



(This is a translation of a document originally issued in Polish)

THE LOTOS GROUP

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30TH 2009
ALONG WITH THE AUDITOR'S REVIEW REPORT**

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**THE LOTOS GROUP
FINANCIAL HIGHLIGHTS**

FINANCIAL HIGHLIGHTS – CONSOLIDATED

THE LOTOS GROUP	PLN'000		EUR'000	
	6 months ended Jun 30 2009	6 months ended Jun 30 2008	6 months ended Jun 30 2009	6 months ended Jun 30 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	6,164,503	7,779,391	1,364,311	2,237,000
Operating profit	153,074	480,402	33,878	138,142
Pre-tax profit	124,482	872,893	27,550	251,004
Profit from continuing operations	88,996	701,817	19,696	201,811
Profit from continuing operations attributable to owners of the parent	80,364	665,941	17,786	191,494
Profit from continuing operations attributable to non-controlling interests	8,632	35,876	1,910	10,316
Total comprehensive income	113,331	695,553	25,082	200,009
Comprehensive income attributable to owners of the parent	104,699	659,677	23,172	189,693
Comprehensive income attributable to non-controlling interests	8,632	35,876	1,910	10,316
Net cash provided by/(used in) operating activities	506,554	(881)	112,109	(253)
Net cash provided by/(used in) investing activities	(1,969,919)	(792,475)	(435,977)	(227,880)
Net cash provided by/(used in) financing activities	1,301,952	641,534	288,144	184,476
Total net cash flow	(122,263)	(156,366)	(27,059)	(44,964)
Basic earnings per ordinary share (PLN/EUR)	0.71	5.86	0.16	1.69
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN'000		EUR'000	
	As at Jun 30 2009	As at Dec 31 2008	As at Jun 30 2009	As at Dec 31 2008
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,375,190	12,201,998	3,216,214	2,924,455
Equity attributable to owners of the parent	5,508,834	5,404,135	1,232,512	1,295,210
Non-controlling interests	404,372	395,917	90,472	94,890
Total equity	5,913,206	5,800,052	1,322,983	1,390,100

Items of the statement of financial position as at June 30th 2009 presented in the "Financial Highlights" table were translated using the euro mid-exchange rate published by the National Bank of Poland for that date, i.e. EUR 1 = PLN 4.4696. Items of the statement of comprehensive income and the statement of cash-flows for the first six months of 2009 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 4.5184 (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 – June 30th 2009).

Items of the statement of financial position as at December 31st 2008 presented in the "Financial Highlights" table were translated using the euro mid-exchange rate quoted by the National Bank of Poland for that date, i.e. EUR 1 = PLN 4.1724. Items of the statement of comprehensive income and the statement of cash-flows for the first six months of 2008 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 3.4776 (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 – June 30th 2008).

THE LOTOS GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30th 2009 and December 31st 2008

(PLN '000)	Note	Jun 30 2009 (unaudited)	Dec 31 2008 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	16.1	8,061,383	5,532,612
Prepayments for tangible assets under construction	16.1	302,151	1,200,713
Goodwill		45,562	45,562
Intangible assets	16.1	80,183	55,921
Investment property		4,726	4,898
Investments in associates		73,488	73,488
Non-current financial assets		65,273	26,516
Deferred tax assets		144,700	132,223
Other non-current assets, including:		31,305	21,911
- non-current receivables		15,923	9,152
- prepayments and accrued income		15,382	12,759
		-----	-----
Total non-current assets		8,808,771	7,093,844
		-----	-----
Current assets			
Inventories		2,918,831	2,447,247
Trade and other receivables		1,644,922	1,364,881
Current tax receivable		42,603	199,971
Prepayments and accrued income		56,978	45,863
Current financial assets		266,847	328,760
Cash and cash equivalents		631,911	712,801
		-----	-----
Total current assets		5,562,092	5,099,523
		-----	-----
Assets held for sale		4,327	8,631
		-----	-----
		=====	=====
Total assets		14,375,190	12,201,998
		=====	=====

THE LOTOS GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30th 2009 and December 31st 2008

(PLN '000)	Note	Jun 30 2009 (unaudited)	Dec 31 2008 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		113,700	113,700
Statutory reserve funds		970,951	970,951
Retained earnings		4,391,494	4,311,130
Translation of foreign operations		32,689	8,354
		-----	-----
Equity attributable to owners of the parent		5,508,834	5,404,135
		-----	-----
Non-controlling interests		404,372	395,917
		-----	-----
Total equity		5,913,206	5,800,052
		-----	-----
Non-current liabilities			
Interest-bearing loans and borrowings	16.2	4,714,600	3,412,245
Long-term provisions	16.3	260,284	267,903
Deferred tax liabilities		27,955	10,411
Other financial and other liabilities		102,257	9,961
		-----	-----
Total non-current liabilities		5,105,096	3,700,520
		-----	-----
Current liabilities			
Trade and other payables and accruals and deferred income		2,508,526	1,886,440
Current tax payable		14,814	8,069
Interest-bearing loans and borrowings	16.2	618,689	507,360
Short-term provisions	16.3	80,696	80,470
Other financial liabilities		134,163	219,087
		-----	-----
Total current liabilities		3,356,888	2,701,426
		-----	-----
Total liabilities		8,461,984	6,401,946
		=====	=====
Total equity and liabilities		14,375,190	12,201,998
		=====	=====

THE LOTOS GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended June 30th 2009 and June 30th 2008

(PLN '000)	Note	6 months ended Jun 30 2009	6 months ended Jun 30 2008
		(unaudited)	(unaudited)
Sales revenue		6,164,503	7,779,391
Cost of sales		(5,511,469)	(6,764,766)
Gross profit		653,034	1,014,625
Other operating income		19,153	13,833
Selling costs		(328,133)	(347,003)
General and administrative expenses		(162,032)	(162,766)
Other operating expenses		(28,948)	(38,287)
Operating profit		153,074	480,402
Finance income	16.4	84,658	493,143
Finance expenses	16.5	(113,250)	(100,652)
Pre-tax profit		124,482	872,893
Corporate income tax		(35,486)	(171,076)
Net profit from continuing operations		88,996	701,817
Other comprehensive income			
Exchange differences on translating foreign operations		24,335	(6,264)
Other comprehensive income, net		24,335	(6,264)
Total comprehensive income		113,331	695,553
Net profit attributable to:			
Owners of the parent		80,364	665,941
Non-controlling interests		8,632	35,876
		88,996	701,817
Total comprehensive income attributable to:			
Owners of the parent		104,699	659,677
Non-controlling interests		8,632	35,876
		113,331	695,553
Net earnings per share (PLN)	11		
- basic		0.71	5.86
- diluted		-	-

THE LOTOS GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2009 and June 30th 2008

(PLN '000)	Note	6 months ended Jun 30 2009	6 months ended Jun 30 2008
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net profit from continuing operations		88,996	701,817
Adjustments:			
Depreciation and amortisation		147,522	157,758
Foreign exchange (gains)/losses		22,785	(92,510)
Net interest and dividend paid		5,651	(941)
(Profit)/loss on investing activities		33,263	94,837
Income tax paid		(31,151)	(159,246)
Current income tax		35,486	171,076
(Increase) in receivables	16.6	(282,634)	(235,378)
(Increase) in inventories	16.6	(343,427)	(483,283)
Increase in liabilities and accruals and deferred income	16.6	865,544	114,921
(Decrease)/increase in provisions	16.6	(7,393)	9,915
(Increase) in prepayments and accrued income	16.6	(13,516)	(10,395)
Settlement of financial instrument		(14,572)	(269,487)
Other adjustments		-	35
Net cash provided by/(used in) operating activities		506,554	(881)
Cash flows from investing activities			
Dividend received		1,737	15,447
Interest received		5,952	14,691
Sale/ (purchase) of property, plant and equipment and intangible assets		(1,806,399)	(337,778)
Sale/ (purchase) of current financial assets		(48)	445
Repayment of non-current loans advanced		-	9
Prepayments for tangible assets under construction		(171,159)	(485,298)
Other items, net		(2)	9
Net cash provided by/(used in) investing activities		(1,969,919)	(792,475)
Cash flows from financing activities			
Increase in loans and borrowings		1,430,496	409,923
Repayment of loans and borrowings		(94,126)	(11,357)
Interest paid		(48,452)	(23,354)
Dividend paid		(15)	(2,578)
Decrease in finance lease liabilities		(392)	(510)
Settlement of financial instruments		14,572	269,487
Other items, net		(131)	(77)
Net cash provided by/(used in) financing activities		1,301,952	641,534
Effect of exchange rate fluctuations on cash held		39,150	(4,544)
Change in net cash		(122,263)	(156,366)
Cash and cash equivalents at beginning of period		338,353	477,104
Cash and cash equivalents at end of period	16.6	216,090	320,738
- restricted cash	16.6	195,478	21,052

THE LOTOS GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended June 30th 2009 and June 30th 2008

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings	Translation of foreign operations	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Jan 1 2008 (audited)	113,700	970,951	4,746,221	(14,645)	5,816,227	334,691	6,150,918
Total comprehensive income for the six months ended Jun 30 2008	-	-	665,941	(6,264)	659,677	35,876	695,553
Dividend to shareholders – distribution of profit for 2007	-	-	-	-	-	(2,578)	(2,578)
Changes in the Group's organisational structure	=====	=====	=====	=====	=====	(172)	(172)
Jun 30 2008 (unaudited)	113,700	970,951	5,412,162	(20,909)	6,475,904	367,817	6,843,721
Jan 1 2009 (audited)	113,700	970,951	4,311,130	8,354	5,404,135	395,917	5,800,052
Total comprehensive income for the six months ended Jun 30 2009	-	-	80,364	24,335	104,699	8,632	113,331
Dividend to shareholders – distribution of profit for 2008	-	-	-	-	-	(19)	(19)
Changes in the Group's organisational structure	=====	=====	=====	=====	=====	(158)	(158)
Jun 30 2009 (unaudited)	113,700	970,951	4,391,494	32,689	5,508,834	404,372	5,913,206

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2009

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 address is 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 acquisition of crude oil and natural gas reserves and their exploitation.

