



**THE LOTOS GROUP  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30TH 2006  
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

**THE LOTOS GROUP**  
**FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS – CONSOLIDATED**

THE LOTOS GROUP	PLN '000		EUR '000	
	Q1 and Q2 cumulative Jan 1 – Jun 30 2006	Q1 and Q2 cumulative Jan 1 – Jun 30 2005	Q1 and Q2 cumulative Jan 1 – Jun 30 2006	Q1 and Q2 cumulative Jan 1 – Jun 30 2005
Sales revenue	5,954,705	3,631,881	1,527,435	890,058
Operating profit	463,647	463,381	118,930	113,560
Pre-tax profit	512,473	460,874	131,454	112,945
Net profit	412,394	417,694	105,783	102,363
Net profit attributable to parent undertaking's shareholders	378,936	406,559	97,200	99,635
Net profit attributable to minority interests	33,458	11,135	8,582	2,729
Net cash provided by/(used in) operating activities	243,136	288,894	62,367	70,799
Net cash provided by/(used in) investing activities	(174,965)	(745,267)	(44,880)	(182,641)
Net cash provided by/(used in) financing activities	(9,383)	861,096	(2,407)	211,027
Total net cash flow	59,253	405,939	15,199	99,483
	PLN '000		EUR '000	
	As at Jun 30 2006	As at Dec 31 2005	As at Jun 30 2006	As at Dec 31 2005
Total assets	7,620,812	6,989,609	1,866,154	1,810,873
Equity attributable to parent undertaking's shareholders	4,934,533	4,553,828	1,208,349	1,179,809
Equity attributable to minority interests	285,219	254,281	69,843	65,879
Total equity	5,219,752	4,808,109	1,278,192	1,245,689
Basic earnings per ordinary share (PLN/EUR)	3.63	5.27	0.93	1.29
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

**FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED**

THE LOTOS GROUP	PLN '000		EUR '000	
	Q1 and Q2 cumulative Jan 1 – Jun 30 2006	Q1 and Q2 cumulative Jan 1 – Jun 30 2005	Q1 and Q2 cumulative Jan 1 – Jun 30 2006	Q1 and Q2 cumulative Jan 1 – Jun 30 2005
Sales revenue	5,503,351	3,117,793	1,411,659	764,071
Operating profit	271,160	170,178	69,555	41,705
Pre-tax profit	384,421	234,057	98,607	57,360
Net profit	322,098	198,419	82,621	48,626
Net cash provided by/(used in) operating activities	(82,013)	120,464	(21,037)	29,522
Net cash provided by/(used in) investing activities	16,300	(811,852)	4,181	(198,959)
Net cash provided by/(used in) financing activities	653	844,070	168	206,855
Total net cash flow	(65,060)	152,682	(16,688)	37,417
	PLN '000		EUR '000	
	As at Jun 30 2006	As at Dec 31 2005	As at Jun 30 2006	As at Dec 31 2005
Total assets	6,014,530	5,375,563	1,472,814	1,392,705
Equity	4,400,531	4,078,433	1,077,584	1,056,644
Basic earnings per ordinary share (PLN/EUR)	2.83	2.50	0.73	0.61
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-

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

(PLN '000)	<u>Jun 30 2006</u>	<u>Dec 31 2005</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,502,775	3,311,780
Goodwill	62,330	54,588
Intangible assets	53,337	51,086
Investment property	5,562	5,888
Investments in associated undertakings	85,971	83,336
Financial assets	19,799	20,193
Deferred tax asset	33,800	26,593
Other non-current assets	28,259	28,016
	-----	-----
<b>Total non-current assets</b>	<b>3,791,833</b>	<b>3,581,480</b>
	-----	-----
<b>Current assets</b>		
Inventories	1,615,724	1,432,939
Trade and other receivables, including:	1,330,224	1,060,348
- income tax receivables	3,736	8,705
Prepayments	34,751	11,288
Current financial assets	14,737	135,760
Cash and cash equivalents	827,047	767,794
	-----	-----
<b>Total current assets</b>	<b>3,822,483</b>	<b>3,408,129</b>
	-----	-----
<b>Assets held for sale</b>	<b>6,496</b>	<b>-</b>
	-----	-----
	=====	=====
<b>Total assets</b>	<b>7,620,812</b>	<b>6,989,609</b>
	=====	=====

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

(PLN '000)	Jun 30 2006 (unaudited)	Dec 31 2005
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	3,845,847	3,466,911
Currency-translation differences	4,035	2,266
	-----	-----
<b>Equity attributable to parent undertaking's shareholders</b>	<b>4,934,533</b>	<b>4,553,828</b>
	-----	-----
<b>Equity attributable to minority interests</b>	<b>285,219</b>	<b>254,281</b>
	-----	-----
<b>Total equity</b>	<b>5,219,752</b>	<b>4,808,109</b>
	-----	-----
<b>Non-current liabilities</b>		
Loans and borrowings	321,636	294,198
Non-current provisions	171,122	191,802
Deferred tax liability	214,940	218,677
Other (financial) liabilities	9,523	11,230
	-----	-----
<b>Total non-current liabilities</b>	<b>717,221</b>	<b>715,907</b>
	-----	-----
<b>Current liabilities</b>		
Trade payables, accruals and deferred income, and other liabilities, including:		
- income tax expense	1,491,644	1,273,519
Loans and borrowings	25,766	65,302
Current provisions	86,745	111,452
Other financial liabilities	104,720	79,660
	730	962
	-----	-----
<b>Total current liabilities</b>	<b>1,683,839</b>	<b>1,465,593</b>
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	=====	=====
<b>Total equity and liabilities</b>	<b>7,620,812</b>	<b>6,989,609</b>
	=====	=====

