statements related to his unability to carry out the audit.
Therefore, we were unable to confirm the correctness of assets, liabilities and provisions as well as revenue and expenses linked to the activity of KRAK-GAZ Sp. z o.o.

And with the following comment:

- Note 11 of the additional information and explanations to the consolidated financial statements, in which the Company undertakes to continue the implementation of the concept for Integrated Gasification Combined Cycle (IGCC), that allows launching of the second stage of Program 10+. We would like to point out that the second stage implementation shall depend on future events, including market factors, which might affect the effectiveness of the capital investment incurred so far, which as at 31 December 2008 amounted to PLN 45.8 million and pertained to implementation of works related to IGCC;

- Note 11 of the additional information and explanations to the consolidated financial statements, in which the Group discloses assets due to expenditure incurred on exploration of B-4 and B-6 gas deposits as well as bore-hole costs in the amount of PLN 48 million as at 31 December 2008. The Group ordered a profitability analysis regarding deposit development. The analysis indicated a need for significant capital expenditure to be incurred in order to exploit the aforementioned deposits. The amount of future benefits can change depending on future market conditions and actions taken by the Company as well as possible financing or presence of a partner to the project.

4. Completeness and correctness of drawing up additional information and explanations and the report on the activities of the Capital Group

The Parent confirmed the validity of the going concern principle followed in the preparation of the consolidated financial statements. The additional information and explanations to the consolidated financial statements give a correct and complete description of valuation principles regarding assets and liabilities plus equity, principles of measurement of the financial result as well as method of preparation of the consolidated financial statements.

The Parent provided the additional information and explanations consisting of tabular notes to individual items in the consolidated balance sheet and consolidated income statement well as narrative descriptions in line with IFRS.

Explanatory notes describing: property, plant and equipment, intangible assets, investments, liabilities and provisions, correctly presented increases and decreases as well as their basis during the financial year.

Limited disposability was indicated for individual assets presented in the consolidated balance sheet, as some of them constituted collateral of creditors.

Individual assets and liabilities as well as revenues and expenses were correctly presented by the Parent in the consolidated financial statements. The consolidated balance sheet, consolidated income statement, statement of changes in consolidated equity and consolidated cash flow statement with additional notes, information and explanations which constitute their integral part, contain all the items, whose disclosure in the financial statements is required by the provisions of IFRS.

The consolidated financial statements are supplemented with the Management Board’s Report on the activities of the Capital Group in the 2008 financial year. The Report on the activities includes information required by Article 49 clause 2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities, as well as conditions on the basis of which information required by regulations of a non-member state are considered equivalent. We have audited the Report with regard to the disclosed information derived directly from the audited consolidated financial statements.

5. Final information and findings

Management Board's Representations

Deloitte Audyt Sp. z o.o. and the certified auditor received a representation letter from the Management Board of the Parent in which the Board stated that the Capital Group complied with the laws in force.

....
Piotr Sokołowski
Certified auditor:
No. 9752/7281

....
Represented by

....
Entity authorized to audit
financial statements entered under
number 73 on the list kept by
the National Council of Statutory Auditors

Warsaw, 27 April 2009