2. Changes in the Composition of the Management and Supervisory Boards

In the period from January 1st 2009 until the end of the sixth term of office, the composition of the Management Board of Grupa LOTOS S.A. was as follows:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer,
Marek Sokółowski – Vice-President of the Management Board, Production and Development Director.

On June 25th 2009, the Supervisory Board of Grupa LOTOS S.A. appointed the Management Board of Grupa LOTOS S.A. of the seventh term of office, including:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer,
Marek Sokółowski – Vice-President of the Management Board, Production and Development Director,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at the date of approval of these condensed interim consolidated financial statements, the composition of the Management Board of Grupa LOTOS S.A. was as follows:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer,
Marek Sokółowski – Vice-President of the Management Board, Production and Development Director,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at January 1st 2009, the composition of the Supervisory Board of Grupa LOTOS S.A. 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,
Piotr Chajderowski – Member of the Supervisory Board,
Małgorzata Hirszel – Member of the Supervisory Board,
Jan Stefanowicz – Member of the Supervisory Board.

On March 10th 2009, the Company received a resignation, with effect from March 10th 2009, by Mr Piotr Chajderowski, Member of the Supervisory Board of Grupa LOTOS S.A. of the seventh term of office, from his position as Member of the Company's Supervisory Board of the seventh term of office.

On April 27th 2009, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution to appoint Mr Ireneusz Fąfara to the Company's Supervisory Board of the seventh term of office.

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THE LOTOS GROUP
Notes to the condensed interim consolidated financial statements
for the six months ended June 30th 2009

As at June 30th 2009 and the date of approval of these condensed interim consolidated financial statements, the composition of the Supervisory Board of Grupa LOTOS S.A. 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,
Ireneusz Fąfara – Member of the Supervisory Board.

3. Rules of Presentation

These condensed interim consolidated financial statements of the LOTOS Group were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and in compliance with the EU accounting standards applicable to interim financial reporting, published and binding at the time of preparing these condensed interim consolidated financial statements of the LOTOS Group.

The IFRS include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Lotos Group for 2008, prepared in accordance with the IFRS.

The financial data as at June 30th 2009 and for the six months ended on that date, as well as the comparable financial data for the six months ended June 30th 2008 contained in these condensed interim financial statements, were reviewed by an auditor. The financial information as at December 31st 2008 was audited by a qualified auditor, who issued an opinion on the financial statements on April 27th 2009.

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

These condensed interim consolidated financial statements were approved for publication by the Management Board on August 26th 2009.

4. Accounting Policies

The accounting policies and calculation methods adopted by the Company in the preparation of these condensed interim consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2008 (see Note 10 to the consolidated financial statements for 2008, prepared in accordance with the IFRS).

With the exception of the Parent Undertaking, the foreign undertakings, Petrobaltic S.A., LOTOS Asfalt Sp. z o.o., LOTOS Oil S.A. and LOTOS Paliwa Sp. z o.o., the Group companies maintain their accounting books in accordance with the accounting standards defined in the Polish Accountancy Act of September 29th 1994 (the "Act") and the regulations issued thereunder ("Polish Accounting Standards" – "PAS"). These consolidated financial statements include adjustments which are absent from the accounting books of the Group's undertakings, and which have been introduced to ensure consistency of the undertakings' financial information with the IFRS.

The Group has reviewed the new interpretations, standards and amendments to the existing standards. Except for the Revised IAS 1 *Presentation of Financial Statements* and IFRS 8 *Operating Segments*, the new interpretations, standards and amendments to existing standards which are in effect and have been adopted by the European Union, have no material impact on the accounting policies applied by the Group.

The following interpretations, standards and amendments to the existing standards have been adopted or are pending adoption by the European Union, and are effective as at January 1st 2009:

- Amendment to IAS 23 *Borrowing Costs* (adopted by the European Union)
- Amendment to IAS 1 *Presentation of Financial Statements* (adopted by the European Union)

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Notes to the condensed interim consolidated financial statements
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- IFRS 8 *Operating Segments* (adopted by the European Union)
- Amendment to IFRS 2 *Share-Based Payments – Vesting Conditions and Cancellations* (adopted by the European Union)
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation* (adopted by the European Union)
- Improvements to the International Financial Reporting Standards – a collection of amendments to the IFRS (endorsed by the European Union)
- Amendments to IFRS 1 *First-Time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (endorsed by the European Union)
- IFRIC 13 *Customer Loyalty Programmes* (applies to annual periods beginning on or after July 1st 2008, endorsed by the European Union)
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (applies to annual periods beginning on or after January 1st 2009, endorsed by the European Union)
- IFRIC 15 *Agreements for the Construction of Real Estate* (applies to annual periods beginning on or after January 1st 2009, not yet endorsed by the European Union)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (applies to annual periods beginning on or after October 1st 2008, endorsed by the European Union)
- Revised IFRS 3 *Business Combinations* (applies to annual periods beginning after July 1st 2009 (with earlier adoption permitted), adopted by the European Union)
- Revised IAS 27 *Consolidated and Separate Financial Statements* (applies to annual periods beginning after July 1st 2009 (with earlier adoption permitted), adopted by the European Union)

Application of the Revised IAS 1

In connection with the application of IAS 1 *Presentation of the Financial Statements* (revised in 2007), in these condensed financial statements, the Company used new terminology as prescribed by the standard to name the particular sections of the financial statements. Furthermore, in compliance with the new standard, in the consolidated statement of changes in equity the Group presented only transactions with the owners. Other items were presented in the consolidated statement of comprehensive income.

Application of IFRS 8

International Financial Reporting Standard 8 *Operating Segments* (IFRS 8) superseded International Accounting Standard 14 *Segment Reporting*. Under International Accounting Standard 14 *Segment Reporting*, the Group did not prepare information on the business segments as it did not meet the criteria of identification of business segments as set forth in the standard.

IFRS 8 requires the disclosure of information on the Group's operating segments based on internal reports that are regularly reviewed by the chief operating decision makers to make decisions about resources to be allocated to each segment and to assess the segments' performance.

For management purposes, the LOTOS Group is divided into business units which correspond to the business segments.

The Group's operating activity comprises two main reportable operating segments:

- upstream segment – comprising activities related to the acquisition of crude oil and natural gas reserves, and crude oil and natural gas production
- downstream segment – comprising the production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities

The segments are identified at the Group level. Grupa LOTOS S.A. is included in the downstream segment. The upstream segment is comprised of the Petrobaltic Group.

Segment performance is assessed on the basis of sales revenue, EBIT (= operating profit/(loss)) and EBITDA (= operating profit/(loss) before depreciation and amortisation).

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The segments' sales revenue, EBIT and EBITDA do not account for intersegment adjustments.

Financial information of the operating segments used by the chief operating decision makers to assess their performance is presented in Note 12 to these condensed consolidated financial statements.

The Company chose the option of early application - as of June 30th 2009 - of the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*.

The following interpretations, standards, and amendments to existing standards, have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee but have not been adopted by the European Union:

- Amendments to IAS 39 *Financial Instruments: Exposures Qualifying for Hedge Accounting* (applies to annual periods beginning on or after July 1st 2009, not yet endorsed by the European Union)
- Revised IFRS 1 *First-Time Adoption of IFRSs* (applies to annual periods beginning on or after July 1st 2009, not yet endorsed by the European Union)
- IFRIC 17 *Distributions of Non-Cash Assets to Owners* (applies to annual periods beginning on or after July 1st 2009, not yet endorsed by the European Union)
- IFRIC 18 *Transfers of Assets from Customers* (applies to annual periods beginning on or after July 1st 2009, not yet endorsed by the European Union)
- Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* (applies to annual periods ending after June 30th 2009, not yet endorsed by the European Union)
- Improvements to the International Financial Reporting Standards – a collection of amendments to the IFRS (in most cases, the amendments apply to annual periods beginning on or after January 1st 2010, not yet endorsed by the European Union)
- IFRS for Small and Medium-Sized Entities (applies as of the issue date, i.e. July 9th 2009, not yet endorsed by the European Union)
- Amendments to IFRS 1 *First-Time Adoption of IFRSs* (apply to annual periods beginning on or after January 1st 2010, not yet endorsed by the European Union).