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

(PLN '000)	3 months ended Jun 30 2006 (unaudited)	6 months ended Jun 30 2006 (unaudited)	3 months ended Jun 30 2005 (unaudited)	6 months ended Jun 30 2005 (unaudited)
Sales revenue	3,265,059	5,954,705	2,146,042	3,631,881
Cost of sales	(2,700,850)	(5,049,070)	(1,842,965)	(3,110,946)
<b>Net profit/(loss) on sales</b>	<b>564,209</b>	<b>905,635</b>	<b>303,077</b>	<b>520,935</b>
Other operating income	3,510	9,057	4,521	14,429
Excess of net assets' fair value over acquisition cost	-	-	-	266,625
Selling costs	(149,080)	(290,437)	(125,397)	(202,284)
General and administrative expenses	(79,965)	(142,106)	(61,293)	(121,423)
Other operating expenses	(5,731)	(18,502)	(9,049)	(14,901)
<b>Operating profit</b>	<b>332,943</b>	<b>463,647</b>	<b>111,859</b>	<b>463,381</b>
Financial income	42,244	72,915	16,890	29,398
Financial expenses	(12,473)	(23,950)	(33,006)	(47,576)
Interest in investments in associated undertakings	(90)	(139)	(2,588)	(419)
Sale of investments in associated undertakings	-	-	16,090	16,090
<b>Pre-tax profit</b>	<b>362,624</b>	<b>512,473</b>	<b>109,245</b>	<b>460,874</b>
Corporate income tax	(67,868)	(100,079)	(12,800)	(43,180)
<b>Net profit</b>	<b>294,756</b>	<b>412,394</b>	<b>96,445</b>	<b>417,694</b>
Attributable to:				
Parent undertaking's shareholders	276,047	378,936	85,945	406,559
Minority interests	18,709	33,458	10,500	11,135
	<b>294,756</b>	<b>412,394</b>	<b>96,445</b>	<b>417,694</b>
<b>Net earnings per share</b>				
- basic	2.59	3.63	1.22	5.27
- diluted	-	-	-	-

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

<b>(PLN '000)</b>	<b>6 months ended Jun 30 2006 (unaudited)</b>	<b>6 months ended Jun 30 2005 (comparable data) (unaudited)</b>
<b>Cash flows from operating activities</b>		
Net profit	412,394	417,694
Adjustments:		
Share in net profit/(loss) of subordinated undertakings valued with equity method	139	391
Depreciation and amortisation	147,952	128,303
Foreign exchange gains	(1,398)	(1,436)
Net interest and dividend paid	6,789	8,735
(Profit)/loss on investing activities	(7,607)	(53)
Current income tax	100,079	43,180
Income tax paid	(147,425)	(41,079)
(Increase) in receivables	(280,087)	(60,372)
(Increase) in inventories	(182,798)	(156,905)
Increase in liabilities and accruals and deferred income	215,321	234,399
Increase in prepayments and accrued income	(26,172)	(16,976)
Increase/(decrease) in provisions	6,917	(2,409)
Other	(968)	(264,578)
	-----	-----
<b>Net cash provided by/(used in) operating activities</b>	<b>243,136</b>	<b>288,894</b>
	-----	-----
<b>Cash flows from investing activities</b>		
Sale of non-current financial assets	-	41,648
Dividends received	2,154	31,738
Interest received	4,629	-
Acquisition/sale of property, plant and equipment and intangible assets	(293,255)	(287,197)
Acquisition of non-current financial assets, including:	-	(298,216)
Acquisition of subsidiary undertakings, net of cash acquired through merger	-	(115,108)
Sale/(acquisition) of current financial assets	128,527	(232,840)
Other, net	(17,020)	(400)
	-----	-----
<b>Net cash provided by/(used in) investing activities</b>	<b>(174,965)</b>	<b>(745,267)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	66,376	58,203
Share issue adjusted for issue costs	-	1,015,000
Repayment of loans and borrowings	(64,156)	(171,381)
Interest paid	(10,686)	(10,475)
Dividends paid – to parent undertaking's shareholders	-	(15,740)
Dividends paid – to minority interests	-	(2,554)
Other, net	(917)	(11,957)
	-----	-----
<b>Net cash provided by/(used in) financing activities</b>	<b>(9,383)</b>	<b>861,096</b>
	-----	-----
Change in cash on account of foreign exchange (gains)/losses	465	1,216
	=====	=====
<b>Change in net cash</b>	<b>59,253</b>	<b>405,939</b>
	=====	=====
<b>Cash at beginning of period</b>	<b>767,794</b>	<b>155,012</b>
	=====	=====
<b>Cash at end of period</b>	<b>827,047</b>	<b>560,951</b>
	=====	=====
- restricted cash	22,179	7,291

**THE LOTOS GROUP**  
**STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY**  
**for the six months ended June 30th 2006 and June 30th 2005**

(PLN '000)	Share capital	Reserve funds	Retained earnings/ (deficit)	Translation reserve	Equity attributable to Parent Undertaking's shareholders	Equity attributable to minority interests	Total equity
<b>Jan 1 2005</b>	78,700	-	2,563,930	-	2,642,630	14,882	2,657,512
Net profit for the six months ended Jun 30 2005	-	-	406,559	-	406,559	11,135	417,694
Other	35,000	970,951	3,600	3,267	1,012,818	(16,108)	996,710
Consolidation of new undertakings	-	-	-	-	-	203,454	203,454
Dividend	-	-	(15,740)	-	(15,740)	-	(15,740)
<b>Jun 30 2005 (comparable data) (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>2,958,349</b>	<b>3,267</b>	<b>4,046,267</b>	<b>213,363</b>	<b>4,259,630</b>
<b>Jan 1 2006</b>	<b>113,700</b>	<b>970,951</b>	<b>3,466,911</b>	<b>2,266</b>	<b>4,553,828</b>	<b>254,281</b>	<b>4,808,109</b>
Net profit for the six months ended Jun 30 2006	-	-	378,936	-	378,936	33,458	412,394
Dividend	-	-	-	-	-	(2,520)	(2,520)
Other	-	-	-	1,769	1,769	-	1,769
<b>Jun 30 2006 (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,845,847</b>	<b>4,035</b>	<b>4,934,533</b>	<b>285,219</b>	<b>5,219,752</b>

**THE LOTOS GROUP**  
**NON-CONSOLIDATED BALANCE SHEETS**  
as at June 30th 2006 and December 31st 2005

(PLN '000)	Jun 30 2006 (unaudited)	Dec 31 2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,973,811	1,885,333
Intangible assets	47,052	44,035
Financial assets	700,408	686,507
<b>Total non-current assets</b>	<b>2,721,271</b>	<b>2,615,875</b>
<b>Current assets</b>		
Inventories	1,480,720	1,258,336
Trade and other receivables	1,555,393	1,066,411
Prepayments	10,013	2,022
Current financial assets	13,212	133,938
Cash and cash equivalents	233,921	298,981
<b>Total current assets</b>	<b>3,293,259</b>	<b>2,759,688</b>
<b>Total assets</b>	<b>6,014,530</b>	<b>5,375,563</b>



**THE LOTOS GROUP**  
**NON-CONSOLIDATED BALANCE SHEETS**  
as at June 30th 2006 and December 31st 2005

(PLN '000)	<b>Jun 30 2006 (unaudited)</b>	<b>Dec 31 2005</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	113,700	113,700
Reserve funds	970,951	970,951
Retained earnings/(deficit)	3,315,880	2,993,782
<b>Total equity</b>	<b>4,400,531</b>	<b>4,078,433</b>
<b>Non-current liabilities</b>		
Loans and borrowings	-	-
Non-current provisions	15,156	14,288
Deferred tax liability	174,105	178,079
<b>Total non-current liabilities</b>	<b>189,261</b>	<b>192,367</b>
<b>Current liabilities</b>		
Trade payables, accruals and deferred income, and other liabilities, including:		
- income tax expense	1,376,644	1,060,609
Loans and borrowings	11,783	60,211
Current provisions	653	-
	47,441	44,154
<b>Total current liabilities</b>	<b>1,424,738</b>	<b>1,104,763</b>
<b>Total equity and liabilities</b>	<b>6,014,530</b>	<b>5,375,563</b>

**THE LOTOS GROUP**  
**NON-CONSOLIDATED PROFIT AND LOSS ACCOUNTS**  
for the three months and the six months ended June 30th 2006 and June 30th 2005

PLN '000	3 months ended Jun 30 2006 (unaudited)	6 months ended Jun 30 2006 (unaudited)	3 months ended Jun 30 2005 (unaudited)	6 months ended Jun 30 2005 (unaudited)
Sales revenue	2,980,817	5,503,351	1,818,828	3,117,793
Cost of sales	(2,622,310)	(4,963,604)	(1,633,063)	(2,750,876)
<b>Profit on sales</b>	<b>358,507</b>	<b>539,747</b>	<b>185,765</b>	<b>366,917</b>
Other operating income	542	885	5,370	5,451
Selling costs	(90,215)	(185,607)	(69,747)	(129,347)
General and administrative expenses	(44,852)	(82,074)	(37,016)	(71,727)
Other operating expenses	(639)	(1,791)	-	(1,116)
<b>Operating profit</b>	<b>223,343</b>	<b>271,160</b>	<b>84,372</b>	<b>170,178</b>
Financial income	96,377	117,468	91,736	101,006
Financial expenses	(442)	(4,207)	(30,640)	(37,127)
<b>Pre-tax profit</b>	<b>319,278</b>	<b>384,421</b>	<b>145,468</b>	<b>234,057</b>
Corporate income tax	(48,814)	(62,323)	(18,436)	(35,638)
<b>Net profit</b>	<b>270,464</b>	<b>322,098</b>	<b>127,032</b>	<b>198,419</b>
<b>Earnings per share</b>				
- basic	2.38	2.83	1.60	2.50
- diluted	-	-	-	-