The Management Board does not expect the introduction of the new standards and interpretations specified above to have any material impact on the accounting policies applied by the Group.

5. Translation of Financial Highlights into the Euro

Items of the statement of financial position as at June 30th 2009 presented in the "Financial Highlights" table were translated using the euro mid-exchange rate published by the National Bank of Poland for that date, i.e. EUR 1 = PLN 4.4696. Items of the statement of comprehensive income and the statement of cash-flows for the first six months of 2009 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 4.5184 (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 – June 30th 2009).

Items of the statement of financial position as at December 31st 2008 presented in the "Financial Highlights" table were translated using the euro mid-exchange rate quoted by the National Bank of Poland for that date, i.e. EUR 1 = PLN 4.1724. Items of the statement of comprehensive income and the statement of cash-flows for the first six months of 2008 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 3.4776 (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 – June 30th 2008).

6. Seasonality and Cyclicity of Operations in Interim Period

The Group's operations are not subject to seasonality or cyclicity in interim periods.

7. Amounts with Significant Bearing on Assets, Liabilities, Equity, Net Profit/Loss or Cash Flows Which Are Non-Typical Due to Their Type, Value, Effect or Frequency

In the period from January 1st to June 30th 2009, no events occurred which would significantly affect the Group's assets, liabilities, equity, net profit/loss or cash flows.

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8. Changes of Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or Changes in Estimates of Amounts Reported in Prior Financial Years, if Those Changes Have a Material Effect in the Current Interim Period

There were no changes in estimates of amounts reported in prior interim periods of the current financial year and in prior financial years.

9. Issue, Redemption and Repayment of Debt and Equity Securities

No debt or equity securities were issued, redeemed or repaid in the period between January 1st and June 30th 2009.

10. Dividends

On June 30th 2009, the General Shareholders Meeting of Grupa LOTOS S.A. adopted Resolution No. 6 concerning coverage of the 2008 net loss incurred by the Company. Under the Resolution, the Company's net loss for the year ended December 31st 2008, amounting to PLN 675,705 thousand, is to be covered using the Company's statutory reserve funds.

11. Earnings per Share

	Six months ended Jun 30 2009	Six months ended Jun 30 2008
	(unaudited)	(unaudited)
Net profit attributable to owners of the parent (PLN '000) (A)	80,364	665,941
Weighted average number of shares (in thousands) (B)	113,700 =====	113,700 =====
Earnings per share (PLN) (A/B)	0.71	5.86

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in the period.

The Group does not disclose diluted earnings per share, since it has no instruments with a potential dilutive effect.

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12. Business Segments

PLN '000	Upstream segment	Downstream segment	Other ⁽¹⁾	Consolidation adjustments	Consolidated
Six months ended Jun 30 2009					
(unaudited)					
Sales revenue:	109,003	6,097,913	148,427	(190,840)	6,164,503
Intersegment sales	107,638	52,157	31,045	(190,840)	-
External sales	1,365	6,045,756	117,382	-	6,164,503
Operating profit/(loss) (EBIT)	(5,298)	169,564	(23,078)	11,886	153,074
Amortisation and depreciation	22,898	124,399	502	(277)	147,522
Operating profit/(loss) before amortisation and depreciation (EBITDA)	17,600	293,963	(22,576)	11,609	300,596
As at Jun 30 2009					
(unaudited)					
Total assets	1,632,328	12,811,180	51,444	(119,762)	14,375,190
Six months ended Jun 30 2008					
(comparable data)					
Sales revenue:	228,492	7,678,507	230,418	(358,026)	7,779,391
Intersegment sales	225,550	85,564	46,912	(358,026)	-
External sales	2,942	7,592,943	183,506	-	7,779,391
Operating profit/(loss) (EBIT)	124,001	404,343	(11,650)	(36,292)	480,402
Amortisation and depreciation	25,236	131,460	1,118	(56)	157,758
Operating profit/(loss) before amortisation and depreciation (EBITDA)	149,237	535,803	(10,532)	(36,348)	638,160
As at Dec 31 2008					
(comparable data)					
Total assets	1,708,070	10,492,470	67,090	(65,632)	12,201,998

⁽¹⁾ includes LOTOS Ekoenergia S.A., LOTOS Park Technologiczny Sp. z o.o. and the LOTOS Gaz Group, which are not included in either segment.

13. Material Events Occurring after the End of the Interim Period and not Disclosed in the Interim Financial Statements

1. On July 1st 2009, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a bank guarantee for the benefit of the Customs Office of Pruszków for the amount of PLN 1,500 thousand as excise security. The original validity term of the guarantee was to expire on December 31st 2009, but was subsequently extended until September 30th 2010.
2. The general excise security submitted by Grupa LOTOS S.A. in the form of a promissory note for the amount of PLN 200,000 thousand for the benefit of the Customs Office of Gdańsk has been in effect since July 6th 2009. The security expires on July 6th 2010.
3. On July 6th 2009, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued three bank guarantees for the benefit of the Customs Office of Pruszków for the amounts of PLN 1,700 thousand, PLN 3,300 thousand and PLN 5,000 thousand, respectively, as excise security. The guarantees expire on July 15th 2010.
4. On July 6th 2009, the validity term of the guarantee for the amount of USD 18,000 thousand (i.e. PLN 62,690 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for February 2nd 2009) issued, at the request of Grupa LOTOS S.A., by Deutsche Bank Polska S.A. for the benefit of TOTAL DEUTSCHLAND GmbH on February 2nd 2009, was extended until January 29th 2010. Furthermore, on August 1st 2009, the amount of the guarantee was changed to USD 10,500 thousand (i.e. PLN 30,285 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for August 3rd 2009) (see item 10 of Note 15.1 to these condensed interim financial statements).
5. The general excise security submitted by Grupa LOTOS S.A. in the form a promissory note for the amount of PLN 200,000 thousand for the benefit of the Customs Office of Gdańsk has been in effect since July 7th 2009. The security expires on July 8th 2010.
6. On July 13th 2009, Petrobaltic S.A. signed an agreement to grant a loan in the amount of USD 6,000 thousand (i.e. PLN 18,960 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for July 13th 2009) to LOTOS Exploration and Production Norge AS. The loan will be used to finance the expenditure related to the YME Production Project. The principal amount of the loan is to be repaid in two instalments, with the second instalment payable by June 30th 2012.

LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration, for the benefit of Petrobaltic S.A., in order to secure the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement).
7. On July 17th 2009, the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, issued a decision on registration of Grupa LOTOS S.A.'s share capital increase by way of issue of Series C shares. Following the registration, the share capital amounted to PLN 129,873 thousand and was divided into 129,873,362 shares. After the registration of the share capital increase, the total number of votes attached to all the shares in Grupa LOTOS S.A. was 129,873,362 votes.

Following the registration, the structure of Grupa LOTOS S.A.'s share capital was as follows:

- 78,700,000 Series A shares,
- 35,000,000 Series B shares,
- 16,173,362 Series C shares.

Pursuant to Resolution No. 34 of the Annual General Shareholders Meeting of Grupa LOTOS S.A. of June 30th 2009, all Series C shares were offered to the State Treasury in a private placement, under Art. 431.2.1 of the Commercial Companies Code, with disapplication of the remaining shareholders' pre-emptive rights to Series C shares.

On July 9th 2009, an agreement was signed providing for the acquisition by the State Treasury of Grupa LOTOS S.A. shares. Pursuant to Resolution No. 34 of the Annual General Shareholders Meeting of Grupa LOTOS S.A. of June 30th 2009, all Series C shares were acquired by the State Treasury. In exchange, the State Treasury transferred to Grupa LOTOS S.A. non-cash contributions in the form of 2,801,400 shares in Petrobaltic S.A., 375,000 shares in LOTOS Czechowice S.A. and 300,000 shares in LOTOS Jasło S.A.

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8. On July 22nd 2009, in performance of the agreement of July 16th 2009 between the State Treasury and Nafta Polska S.A., by way of payment for the Nafta Polska S.A. shares bought back from the State Treasury with a view to their voluntary retirement, Nafta Polska S.A. transferred to the State Treasury 59,025,000 shares of Grupa LOTOS S.A., representing 51.91% of Grupa LOTOS S.A.'s share capital and conferring the right to 59,025,000 votes, which represented 51.91% of the total vote in Grupa LOTOS S.A.

Following these transactions, the State Treasury held shares representing 63.97% of Grupa LOTOS S.A.'s share capital.