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

PLN '000	6 months ended Jun 30 2006	6 months ended Jun 30 2005 (unaudited)
<b>Cash flows from operating activities</b>		
Net profit	322,098	198,419
Adjustments:		
Depreciation and amortisation	86,011	84,519
Foreign exchange gains/(losses)	-	(1,484)
Net interest and dividend paid	(62,776)	(45,534)
Profit/(loss) on investing activities	(6,948)	(10,068)
Current income tax	62,323	35,639
Income tax paid	(114,725)	(18,767)
(Increase) in receivables	(452,872)	(269,092)
(Increase)/decrease in inventories	(222,384)	(204,237)
Increase in liabilities and accruals and deferred income	311,096	357,275
Increase/(decrease) in provisions	4,155	(2,055)
(Increase) in prepayments and accrued income	(7,991)	(4,151)
	-----	-----
<b>Net cash provided by/(used in) operating activities</b>	<b>(82,013)</b>	<b>120,464</b>
	-----	-----
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment and intangible assets	82	757
(Acquisition)/sale of financial assets	125,152	(425,414)
Dividends received	29,518	27,786
Interest received	152	-
Acquisition of property, plant and equipment and intangible assets	(124,704)	(171,680)
Acquisition/sale of non-current financial assets	(4,300)	(218,701)
Other, net	(9,600)	(24,600)
	-----	-----
<b>Net cash provided by/(used in) investing activities</b>	<b>16,300</b>	<b>(811,852)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	653	991
Share issue	-	1,015,000
Repayment of loans and borrowings	-	(144,670)
Interest paid	-	(6,117)
Dividends paid	-	(15,740)
Other, net	-	(5,394)
	-----	-----
<b>Net cash provided by/(used in) financing activities</b>	<b>653</b>	<b>844,070</b>
	-----	-----
<b>Change in cash on account of foreign exchange (gains)/losses</b>	<b>-</b>	<b>-</b>
	=====	=====
<b>Change in net cash</b>	<b>(65,060)</b>	<b>152,682</b>
	=====	=====
<b>Cash at beginning of period</b>	<b>298,981</b>	<b>79,897</b>
	=====	=====
<b>Cash at end of period</b>	<b>233,921</b>	<b>232,579</b>

**THE LOTOS GROUP**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three months and six months ended June 30th 2006**

<b>(PLN '000)</b>	<b>Share capital</b>	<b>Reserve funds</b>	<b>Retained earnings/ (deficit)</b>	<b>Total equity</b>
<b>Jan 1 2005</b>	<b>78,700</b>	-	<b>2,473,654</b>	<b>2,552,354</b>
	=====	=====	=====	=====
Net profit for the six months ended Jun 30 2005	-	-	198,419	198,419
	=====	=====	=====	=====
<b>Jun 30 2005 (unaudited)</b>	<b>78,700</b>	-	<b>2,672,073</b>	<b>2,750,773</b>
	=====	=====	=====	=====
<b>Jan 1 2006</b>	<b>113,700</b>	<b>970,951</b>	<b>2,993,782</b>	<b>4,078,433</b>
	=====	=====	=====	=====
Net profit for the six months ended Jun 30 2006	-	-	322,098	322,098
	=====	=====	=====	=====
<b>Jun 30 2006 (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,315,880</b>	<b>4,400,531</b>
	=====	=====	=====	=====

**THE LOTOS GROUP**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three months and six months ended June 30th 2006**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30TH 2006**

**1. General Information**

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

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

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

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

**2. Composition of the Group**

Name	Registered office	Business profile	Method of consolidation/ valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	Dec 31 2005	Jun 30 2005
<b>Parent Undertaking</b>						
Grupa LOTOS S.A.	Gdańsk	production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
<b>Direct Subsidiary Undertakings</b>						
LOTOS Paliwa Sp. z o.o.	Gdańsk	wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk	sales of fuels and provision of services for retail networks of international concerns; logistic services	full	100.00%	100.00%	100.00%
LOTOS Mazowsze S.A.	Mława	sales of LPG, heavy fuel oil and special products (sulphur, plasticizers, fuels containing recycled components)	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	production and sale of lubricating oils and lubricants, and domestic sales of base oils	full	100.00%	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	production and sale of bitumens	full	100.00%	100.00%	100.00%
LOTOS Ekoenergia S.A.	Gdańsk	construction of basic PKRT units; the company has not commenced operations	full	100.00%	100.00%	100.00%

**THE LOTOS GROUP**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three months and six months ended June 30th 2006**

Name	Registered office	Business profile	Method of consolidation/ valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	Dec 31 2005	Jun 30 2005
LOTOS Kolej Sp. z o.o.	Gdańsk	railway transport	full	100.00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	laboratory testing	full	100.00%	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	fire protection	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	personal and property protection	full	87.44%	87.44%	87.44%
LOTOS Parafiny Sp. z o.o.	Jasło	production and sale of paraffin	full	100.00%	100.00%	85.22%
LOTOS Czechowice S.A. (parent undertaking of another group, formerly Rafineria Czechowice S.A.) <sup>(1)</sup>	Czechowice	production and processing of refined petroleum products and their wholesale	full	80.04%	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group; formerly Rafineria Jasło S.A.) <sup>(2)</sup>	Jasło	production and processing of refined petroleum products and their wholesale and retail sale	full	80.01%	80.01%	80.01%
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	acquisition of reserves, crude oil and natural gas production	full	69.00%	69.00%	69.00%
UAB LOTOS Baltija	Lithuania	wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	not consolidated due to immateriality	100.00%	100.00%	60.29%
BiproRaf Sp. z o.o.	Gdańsk	design services for oil industry	not consolidated due to immateriality	50.00%	50.00%	50.00%
Rafineria Nafty Glimar S.A. (Glimar Refinery) in liquidation	Gorlice	refining (currently discontinued due to the company's bankruptcy)	not consolidated due to lack of control	91.54%	91.54%	91.54%
LOTOS Hydrokompleks Sp. z o.o.	Gorlice	construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated due to immateriality	100.00%	100.00%	100.00%
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	management of the Glimar Refinery assets	full	89.66%	90.00%	100.00%
Laboratorium Badacz Sp. z o.o.	Jasło	services	-	-	100.00%	80.01%
<b>Indirect Subsidiary Undertakings</b>						
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	services	full	80.04%	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o. <sup>(3)</sup> (formerly RCParafiny Sp. z o.o.)	Czechowice-Dziedzice	no operations	full	80.04%	80.04%	80.04%
RCRemo Sp. z o.o.	Czechowice-Dziedzice	services	full	100.00%	80.04%	80.04%
CBA Racer Sp. z o.o.	Czechowice-Dziedzice	services	full	80.04%	80.04%	80.04%
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	services	<sup>(4)</sup>	89.66%	80.04%	80.04%
RCPaliwa Sp. z o.o.	Czechowice-Dziedzice	trading (not commenced yet)	equity method	80.04%	80.04%	80.04%
RCTransport Sp. z o.o.	Czechowice-Dziedzice	services	-	<sup>(5)</sup>	80.04%	80.04%
Jasbit – Rafineria Jasło Sp. z o.o. in liquidation	Jasło	no operations – company in liquidation	not consolidated due to lack of control	-	-	80.01%

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Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2006	Dec 31 2005	Jun 30 2005
LOTOS Tank Sp. z o.o.	Jasło	trading	full/equity method	86.01%	86.01%	86.01%
Parafiny Sp. z o.o.	Jasło	production of refined petroleum products	full	-	-	13%
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	services	full	100.00%	79.56%	79.56%
Plastekol Organizacja Odzysku S.A.	Jasło	services	full	53.61%	53.61%	53.61%
Rafineria Jasło Sped-Kol Sp. z o.o.	Jasło	no operations – lease of assets to LOTOS Kolej	not consolidated due to immateriality	80.01%	80.01%	80.01%
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	services	not consolidated due to immateriality	80.01%	80.01%	80.01%
Chemipetrol Sp. z o.o.	Jasło	trading – assets transferred to LOTOS Parafiny in exchange for shares	not consolidated due to immateriality	80.01%	80.01%	80.01%
Miliana Shipping Company Ltd.	Cyprus	services	full	68.93%	68.93%	68.93%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	services	not consolidated due to immateriality	69.00%	69.00%	69.00%

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Name changed to LOTOS Biopaliwa Sp. z o.o. as of May 10th 2006

<sup>(4)</sup> Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by LOTOS Czechowice S.A.

<sup>(5)</sup> As described in Note 9 to these condensed consolidated financial statements, shares in the company were sold.

**Associated Undertakings**

Energobaltic Sp. z o.o.	Gdańsk	manufacturing	equity method	32.16%	32.16%	32.16%
UAB Naftos Gavyba	Klaipeda, Lithuania	service activities	equity method	29.46%	29.46%	29.46%
AB Geonafta	Gargždai, Lithuania	crude oil production	equity method	27.60%	27.60%	27.60%
Naftoport Sp. z o.o.	Gdańsk	operation of reloading terminals for crude oil and petroleum products	-	<sup>(6)</sup>	<sup>(6)</sup>	<sup>(6)</sup>

<sup>(6)</sup> As described in Note 17 to the 2005 consolidated financial statements, following disposal of shares, Grupa LOTOS S.A. holds an 8.97% equity interest in Naftoport Sp. z o.o.

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

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**3. Rules of Presentation**

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

These condensed interim consolidated financial statements of the Group were prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting (“IAS 34”) and in accordance with the respective accounting standards applicable to interim financial reporting and endorsed by the EU, published and effective at the time of preparing these interim consolidated financial statements of the Group.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the LOTOS Group for 2005, prepared in accordance with the IFRS. The interim financial result should not be treated as indicative of the financial performance for the whole financial year.

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

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

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

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

In these condensed consolidated financial statements, the Parent Undertaking disclosed the financial information of the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic (“GK Petrobaltic”) for the six months ended June 30th 2006, assuming that GK Petrobaltic accounts for the shares in Naftos Gavyba (“NG”), its associated undertaking, using the equity method as at December 31st 2005. The consolidated financial statements of the NG Group (NG Group), prepared in line with the accounting policies applicable in Lithuania, served as the basis for disclosure in the consolidated financial statements of NG’s value corresponding to the number of NG shares held by Petrobaltic.



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

These condensed interim consolidated financial statements were approved by the Management Board for publication on August 7th 2006.

**4. Changes in the Composition of the Management and Supervisory Boards**

On June 19th 2006, the Supervisory Board of Grupa LOTOS S.A. adopted a resolution concerning the appointment of the Company's Management Board for the sixth term of office, composed of:

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 position of the President and certain other positions 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 than five members.

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

**5. Accounting Policies**

The accounting policies and calculation methods adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended December 31st 2005 (see Note 10 to the consolidated financial statements for 2005 prepared in accordance with the IFRS.)

Moreover the Group adopted IFRS 6 – *Exploration for and Evaluation of Mineral Resources*. The adoption of this standard did not have a material bearing on the Group's accounting policies.

**6. Activities in the Interim Period**

There are no cyclical or seasonal changes in the Group's activities in the interim period.