9. On July 16th 2009, license for co-generation of electricity and heat No. WEE/69-ZTO/612/W/OGD/2009/BP, granted to Grupa LOTOS S.A. by the President of the Energy Regulatory Authority, was extended until September 1st 2018.
10. On July 21st 2009, at the request of Grupa LOTOS S.A., Bank Pekao S.A. issued a payment guarantee for USD 10,500 thousand (i.e. PLN 31,524 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for July 21st 2009) for the benefit of TOTAL DEUTSCHLAND GmbH in connection with gasoline and Diesel oil supplies. The guarantee expires on January 31st 2010.
11. On August 10th 2009, Grupa LOTOS S.A. entered into an agreement with LOTOS Kolej Sp. z o.o. concerning the provision of transport and other rail-freight related services. The agreement was executed for a specified period from August 10th 2009 to December 31st 2019, and its estimated value is PLN 2,129m (VAT excl.). The estimated maximum value of the contractual penalties payable by LOTOS Kolej Sp. z o.o. if it fails to meet its obligations under the agreement is equal to the estimated value of the agreement. In addition, the agreement gives Grupa LOTOS S.A. the right to seek damages in excess of the contractual penalties. The other terms and conditions of the agreement do not differ from the terms and conditions commonly applied in agreements of such type.

14. Changes in the Entity's Structure in the Interim Period, Including Changes which Follow from Mergers, Acquisitions or Sale of Subsidiaries, Long-Term Investments, Restructurings or Discontinuations of any Businesses

There were no significant changes in the Group structure since the end of the previous financial year, i.e. December 31st 2008 (see Note 2 to the consolidated financial statements for 2008 prepared in accordance with the IFRS), except for the changes listed below:

1. On January 30th 2009, LOTOS Jasło S.A. acquired 15 shares in PLASTEKOL Organizacja Odzysku S.A., representing 1.5% of the company's share capital, from Krzysztof Boniecki, who conducts business activity under the business name of Przedsiębiorstwo Wielobranżowe ROBAC. Following the transaction, LOTOS Jasło S.A.'s holding in the share capital of PLASTEKOL Organizacja Odzysku S.A. increased from 83.5% to 85% (or, from 835 to 850 shares).

On February 13th 2009, LOTOS Jasło S.A. acquired 30 shares in PLASTEKOL Organizacja Odzysku S.A., representing 3.0% of the company's share capital, from EKO-OPEN Sp. z o.o. Following the transaction, LOTOS Jasło S.A.'s holding in the share capital of PLASTEKOL Organizacja Odzysku S.A. increased from 85% to 88% (or, from 850 to 880 shares).

On April 6th 2009, LOTOS Jasło S.A. acquired 30 shares in PLASTEKOL Organizacja Odzysku S.A., representing 3% of the company's share capital, from Jan B. Tylisz, who conducts business activity under the business name of Przedsiębiorstwo Handlowo - Usługowe TYL-OIL. Following the transaction, LOTOS Jasło S.A.'s stake in PLASTEKOL Organizacja Odzysku S.A. increased from 88% to 91% (or from 880 to 910 shares).

On May 13th 2009, LOTOS Jasło S.A. acquired 30 shares of PLASTEKOL Organizacja Odzysku S.A., representing 3% of the company's share capital, from JASCHEM Zakład Petrochemiczno-Rafineryjny Sp. z o.o. Following the transaction, LOTOS Jasło S.A.'s stake in PLASTEKOL Organizacja Odzysku S.A. increased from 91% to 94% (or from 910 to 940 shares).

2. On January 20th 2009, the Management Board of Petrobaltic S.A. resolved to commence the procedure for registration of another share capital increase at LOTOS Exploration and Production Norge AS and acquisition of the new shares by Petrobaltic S.A.

The share capital of LOTOS Exploration and Production Norge AS was increased from NOK 190m (the equivalent of PLN 90m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for January 20th 2009) to NOK 430m (the equivalent of PLN 203m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for January 20th 2009). The new shares comprising the increased share capital, whose aggregate par value amounts to NOK 240m (the equivalent of PLN 113m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for January 20th 2009) are equal and indivisible, and they are treated by Petrobaltic S.A. as a long-term equity investment.

Petrobaltic S.A. covered the 240 million new shares in LOTOS Exploration and Production Norge AS with cash. The purchase price for the shares was equal to their par value, i.e. NOK 240m (the equivalent of PLN 113m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for January 20th 2009) and was covered with Petrobaltic's internally-generated funds.

On February 26th 2009, the Norwegian companies registrar Brønnøysundregistrene registered the share capital increase at LOTOS Exploration and Production Norge AS.

3. On April 30th 2009, KRAK-GAZ Sp. z o.o. filed a bankruptcy petition with the District Court for Kraków Śródmieście, VIII Commercial Division for Bankruptcy and Recovery.

On July 1st 2009, a court supervisor was appointed provisionally in order to prepare a report containing findings of his review of the data included in the bankruptcy petition, assessment of the possibility of covering the costs of bankruptcy proceedings with KRAK-GAZ Sp. z o.o.'s assets (and thus the possibility of carrying out the proceedings), and of the possibility of entering into an arrangement with the creditors. On July 13th 2009, the provisional court-appointed supervisor submitted a report containing an analysis of the debtor's documentation and condition of its business.

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On July 23rd 2009, the District Court for Kraków Śródmieście, VIII Commercial Division for Bankruptcy and Recovery, resolved to announce KRAK-GAZ Sp. z o.o.'s bankruptcy by way of liquidation of the company's assets.

4. On March 13th 2009, the Management Board of Energobaltic Sp. z o.o. filed a declaration of instituting recovery proceedings with the District Court for Gdańsk. On March 30th 2009, following examination of the case of Energobaltic Sp. z o.o.'s declaration, the District Court for Gdańsk, VI Commercial Division, appointed, under Art. 497.1 of the Act on Bankruptcy and Recovery, of February 28th 2003 a court supervisor for Energobaltic Sp. z o.o. recovery proceedings. As part of the proceedings, an Arrangement was entered into by Energobaltic Sp. z o.o. and Bank Ochrony Środowiska S.A., Petrobaltic S.A. and Stablewood Power Ventures (Władysławowo) Ltd. on June 29th 2009.

As at June 30th 2009, the amount of Petrobaltic S.A.'s claims under a loan granted to Energobaltic Sp. z o.o. was USD 7,894 thousand (USD 7,764 thousand as at December 31st 2008), which is equivalent to PLN 25,051 thousand (PLN 22,994 thousand as at December 31st 2008), including accrued interest. An impairment charge was recognised for the full amount receivable under the loan to Energobaltic Sp. z o.o. An impairment charge was also recognised for the value of Energobaltic Sp. z o.o. shares. In addition, as at June 30th 2009 Petrobaltic S.A. recognised a provision of PLN 21,769 thousand in connection with potential liabilities under a shareholders agreement and a necessity to buy out claims under an agreement on a loan granted by Stablewood Power Ventures (Władysławowo) Ltd. to Energobaltic Sp. z o.o., referred to in Note 42 to the consolidated financial statements for 2008 prepared in accordance with the International Financial Reporting Standards.

5. In these condensed consolidated financial statements, the LOTOS Group included financial data concerning the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic ("Petrobaltic Group") for a period of six months ended on June 30th 2009, with the assumption that the Petrobaltic Group carries the shares of its associated undertaking Naftos Gavyba (NG) using the equity method as at December 31st 2008, in the amount of PLN 73,488 thousand. The basis for the recognition in these consolidated financial statements of NG value corresponding to the number of NG shares held by Petrobaltic S.A. was the consolidated financial statements of the NG Group drawn up in accordance with Lithuanian accounting standards.

As at June 30th 2009, AB Naftos Gavyba was owned by Petrobaltic S.A., holding 42.7% of its share capital, and UAB Meditus, holding 57.3% of its share capital. The Group holds indirectly 29.46% of AB Naftos Gavyba's share capital.

In addition, as at June 30th 2009, the Group recognised assets invested in AB Naftos Gavyba, its associated undertaking, in the total amount of PLN 25.3m (PLN 25.3m as at December 31st 2008). The recognised amount is the funds provided to UAB Naftos Gavyba (currently AB Naftos Gavyba) by Petrobaltic S.A. in 2000 to finance the purchase of AB Geonafta shares, subject to a condition precedent (Conditional Agreement on Purchase of Ownership Rights to Shares, dated July 18th 2000; the Agreement). Transfer of the shares was conditional upon AB Naftos Gavyba performing its investment commitments towards AB Geonafta, as specified in the privatisation agreement of AB Geonafta. In 2001–2005, UAB Naftos Gavyba performed all of its investment commitments, which consumed LTL 56m, and acquired 41 million AB Geonafta shares. The most recent increase in AB Geonafta's share capital took place on April 25th 2005. Performance of the commitments was financed in full with UAB Naftos Gavyba's own funds sourced from dividends paid out in consecutive years by AB Geonafta. With the condition precedent fulfilled on April 25th 2005, Petrobaltic S.A. could take over the shares in AB Geonafta specified in the Agreement.