**7. Dividends**

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

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**8. Earnings per Share**

	<b>6 months ended Jun 30 2006</b>	<b>6 months ended Jun 30 2005</b>
Consolidated net profit (PLN '000) (A)	412,394	417,694
Weighted average number of shares (in thousands) (B)*	113,700	79,281
Earnings per share (A/B)	3.63	5.27

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

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**9. Changes in the LOTOS Group Structure**

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

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

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

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

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

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

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

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

On January 17th 2006, the District Court for Kraków-Śródmieście of Kraków, XII Commercial Division of the National Court Register, registered a share capital increase to PLN 12,374 thousand at LOTOS Park Technologiczny Sp. z o.o. Following the increase, the share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 24,748 shares with a par value of PLN 500 per share, conferring the right to 24,748 votes. The share capital increase was effected through cash contributions made by Grupa LOTOS S.A. on January 31st 2006 in the amount of PLN 4,300 thousand. As a consequence, Grupa LOTOS S.A.'s share in the share capital of LOTOS Park Technologiczny Sp. z o.o. was increased to 38.4%.

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

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

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

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

**Disposal of Shares in RC Transport Sp. z o.o. by LOTOS Czechowice S.A.**

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

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

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

On May 10th 2006, the District Court of Katowice, Commercial Division of the National Court Register, registered a share capital increase of up to PLN 10,000 thousand at LOTOS Biopaliwa Sp. z o.o.. Following the increase, the company's share capital is divided into 20,000 shares with a par value of PLN 500 per share. Upon registration of the change in the share capital, the total number of votes stands at 20,000. The shares acquired in the increased share capital of LOTOS Biopaliwa Sp. z o.o. were fully paid up with cash. The capital structure of LOTOS Biopaliwa Sp. z o.o. was changed with a view to constructing a unit for the production of fatty acid esters. The project will be carried out with the use of the CD Process (Connemann Diesel) technology and licence. After the unit is placed in service, LOTOS Czechowice will produce 100 thousand tonnes of top quality biocomponent annually. The project's value is estimated at ca. PLN 71,000 thousand. LOTOS Biopaliwa Sp. z o.o. is a wholly-owned subsidiary of LOTOS Czechowice S.A., in which Grupa LOTOS S.A. holds an 80.04% equity interest.

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

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

**Merger of LOTOS Serwis Sp. z o.o. with Monto-Rem Sp. z o.o. and RC Remo Sp. z o.o.**

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

**10. Supplementary Information**

**Acquisition of the ESSO service station network**

1. As described in Note 40 to the consolidated financial statements for 2005, the acquisition of the ESSO service station network resulted in the recognition of goodwill in the amount of PLN 42,717 thousand as at December 31st 2005, representing the difference between the acquisition cost and the net fair value of the acquired assets.

Following the acquisition of further service stations as part of the abovementioned transaction, the goodwill arising on the transaction as at June 30th 2006 is as follows:

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(PLN'000)	Jun 30 2006
Merger cost (acquisition cost)	298,681
Non-current assets	251,096
Goodwill	47,585

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

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

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

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

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

Upon acquisition of the Slovnaft service station network, goodwill of PLN 2,875 thousand was determined, representing the difference between the acquisition price and the fair value of the acquired net assets. The difference concerns one cash generating unit. No cash was acquired in the transaction. The recoverable value of cash flow generating units was determined based on their fair value.

(PLN '000)	Jun 30 2006
Merger cost (acquisition cost)	42,585
Non-current assets	39,710
Goodwill	2,875

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

On January 10th 2006, the Extraordinary Shareholders Meeting of LOTOS Parafiny Sp. z o.o. adopted a resolution on contributing PLN 5.1m to the company's equity by January 12th 2006. The contribution was allocated to the implementation of the Prometeusz project.

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**11. Material Events Subsequent to Q2 2006**

1. On July 4th 2006, at the request of Grupa LOTOS S.A., Bank Millennium S.A. issued a bank guarantee for the benefit of the Head of the Customs and Excise Chamber in Gdynia in order to secure liabilities towards the customs office, liabilities connected with tax and other charges that may arise from July 4th 2006 to May 4th 2007, for the aggregate amount of up to PLN 160,000 thousand. The bank's obligations expire on July 3rd 2007.
2. On July 25th 2006, the Head of II Tax Office for the Province of Katowice in Bielsko-Biała granted LOTOS Czechowice an authorisation to carry out a tax inspection, dated July 24th 2006, providing for the commencement of an inspection of corporate income tax for 2000.
3. The validity of a blank promissory note of July 7th 2005 for PLN 200,000 thousand, issued to secure a tax liability connected with the procedure of suspending the collection of excise tax, was extended until July 7th 2007. The original validity term of the blank promissory note securing the excise tax liability expired on July 7th 2006.

**12. Contingent Liabilities**

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

1. as at June 30th 2006, two cheques for a total amount of PLN 160,000 thousand were submitted to customs authorities to secure the Parent Undertaking's customs duty liabilities;
2. on March 16th 2006, Grupa LOTOS S.A. submitted excise security in the form of a blank promissory note of up to PLN 200,000 thousand in respect of a tax liability related to the suspended-excise-tax procedure; the security is effective up until March 16th 2007.

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

No changes occurred in relation to the court, arbitration or administrative proceedings or other risks concerning the parent undertaking or its subsidiary undertakings from the last day of the previous financial year, i.e. December 31st 2005 (see Note 43 to the consolidated financial statements for 2005 prepared in accordance with the IFRS), except for those presented below:

1. On March 30th 2006, LOTOS Paliwa Sp. z o.o received a decision of the Gdańsk Tax Office of March 28th 2006 relating to the determination of the value added tax liability for January 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office imposed an additional tax liability on the company, related to the settlement of the purchase of an organised part of business of LOTOS Mazowsze. On July 25th 2006, LOTOS Paliwa Sp. z o.o. received a decision of the Head of the Gdańsk Tax Chamber, dated July 21st 2006, in which the Head of the Gdańsk Tax Chamber revoked in full the decision of the Gdańsk Tax Office determining a value added tax liability for January 2005 and establishing an additional tax liability, and remanded the case for re-examination by the Gdańsk Tax Office.

2. On April 12th 2006, the Head of the Customs Office of Bielsko-Biała instigated proceedings in order to determine the correct amount of excise tax liability for September 1st – December 31st 2003. Before conclusion of the proceedings, it is difficult to determine whether and in what amount the excise tax liabilities will be reassessed. By virtue of his decision of June 12th 2006, the Head of the Customs Office of Bielsko-Biała set September 30th 2006 as the date for concluding the proceedings.

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3. On May 5th 2006, LOTOS Czechowice received four decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the amount of excise tax liability for January, February, and March 2004. The proceedings concerning determination of the amount of excise tax liability for April 2004 were discontinued. On May 19th 2006, the company appealed to the Director of the Customs Chamber against the abovementioned decisions and filed motions for suspending their execution.

4. On June 8th 2006, the Minister of State Treasury appealed against a court ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998, concluded by Grupa LOTOS S.A. and Polska Żegluga Morska (a state-owned company) and providing for the sale of two **shares in Naftoport Sp. z o.o., worth PLN 3,340 thousand. On June 30th 2006, the Company filed its response to the appeal. The case is pending.**

**14. Issue, Repurchase and Repayment of Debt and Equity Securities**

In the period from January 1st to June 30th 2006, the Company did not issue, repurchase or repay any debt or equity securities.

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**SUPPLEMENTARY INFORMATION PROVIDED UNDER THE REGULATION OF THE MINISTER OF FINANCE ON CURRENT AND PERIODIC INFORMATION TO BE PUBLISHED BY ISSUERS OF SECURITIES, DATED OCTOBER 19TH 2005**

Pursuant to Par. 91 of the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated October 19th 2005, (Dz.U. of 2005, No. 209, item 1744), the Management Board of Grupa LOTOS S.A. hereby releases the following information:

**I Rules Applied in the Translation of the Financial Highlights into the Euro**

The balance-sheet items contained in the table "Financial Highlights" were translated as at June 30th 2006 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 4.0837. The items of the profit and loss account and the cash-flow statement contained in the table "Financial Highlights" for Q1 and Q2 (cumulative) were translated at the rate EUR 1 = PLN 3.8985 (equal to the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st to June 30th 2006).

The balance-sheet items contained in the table "Financial Highlights" were translated as at December 31st 2005 at the mid exchange rate quoted by the National Bank of Poland for the euro on that date, that is EUR 1 = PLN 3.8598. The items of the profit and loss account and the cash-flow statement contained in the table "Financial Highlights" for Q1 and Q2 2005 (cumulative) were translated at the rate EUR 1 = PLN 4.0805 (equal to the arithmetic mean of the mid exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st to June 30th 2005).

**II Organisation of the LOTOS Group and Consolidated Undertakings**

The structure of the LOTOS Group and the consolidated undertakings are presented in Note 2 to these condensed consolidated financial statements for the three and six months ended June 30th 2006.

**III Effects of Changes in the Structure of the LOTOS Group**

The effects of changes in the LOTOS Group's structure, including those resulting from a business combination, acquisition or sale of the Group's undertakings are described in Note 9 to these condensed consolidated financial statements for the three and six months ended June 30th 2006.

**IV Opinion of the Management Board on the Feasibility of Meeting Earlier Published Forecasts of Financial Results for the Year**

The Management Board of Grupa LOTOS S.A. has not published any forecasts of 2006 financial results.



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**V Shareholders Holding, Directly or Indirectly through Subsidiary Undertakings, 5% or More of the Total Vote at the General Shareholders Meeting of the Parent Undertaking as at the Date of this Report**

As at the date of this report, the shareholder structure of Grupa LOTOS S.A. was as follows:

	Number of shares	Number of votes	Par value of shares	% share of the share capital
State Treasury	7,878,030	7,878,030	7,878,030	6.93 %
Nafta Polska S.A.	59,025,000	59,025,000	59,025,000	51.91 %
Other *	46,796,970	46,796,970	46,796,970	41.16 %
<b>Total</b>	<b>113,700,000</b>	<b>113,700,000</b>	<b>113,700,000</b>	<b>100.00 %</b>

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

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

	As at the date of the previous report	Acquisition	Sale	Other	As at the date of this report*
Management Board, including:					
Pan Paweł Olechnowicz	42,755	-	(42,755)	-	-
Pan Marek Sokółowski	8,636	-	-	-	8,636
<b>Total</b>	<b>51,391</b>	<b>-</b>	<b>(42,755)</b>	<b>-</b>	<b>8,636</b>

\* As at August 7th 2006.

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

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

There are no pending court, arbitration or administrative proceedings concerning the liabilities or claims with a value equal to or exceeding 10% of the Company's equity. For information on material court, arbitration or administrative proceedings or other risks concerning the parent undertaking or its subsidiary undertakings see Note 13 to these condensed consolidated financial statements.