On March 24th 2006, an agreement supplementary to the Agreement of July 18th 2000 was signed by Petrobaltic S.A., UAB Meditus and UAB Naftos Gavyba to postpone the deadline for transferring the ownership rights to the shares in AB Geonafta to August 31st 2007. On December 19th 2007, AB Naftos Gavyba and Petrobaltic S.A. concluded another supplementary agreement to the Agreement of July 18th 2000 between Petrobaltic S.A. and UAB Naftos Gavyba, under which the deadline for the transfer of the ownership rights to AB Geonafta shares was postponed until June 30th 2008. Under one more supplementary agreement, which took effect on June 30th 2008, the parties to the Agreement postponed the deadline for the transfer of the ownership rights to AB Geonafta shares until December 31st 2008. On February 11th 2009, another agreement supplementary to the Agreement of July 18th 2000 between Petrobaltic S.A. and AB Naftos Gavyba was signed, whereby the deadline for the transfer of the ownership rights to AB Geonafta shares was postponed until April 15th 2009.

On April 15th 2009, the agreement postponing the deadline for the acquisition of AB Geonafta shares by UAB Meditus and Petrobaltic S.A. expired.

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On June 1st 2009, a new Shareholders Agreement was executed between UAB Meditus and Petrobaltic S.A. in connection with the planned merger of AB Naftos Gavyba and AB Geonafta. The Shareholders Agreement provides that the agreement of July 18th 2000 concerning the transfer of AB Geonafta shares to UAB Meditus and Petrobaltic S.A. by AB Naftos Gavyba is to be performed at least three days before the date on which AB Naftos Gavyba and AB Geonafta adopt resolutions on the companies' merger. The agreement of July 18th 2000 was actually performed on July 1st 2009 with the effect that Petrobaltic S.A. acquired directly AB Geonafta shares accounting for 12.20% of AB Geonafta's share capital (shares acquired by UAB Meditus account for 16.37% of the share capital). Changes to AB Geonafta's share capital were registered on July 9th 2009. The resolutions of AB Naftos Gavyba's and AB Geonafta's General Shareholders Meetings approving the merger of the two companies were adopted on July 20th 2009.

The merger of AB Naftos Gavyba and AB Geonafta was registered on August 7th 2009 and on the same date AB Naftos Gavyba was removed from the relevant register. Petrobaltic S.A. and UAB Meditus hold (subsequent to the merger) shares accounting for 40.59% and 59.41% of AB Geonafta's share capital, respectively.

15. Changes in Contingent Liabilities and Assets after the Previous Balance-Sheet Date

15.1 Contingent Liabilities and Contingent Assets

No material changes occurred with respect to contingent liabilities in the period from the end of the previous financial year, i.e. December 31st 2008 (see Note 42 to the consolidated financial statements for 2008, prepared in accordance with the IFRS), except for those listed below and those described in items 1–6 and item 8 of Note 13 to these condensed interim consolidated financial statements:

1. On January 3rd 2007, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a bank guarantee for the benefit of CB&I LUMMUS GmbH in the form of a documentary letter of credit for the amount of EUR 19,034 thousand (the equivalent of PLN 72,843 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for January 3rd 2007). The original validity term of the guarantee expired on June 30th 2008. The validity term of the letter of credit was extended several times. The most recent extension of its validity term was made on May 29th 2009 – the validity term was extended until June 30th 2009. The guarantee expired with the end of its validity period.
2. On April 1st 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 5,195 thousand (the equivalent of PLN 18,240 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 1st 2008) for the benefit of LURGI S.A., valid through June 30th 2008. On July 1st 2008, the amount of the letter of credit was raised to EUR 10,979 thousand (the equivalent of PLN 36,827 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for July 1st 2008) and its validity term was extended until September 30th 2008. The letter of credit was issued to secure the performance of a contract related to the construction of a hydrogen generation unit (HGU). On October 1st 2008, the validity term of the letter of credit was extended until December 31st 2008 and its value was again increased – to EUR 14,923 thousand (the equivalent of PLN 50,402 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for October 1st 2008). Then, on January 1st 2009, the validity term of the letter of credit was extended until March 31st 2009, and its amount decreased to EUR 14,234 thousand (the equivalent of PLN 59,386 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for January 2nd 2009). Since December 17th 2008, the letter of credit has been financed under the term loan facility granted by the group of financial institutions (see Note 16.2 to these condensed interim consolidated financial statements). On March 31st 2009, the letter of credit expired.
3. On April 30th 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 7,230 thousand (the equivalent of PLN 25,019 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2008) for the benefit of LURGI S.A., valid through July 31st 2008. The letter of credit was issued to secure the performance of the EPC contract for the crude and vacuum distillation units (CDU/VDU). On July 31st 2008, the validity period of the letter of credit was extended until October 31st 2008. The value of the stand-by letter of credit was increased to EUR 15,356 thousand (the equivalent of PLN 49,179 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for July 31st 2008). On November 1st 2008, the validity term of the letter of credit was extended until January 31st 2009. The value of the stand-by letter of credit was raised to EUR 20,175 thousand (the equivalent of PLN 71,752 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for November 3rd 2008). On February 1st 2009, the validity term of the letter of credit was extended until April 30th 2009 and its value decreased to EUR 15,647 thousand (the equivalent of PLN 69,419 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for February 2nd 2009). Since December 17th 2008, the letter of credit has been financed under the term loan facility granted by the group of financial institutions (see Note 16.2 to these condensed interim consolidated financial statements). On April 30th 2009, the validity term of the documentary letter of credit was extended until June 30th 2009 and its amount decreased to EUR 11,906 thousand (the equivalent of PLN 52,194 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2009). The letter of credit expired with the end of its validity period.
4. On June 2nd 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a documentary letter of credit for EUR 19,034 thousand (the equivalent of PLN 64,403 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for June 2nd 2008) for the benefit of CB&I LUMMUS GmbH. The original validity term of the letter of credit expired on December 31st 2008. The letter of credit was issued to secure the performance of a contract related to a diesel hydrodesulphurisation unit (HDS). On January 1st 2009, the validity term of the letter of credit was extended, first until January 31st 2009, and then until March 31st 2009. The most recent extension of its validity term was made on May 29th 2009 –the

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- validity term was then extended until June 30th 2009. The guarantee expired with the end of its validity period.
5. On June 26th 2008, at the request of Grupa LOTOS S.A., Deutsche Bank Polska S.A. issued a payment guarantee for USD 12,000 thousand (the equivalent of PLN 25,704 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for June 26th 2008) for the benefit of TOTAL DEUTSCHLAND GmbH in connection with the supply of gasoline. The original validity term of the guarantee expired on December 31st 2008. On December 12th 2008, the validity term of the guarantee was extended until January 31st 2009. The guarantee expired with the end of its validity period.
 6. On October 22nd 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. opened a documentary letter of credit for EUR 19,034 thousand (the equivalent of PLN 70,690 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for October 22nd 2008) under the term loan facility granted by the group of financial institutions (see Note 16.2 to these condensed interim consolidated financial statements). The letter of credit, issued for the benefit of CB&I LUMMUS GmbH, is valid through June 30th 2009. It was issued to secure the performance of a contract related to a diesel hydrodesulphurisation unit (HDS). The letter of credit expired with the end of its validity period.
 7. On December 19th 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. opened a stand-by letter of credit for EUR 500 thousand (the equivalent of PLN 2,057 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for December 19th 2008) under the term loan facility granted by the group of financial institutions (see Note 16.2 to these condensed interim consolidated financial statements). The letter of credit, issued for the benefit of LURGI S.A., is valid through May 31st 2009. The letter of credit was issued to secure the performance of a contract related to modernisation of a condensate station and construction of a fuel gas terminal. The letter of credit expired with the end of its validity period.
 8. On January 2nd 2009, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a guarantee for PLN 1,500 thousand for the benefit of the Customs Office in Pruszków as security for excise duty. The guarantee expired on June 30th 2009.
 9. On January 2nd 2009, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 3,000 thousand (the equivalent of PLN 12,517 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for January 2nd 2009) for the benefit of Umicore Precious Metals Refining, valid through October 15th 2009. The stand-by letter of credit was issued to secure lease payments under a platinum lease agreement.
 10. On February 2nd 2009, at the request of Grupa LOTOS S.A., Deutsche Bank Polska S.A. issued a guarantee for USD 18,000 thousand (the equivalent of PLN 62,690 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for February 2nd 2009) for the benefit of TOTAL DEUTSCHLAND GmbH. The guarantee, which was issued to secure payment of amounts due for the delivery of diesel oil and gasoline, remains valid through July 31st 2009 (see item 4 of Note 13 to these condensed interim consolidated financial statements).
 11. On February 27th 2009, Grupa LOTOS S.A. submitted security for excise duty in the form of a blank promissory note for up to PLN 400,000 thousand, issued for the benefit of the Customs Office in Gdańsk to secure the Company's tax liability in connection with the suspended excise tax collection procedure. The blank promissory note is valid through January 13th 2011.
 12. On March 2nd 2009, Grupa LOTOS S.A. created security in the form of four blank promissory notes with a promissory note declaration for up to PLN 191,723 thousand, for the benefit of the Material Reserves Agency, in order to secure its liabilities under a fuel lending agreement. After settlement of successive instalments, the Material Reserves Agency is obliged to release the security in the form of the promissory notes. The agreement remains valid until October 31st 2009. As at the date of approval of these condensed interim consolidated financial statements, the Material Reserves Agency had returned two promissory notes for the amount of PLN 65,956 thousand and PLN 40,269 thousand. As at June 30th 2009, Grupa LOTOS S.A.'s liabilities under the above agreement amounted to PLN 128,157 thousand.
 13. The validity term of the bank guarantee of April 27th 2007 issued for the benefit of a Customs Chamber by Bank PKO BP S.A. at the request of Grupa LOTOS S.A. to secure liabilities under customs-duty debts, taxes and other customs-related charges, expired on May 4th 2009. The original guarantee amount was PLN 160,000 thousand. On May 5th 2008, the guarantee amount changed to PLN 200,000 thousand and on

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- December 17th 2008 it changed again to PLN 125,000 thousand. The guarantor's liability continued until July 3rd 2009.
14. At the request of Grupa LOTOS S.A., on April 7th 2009 Deutsche Bank Polska S.A. issued for the benefit of a Customs Office an instrument for the amount PLN 10,000 thousand to secure a tax liability related to transit of excise goods. The original validity term of the security was to expire on April 30th 2010. On April 16th 2009, it was extended until May 31st 2010. On June 16th 2009, the liability expired (the original guarantee was returned).
15. On April 30th 2009, LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration, for the benefit of Grupa LOTOS S.A., in order to secure the repayment of a loan in the amount of USD 13,000 thousand (the equivalent of PLN 42,717 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2009) (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement). The loan was used to finance the expenditure related to the YME Production Project. The original loan repayment date was July 31st 2009, but was extended until September 30th 2009. The security in the form of the blank promissory note with a "protest waived" clause and the promissory note declaration remains valid.
16. In order to secure the repayment of a loan, on January 15th 2009, LOTOS Exploration and Production Norge AS issued a blank promissory note with a "protest waived" clause and a promissory note declaration for the benefit of Petrobaltic S.A. The loan, amounting to USD 55,000 thousand (the equivalent of PLN 176,605 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for January 15th 2009), will be used to finance further implementation of the YME Production Project, in particular the capital expenditure on the Project along with the cost of capital, including interest on the loan. The loan will be paid in three instalments and the date of the last instalment is March 31st 2010.
17. In order to secure the repayment of a loan, on March 9th 2009 LOTOS Exploration and Production Norge AS issued a blank promissory note with a "protest waived" clause and a promissory note declaration for the benefit of Petrobaltic S.A. The loan of USD 7,500 thousand (the equivalent of PLN 28,093 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for March 9th 2009) will be used to finance further implementation of the YME Production Project. The principal amount is to be repaid by January 29th 2010.
18. On February 10th 2009, LOTOS Oil S.A. submitted security for excise duty in the form of a promissory note for the amount of PLN 5,000 thousand, along with a promissory note declaration, issued for the benefit of a Customs Office in order to secure the company's excise tax liability related to transit of excise goods. The promissory note is valid from March 1st 2009 to February 28th 2011.
19. On February 26th 2009, at the request of LOTOS Asphalt Sp. z o.o., BRE Bank S.A. issued a documentary letter of credit for EUR 500 thousand (the equivalent of PLN 2,353 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for February 26th 2009) for the benefit of NARDINI S.p.A. The validity term of the letter of credit expires on June 30th 2009. The letter of credit was issued to secure the performance of a contract related to the construction of a tarpaper production plant.
20. In connection with an annex to a credit facility agreement (under which the facility limit was reduced), on February 27th 2009 LOTOS Jasło S.A. reduced the amount of security (in the form of a blank promissory note) for the company's liabilities under the overdraft working-capital facility contracted with Bank PKO BP S.A., Krosno Branch, from PLN 18,000 thousand to PLN 10,000 thousand. The validity term of the promissory note expires on July 29th 2011.
21. The liability of LOTOS Jasło S.A. under a blank promissory note securing an excise guarantee for PZU, Rzeszów Branch, for the amount of PLN 5,000 thousand continued until May 1st 2009. The validity term of the guarantee expired on January 31st 2009.
22. On April 1st 2009, LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration, for the benefit of Petrobaltic S.A., in order to secure the repayment of a loan in the amount of USD 2,500 thousand (the equivalent of PLN 8,805 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for April 1st 2009). The loan will be used to finance further implementation of the YME Production Project. The loan principal is to be repaid by June 30th 2010.

23. In order to secure the payment of excise tax liability, on April 15th 2009 LOTOS Biopaliwa Sp. z o.o. issued (and submitted to the Customs Office in Bielsko-Biała) a blank promissory note for up to PLN 18,820 thousand, guaranteed by LOTOS Czechowice S.A., along with a promissory note declaration. The promissory note is valid through June 30th 2010.
24. Security in the form of two blank promissory notes with promissory note declarations (one for up to PLN 5,921 thousand and the other for up to PLN 4,263 thousand) was valid until April 16th 2009. The promissory notes were issued on April 17th 2008 by LOTOS Biopaliwa Sp. z o.o. to secure its excise tax liabilities and submitted to the Customs Office of Bielsko-Biała. They were guaranteed by LOTOS Czechowice S.A.
25. Security in the form of a blank promissory note with a promissory note declaration (for up to PLN 4,263 thousand) was valid until April 16th 2009. LOTOS Biopaliwa Sp. z o.o. issued the promissory note as security for its excise tax liabilities on December 30th 2008 and submitted it to the Customs Office of Bielsko-Biała. The promissory note was guaranteed by LOTOS Czechowice S.A.
26. On May 19th 2009, LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration, for the benefit of Petrobaltic S.A., in order to secure the repayment of a loan in the amount of USD 11,000 thousand (the equivalent of PLN 35,355 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for May 19th 2009). The loan will be used to finance further implementation of the YME Production Project. The loan principal is to be repaid in two instalments, with the second instalment payable by December 31st 2010.
27. On May 19th 2009, Petrobaltic S.A. concluded an agreement with Nordea Bank Polska S.A. on a security assignment of claims, to secure the Bank's claims which arise or might arise under the agreements of May 19th 2009, i.e. agreement on an overdraft working-capital facility with a limit of up to PLN 50,000 thousand and framework agreement on a revolving working-capital facility, bank guarantees and letters of credit with a limit of up to PLN 100,000 thousand (see Note 16.2 to these condensed interim consolidated financial statements). These agreements are also secured by blank promissory notes with promissory note agreements.
28. On June 9th 2009, LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration, for the benefit of Petrobaltic S.A., in order to secure the repayment of a loan in the amount of USD 10,500 thousand (the equivalent of PLN 34,004 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for June 9th 2009). The loan will be used to finance further implementation of the YME Production Project. The loan principal is to be repaid in three instalments, with the last instalment payable by December 31st 2012.

15.2 Material Court, Arbitration or Administrative Proceedings and Other Risks Concerning the Parent Undertaking or Its Subsidiary Undertakings

No changes have occurred with respect to pending court, arbitration, or administrative proceedings or with respect to other risks of the Company or its subsidiaries since the end of the previous financial year, i.e. December 31st 2008 (see Note 45 to the consolidated financial statements for 2008 prepared in accordance with the IFRS), except for those listed below:

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

The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Competition and Consumer Protection Office of September 26th 1996, in which the Office ordered the Company to abandon such practices. The Company appealed against the decision. The Provincial Court of Warsaw – the Anti-Monopoly Court, changed, by virtue of its decision of October 22nd 1997, only the wording of the decision and ordered the

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Company to abandon monopolistic practices. The cassation complaint against this decision filed by the Company was dismissed by the Supreme Court by virtue of its decision of June 2nd 1999.

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

The case is pending before the Regional Court of Gdańsk (First Instance Court) and its file No. is IX GC 134/04. The Company defends itself by raising objections as to the merits of the case (it questions the fact that any damage was incurred by PETROECCO JV Sp. z o.o., the amount of the alleged damage, and the existence of the cause and effect relationship between the monopolistic practices and the damage). Following the hearing of June 2005, the Regional Court of Gdańsk ordered a court expert in accountancy and economics to draw up a report concerning the extent of the damage which the plaintiff incurred as a result of Grupa LOTOS S.A.'s activities. In the issued opinion, the expert witness indicated that based on the materials presented by PETROECCO JV Sp. z o.o. it was impossible to establish the amount of the losses or even state whether the losses were actually incurred. Besides, the expert pointed out that an opinion should be requested from an expert witness in a field other than accountancy. The lack of evidence required to issue such an opinion prevented the plaintiff from causing the appointment of another expert witness. The hearing was held on March 27th 2007. The ruling was scheduled to be announced on April 10th 2007, then postponed until April 20th 2007. Pursuant to the ruling of April 20th 2007, the suit was dismissed. On May 17th 2007, the Company filed an appeal against the decision on the cost of the proceedings. On June 4th 2007, Petroecco filed an appeal against the ruling issued on April 20th 2007. On August 12th 2007, the Company submitted its response to the appeal. On December 20th 2007, the Court dismissed PETROECCO JV Sp. z o.o.'s appeal against the decision of the Regional Court. On March 19th 2008, an enforcement motion was filed with a Court Enforcement Officer against PETROECCO JV Sp. z o.o. On April 17th 2008, PETROECCO JV Sp. z o.o. lodged a cassation complaint against the ruling issued on December 20th 2007. The complaint was delivered to Grupa LOTOS S.A. on June 17th 2008. On June 30th 2008, Grupa LOTOS S.A. sent a response to the complaint. The case was referred to pre-trial proceedings scheduled for November 14th 2008. On January 14th 2009, the Supreme Court reversed the ruling appealed against and remanded the case for re-examination by the Court of Appeals in Gdańsk. On March 10th 2009, the case files were delivered to the Court of Appeals. On April 3rd 2009, the Court Enforcement Officer sent the decision on discontinuation of the enforcement proceedings. On May 14th 2009, the Court of Appeals referred the case to the Regional Court for re-examination. As at the date of approval of these condensed interim financial statements, the case was pending.