**VIII Information about Non-Recurring Transactions Executed between the Related Undertakings of the Group**

In the period January 1st – June 30th 2006, no non-recurring transactions with a value exceeding EUR 500 thousand occurred between the related undertakings of the Group, except for the ones described in Note 9 to these condensed consolidated financial statements and those itemised below:

1. On January 20th 2006, LOTOS Czechowice S.A. and LOTOS Mazowsze S.A. concluded an agreement providing for the sale of heating oil by LOTOS Czechowice S.A. to LOTOS Mazowsze S.A. The agreement was executed for a definite period, i.e. until March 31st 2006. Its estimated value was PLN 30,000 thousand. The transaction was made on an arms-length basis.
2. On February 2nd 2006, Neste Polska Sp. z o.o., LOTOS Partner Sp. z o.o. and Grupa LOTOS S.A. signed a significant agreement providing for the sale of liquid fuels to Neste Polska Sp. z o.o. The agreement was concluded for a definite period, i.e. until December 31st 2008. The estimated value of the agreement during its term is PLN 2,400,000 thousand. The agreement provides for contractual penalties with the estimated maximum value of PLN 55,000 thousand. The agreement does not contain any provisions which would prevent the parties thereto from seeking additional compensation pursuant to general provisions of the law. On February 2nd 2006, in connection with the conclusion of the aforementioned trilateral agreement, LOTOS Partner Sp. z o.o. and Neste Polska Sp. z o.o. terminated the previous agreement for the sale of liquid fuels, dated January 1st 2004.
3. On February 13th 2006, BP Polska Sp. z o.o., LOTOS Partner Sp. z o.o. and Grupa LOTOS S.A. signed a significant agreement for the sale of liquid fuels to BP Polska Sp. z o.o. The agreement was concluded for a definite period, i.e. until December 31st 2006. The estimated value of the agreement during its term is PLN 1,030,000 thousand.
4. On March 6th 2006, ConocoPhillips Poland Sp. z o.o., LOTOS Partner Sp. z o.o. and Grupa LOTOS S.A. signed a trilateral significant agreement providing for the sale and delivery of liquid fuels to ConocoPhillips Poland Sp. z o.o. The agreement was concluded for a definite period, i.e. until December 31st 2006. The estimated value of the agreement is PLN 1,000,000 thousand. The agreement provides for contractual penalties of up to PLN 25,000 thousand. The agreement does not contain any provisions preventing the parties thereto from seeking additional compensation pursuant to general provisions of law.
5. On April 11th 2006, LOTOS Ekoenergia S.A. and Shell International Trading and Shipping Company Limited (Shell Trading) entered into an agreement on feedstock supply for the installations which are to be constructed under the Comprehensive Technical Upgrade Programme of Grupa LOTOS S.A. (PKRT). The agreement, whose term is 12 years from the commencement of commercial operation of PKRT, guarantees the supply of feedstock by Shell Trading to LOTOS Ekoenergia S.A. The commencement of performance of the obligations related to the supply and collection of feedstock is subject to prior execution of PKRT. The estimated value of the agreement over the agreement term is PLN 11bn, counting from the anticipated date of commencement of supplies, based on the forecast oil market prices. The agreement stipulates penalties for failure to supply or collect the contractual amounts of feedstock meeting the agreed quality standards. The value of the said contractual penalties may exceed the PLN equivalent of EUR 200,000. The abovementioned agreement, in addition to the earlier offtake agreement securing the collection from LOTOS Ekoenergia S.A. of the product surplus generated after the implementation of the PKRT Programme by Shell Trading, is another

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essential step in the process of execution of the Programme, which was specified as one of the main issue objectives in the Issue Prospectus of Grupa LOTOS S.A. The Comprehensive Technical Upgrade Programme, in which Grupa LOTOS S.A. intends to invest over PLN 3.2bn in the period 2005–2009, provides for the construction of an IGCC unit, and SDA unit and a MHC unit at the Gdańsk Refinery.

6. On June 23rd 2006, two contributions were made to the equity of LOTOS Biopaliwa Sp. z o.o. (wholly-owned by LOTOS Czechowice S.A.), pursuant to the Resolution of the Extraordinary General Shareholders Meeting of LOTOS Biopaliwa Sp. z o.o., dated June 21st 2006, on obliging a shareholder (i.e. LOTOS Czechowice S.A., in which Grupa LOTOS S.A. holds an 80.04% interest) to make contributions. The first contribution was made in the amount of PLN 685.75 per share (PLN 13,715 thousand in aggregate), without specifying the repayment date. The second contribution was made in the amount of PLN 825.00 per share (PLN 16,500 thousand in aggregate), with the date of repayment to the shareholder set as March 31st 2007. The contributions were made to provide funds for placement of a security deposit by LOTOS Biopaliwa to secure payments related to the contract with MAN Ferrostaal on the construction of a biodiesel production unit.

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

In the period from January 1st to June 30th 2006 the Parent Undertaking and its subsidiaries issued no loan sureties or guarantees to any entity or its subsidiary whose value would represent 10% or more of the Company's equity.

**X Information Material for the Assessment of the Personnel, Assets, Financial Standing and the Financial Result of the Group and their Changes, and for the Assessment of the Parent Undertaking's Ability to Fulfil Its Obligations**

There is no other information material for the assessment of the personnel, assets, financial standing and the financial result of the Group and their changes, or for the assessment of the Group's ability to fulfil its obligations, apart from the information contained in other sections of these condensed consolidated financial statements and in the notes thereto.

**XI Factors Which will Have a Bearing on the Group's Results in the Next Quarter or in a Longer Time Horizon, According to Grupa LOTOS S.A.'s assessment**

The Management Board believes that the factors presented below will have a bearing on the Company's and the Group's results in the next quarter of 2006 or in a longer time horizon:

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

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**XII Signatures of the Management Board Members**

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