The Company's Management Board is of the opinion that the risk of an unfavourable ruling in a potential dispute is low, therefore no provisions for potential damages were created and disclosed in the financial statements.

2. On November 3rd 2005, Grupa LOTOS S.A. was served a nullity suit submitted by the Minister of State Treasury, concerning the agreement of August 18th 1998 between Grupa LOTOS S.A. and Polska Żegluga Morska, a state-owned company, providing for the sale of two shares in Naftoport Sp. z o.o., valued at PLN 3,340 thousand. On April 21st 2006, the Regional Court in Gdańsk, IX Commercial Division, issued a ruling dismissing the claim in its entirety. On June 8th 2006, the Minister of State Treasury appealed against the ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998. On June 30th 2006, the Company filed its response to the appeal. On December 28th 2006, the Court of Appeals passed a ruling reversing the challenged decision of April 21st 2006 and declaring the agreement on the sale of two shares in Naftoport Sp. z o.o. as invalid. On April 6th 2007, the Company filed a cassation complaint and a request to stay enforcement of the decision of the second instance. By virtue of the ruling of the Court of Appeals of Szczecin dated April 20th 2007, the request to stay enforcement of the decision of the second instance was dismissed. On August 10th 2007, the Supreme Court issued a decision to accept the cassation complaint for consideration. On November 21st 2007, the Supreme Court issued a decision to remand the case back to the Court of Appeals in Szczecin. The hearing was held on May 7th 2008. The Court dismissed the claim in its entirety and decided that the costs of the proceedings in the amount of PLN 100 thousand would be returned to Grupa LOTOS S.A. The Court's decision became final with effect from May 7th 2008. On August 20th 2008, the State Treasury lodged a cassation complaint. On December 11th 2008, the case files arrived at the Supreme Court, Civil Chamber Division II. In a closed session held on March 6th 2009, the Court accepted the complaint for consideration. The date of the hearing was set for May 6th 2009; during the hearing, the Supreme Court remanded the case for re-examination by the Szczecin Court of Appeals. As at the date of approval of these condensed interim financial statements, the case was pending.

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The Company's Management Board is of the opinion that the risk of an unfavourable ruling in a potential dispute is low, therefore no provisions for potential damages were created and disclosed in the financial statements.

3. On July 30th 2007, Petrobaltic S.A. received a decision issued by the Permanent Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk of June 11th 2007 in a case brought by Energobaltic Sp. z o.o. against Petrobaltic S.A. The dispute concerned performance of contract No. EB/PKT – 02/01/2001 of December 17th 2001, whereunder Petrobaltic S.A. was to design and construct a gas transmission line that would deliver gas from its drilling platform to the heat and power plant operated by the plaintiff in Władysławowo. The plaintiff alleged a delay in performance of the contract by the defendant and demanded payment of contractual penalties, whereas the defendant claimed to have performed the contract by the prescribed deadline. The aforementioned decision granted Energobaltic Sp. z o.o.'s claim in its entirety and awarded against the defendant an amount of PLN 1,424 thousand plus statutory interest for the period from July 3rd 2003 until the payment date, as well as an amount of PLN 30 thousand on account of court fees and PLN 7 thousand as reimbursement of the legal representation costs. Given this decision and in view of substantial uncertainty as to the success of a possible appeal, a provision of PLN 2,157 thousand was created. On October 29th 2007, Petrobaltic S.A. lodged a complaint with the Regional Court of Gdańsk to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk. A hearing concerning Petrobaltic S.A.'s claim to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk was held on April 9th 2008. By virtue of the decision of March 12th 2008, the Regional Court of Gdańsk, IX Commercial Division, dismissed the motion to stay enforcement of the decision of the Permanent Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk, and by virtue of the decision of April 9th 2008, the Court dismissed Petrobaltic S.A.'s claim to repeal the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk. On April 10th 2008, Petrobaltic S.A. paid a part (PLN 666 thousand) of the amount awarded against it to the bank account of Energobaltic Sp. z o.o. Petrobaltic S.A. decided that the remaining portion of the amount awarded against it would be paid through a set-off of mutual claims under the electricity sales agreement, assuming that a result of the payment and the set-off, the claim expires. However, Energobaltic Sp. z o.o. refused to acknowledge the set-off; it decided to apply the amount paid by Petrobaltic S.A. towards the settlement of default interest, and to collect the remaining part of the principal amount due in court enforcement proceedings. On June 13th 2008, Petrobaltic S.A.'s bank account was attached and the amount of PLN 1,671 thousand was seized based on a notification on commencement of enforcement proceedings (file. ref. No. KM 1233/08). The enforcement was carried out by Court Enforcement Officer for Area III in Gdańsk at the request of Energobaltic Sp. z o.o. Petrobaltic S.A. filed action for payment of PLN 1,620 thousand against Energobaltic Sp. z o.o., which is pending before the Regional Court of Gdańsk, IX Commercial Division, file ref. No. IX GNC 257/08. The action was brought in connection with Energobaltic Sp. z o.o. having enforced an amount earlier paid by Petrobaltic S.A. in connection with the decision of the Court of Conciliation at the District Chamber of Legal Counsels in Gdańsk of June 11th 2007.

On August 18th 2008, in the course of admonition proceedings, the Regional Court issued an order for payment against Energobaltic Sp. z o.o. for the amount of PLN 1,620 thousand plus statutory interest for the period from June 30th 2008 until the payment date, as well as PLN 27 thousand on account of court fees, including PLN 7 thousand as reimbursement of the legal representation costs, to be paid to Petrobaltic S.A. On September 5th 2008, the defendant lodged an objection against the order. On January 6th 2009, the plaintiff filed a reply to the objection. The case is pending before the Regional Court in Gdańsk, IX Commercial Division, file ref. No. IX GC 409/08.

On April 1st 2009, the first hearing was held. The Court decided that the next hearing would be held on May 19th 2009. Subsequently, the date for the next hearing was set for July 14th 2009, and then adjourned until October 16th 2009. As at the date of approval of these condensed interim consolidated financial statements, the case was pending.

Petrobaltic S.A. made a valuation allowance for the amount claimed by Energobaltic Sp. z o.o. as part of the enforcement proceedings initiated by Energobaltic Sp. z o.o. which are carried out against Petrobaltic S.A. by the Court Enforcement Officer.

4. In June 2009, Svenska Petroleum Exploration AB announced that it had received all due amounts – in accordance with the terms of the arrangement – from the Government of the Republic of Lithuania and AB Geonafra. Thus the proceedings described in Note 45 of the Notes to the consolidated financial statements for 2008 prepared in accordance with the IFRS were completed.

5. At LOTOS Czechowice S.A., the Head of the Customs Office of Bielsko-Biała carried out an inspection to determine the correct amount of excise tax payable for the period from January 1st 2004 to September 30th 2004, in connection with the sale of oil for B ceramic moulds. As a result of the inspection, fiscal proceedings were instigated on May 18th 2005 on an ex officio basis. On May 5th 2006, LOTOS Czechowice S.A. received four

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decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the excise tax liability for January, February, and March 2004. The proceedings aimed at determining the excise tax liability for April 2004 were discontinued. On May 19th 2006, the company filed with the Director of the Customs Chamber an appeal against the aforementioned decisions as well as requests to stay execution of the decisions. In August 2006, the company received decisions issued by the Head of the Customs Office, which discontinued the proceedings concerning excise tax for May–September 2004. On October 17th 2006, LOTOS Czechowice S.A. received the decision of the Director of the Customs Chamber of Katowice, setting the deadline by which the appeals against the decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the excise tax liability for January–March 2004, would be considered, i.e. December 13th 2006. In the decision of February 9th 2007, Director of the Customs Chamber of Katowice set the deadline for resolving the case at April 13th 2007. By virtue of the decision of June 17th 2007, Director of the Katowice Customs Chamber set yet another deadline for resolving the case – August 13th 2007, and pursuant to its most recent decision of August 13th 2007, the Director of the Customs Office of Katowice set October 13th 2007 as the deadline for considering the appeal. On October 19th 2007, LOTOS Czechowice S.A. received three decisions issued by the Director of the Customs Chamber of Katowice, repealing in full the decisions determining the amount of excise tax liability for January, February, and March 2004, passed by the Head of the Customs Office of Bielsko-Biała. The case is to be reconsidered by the first instance body. On November 19th 2007, LOTOS Czechowice S.A. filed with the Provincial Administrative Court three complaints against the decisions issued by the Director of the Customs Chamber of Katowice which repealed the decisions of the Head of the Customs Office of Bielsko-Biała and remanded the cases back to the Head of the Customs Office of Bielsko-Biała. On April 2nd 2008, court hearings were held concerning the aforementioned complaints, and rulings were issued whereby the complaints were dismissed. After LOTOS Czechowice S.A. had requested and received the written statements of reasons, the Management Board resolved not to file a complaint to the Supreme Administrative Court. As a result, the cases were remanded back to the first instance body, i.e. to the Head of the Customs Office of Bielsko-Biała, for re-examination.

By virtue of its decisions of January 7th 2009, the Head of the Customs Office in Bielsko-Biała set March 18th 2009 as a new deadline for resolving the cases concerning the excise tax liability for the period January – March 2004. Subsequently, by virtue of the decisions issued on June 29th 2009 by the Head of the Customs Office of Bielsko-Biała, the new deadline for resolving the cases concerning the excise tax liability for the period January – March 2004 was set for July 31st 2009.

On July 27th 2009, LOTOS Czechowice S.A. received three decisions issued by the Head of the Customs Office of Bielsko-Biała determining the amounts of excise tax liability which exceeded the excise tax liability amounts reported by LOTOS Czechowice S.A. in its tax returns:

- by PLN 1,239 thousand – with respect to the tax liability for January 2004,
- by PLN 538 thousand – with respect to the tax liability for February 2004,
- by PLN 8 thousand – with respect to the tax liability for March 2004.

On August 13th 2009, LOTOS Czechowice S.A. lodged an appeal against the decisions with the Director of the Customs Chamber of Katowice. As at the date of approval of these condensed interim consolidated financial statements, the case was pending.

As concerns the potential excise tax liabilities for the period January–March 2004, taking into account the legal and tax analyses conducted to date, including the analyses carried out by external tax advisers as well as an expert witness designated by the Director of the Customs Chamber, LOTOS Czechowice S.A. is of opinion that there is very little any risk of unfavourable outcome of the dispute with the tax authorities, therefore no provisions were created in the financial statements of LOTOS Czechowice S.A. and in these condensed interim consolidated financial statements of the LOTOS Group with regard to these potential liabilities.

6. On April 12th 2006, the Head of the Customs Office in Bielsko-Biała instigated proceedings concerning LOTOS Czechowice S.A. to determine the correct amount of the excise tax payable for the period September 1st – December 31st 2003, in connection with the sale of oil for B ceramic moulds. Before conclusion of the proceedings, it is difficult to determine whether the excise tax liabilities will be reassessed, and if so, what their amounts will be. By virtue of the decision of March 19th 2006, the Head of the Customs Office in Bielsko-Biała set the deadline for resolving the case at May 30th 2007. By virtue of the decision of August 13th 2007, the Head of the Customs Office in Bielsko-Biała set another deadline for resolving the case – October 17th 2007. By virtue of the decision issued on January 1st 2008, the Head of the Customs Office of Bielsko-Biała set June 30th 2008 as the new date for resolving the case. By virtue of the decisions of June 27th 2008, the Head of the Customs Office of Bielsko-Biała set August 31st 2008 as the new deadline for resolving the case concerning excise tax payable for the period September – December 2003, but under later decisions of September 3rd 2008 the deadline was extended again – until October 31st 2008.

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On November 13th 2008, the Head of the Customs Office in Bielsko-Biała issued decisions determining the amounts of excise tax liability for September, October, November and December 2003, which exceeded the excise tax liability amounts reported by LOTOS Czechowice S.A. in its tax returns:

- by PLN 3,588 thousand – with respect to the tax liability for September 2003,
- by PLN 12,189 thousand – with respect to the tax liability for October 2003,
- by PLN 8,887 thousand – with respect to the tax liability for November 2003,
- by PLN 6,223 thousand – with respect to the tax liability for December 2003.

On November 21st 2008, LOTOS Czechowice S.A. filed a request with the Head of the Customs Office in Bielsko-Biała to stay enforcement of the decision related to the excise tax liability for September – December 2003. On December 1st 2008, LOTOS Czechowice S.A. filed an appeal against the decision issued by the Head of the Customs Office determining the excise tax liabilities in amounts exceeding those declared by the company, with the Director of the Customs Chamber in Katowice, through the agency of the Head of the Customs Office in Bielsko-Biała. On December 4th 2008, the Director of the Customs Chamber in Katowice initiated enforcement proceedings against LOTOS Czechowice S.A. by issuing enforcement orders with respect to the decisions of the Head of the Customs Office in Bielsko-Biała regarding excise tax liabilities for September – December 2003, and by seizing the amounts owed from LOTOS Czechowice S.A.'s bank accounts. The additional excise tax liability amounts payable under the decisions were increased by the costs of enforcement proceedings in the total amount of PLN 2,460 thousand and late interest determined as at the date of issuing the enforcement orders in the total amount of PLN 10,121 thousand.

On December 12th 2008, the company filed requests with the Director of the Customs Chamber in Katowice to stay the enforcement proceedings instigated by virtue of the enforcement orders.

On December 12th 2008, the Head of the Customs Office in Bielsko-Biała granted the request filed by the company on November 21st 2008 and issued Decision to stay enforcement of the decision concerning the excise tax liability for December 2003.

On the same day, the Director of the Customs Chamber in Katowice issued decisions to stay enforcement of the decisions concerning the excise tax liabilities for the period September – November 2003, and, invoking the decisions to stay enforcement of the Customs Office Head's decisions concerning the period September – December 2003, issued decisions to suspend the enforcement proceedings.

On December 15th 2008, the Director of the Customs Chamber in Katowice filed eight requests with the District Court of Pszczyna, along with enforcement orders, to register compulsory ordinary mortgages (*hipoteka przymusowa zwykła*) each with the value of PLN 5,446 thousand (PLN 43,569 thousand in total) encumbering LOTOS Czechowice S.A.'s properties in the relevant Land and Mortgage Register entries.

On December 17th and 18th 2008, the District Court of Pszczyna registered the seven ordinary compulsory mortgages as was requested. On December 23rd 2008, the Court resolved to dismiss one of the requests filed by the Director of the Customs Chamber in Katowice on the grounds of having encountered obstacles in registration (inconsistencies between the contents of the Land and Mortgage Register entry and the request).

On February 23rd 2008, LOTOS Czechowice S.A. received four decisions of the Director of the Customs Chamber in Katowice repealing the earlier decisions of the Head of the Customs Office in Bielsko-Biała and remanding the cases for re-examination.

Given the decisions of the Director of the Katowice Customs Chamber of March 4th 2009 to discontinue the enforcement proceedings concerning the excise tax liabilities for September–December 2003, the Director of the Katowice Customs Chamber filed relevant requests with the District Court of Pszczyna to de-register the mortgages.

On May 4th, May 6th, and May 14th 2009, LOTOS Czechowice S.A. received notices from the District Court of Pszczyna to the effect that the compulsory mortgages, previously registered at the request of the Director of the Customs Chamber in Katowice, were de-registered. As at the date of approval of these condensed interim consolidated financial statements, the case was pending.

In relation to the potential excise tax liabilities for the period September–December 2003, taking into account the conducted legal and tax analyses, including the analyses carried out by external tax advisers as well as an expert witness designated by the Director of the Customs Chamber, LOTOS Czechowice S.A. is of opinion that there is very little risk of unfavourable outcome of the dispute with the tax authorities, therefore no provisions were created in the financial statements of LOTOS Czechowice S.A. and in these condensed interim consolidated financial statements of the LOTOS Group with regard to these potential liabilities.

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7. On December 4th 2003, in the course of payment order proceedings, the Regional Court of Krosno issued a decision in favour of LOTOS Jasło S.A., whereby it ordered payment of PLN 4,829 thousand, together with interest, representing claims under unpaid invoices for goods sold (file No. VIII GNC 292/03). The order for payment became final. Due to the fact that on April 2nd 2004 the debtor was declared bankrupt, with a possibility of concluding an arrangement, LOTOS Jasło S.A. submitted to the judge-commissioner its claims in the total amount of PLN 7,668 thousand, including: (i) PLN 6,138 thousand – outstanding principal of the payment due for the goods sold; (ii) PLN 1,498 thousand – delayed payment interest; and (iii) PLN 32 thousand – costs of litigation before the Regional Court of Krosno related to the case. The claims of up to PLN 2,580 thousand, including the principal and interest, are not subject to the arrangement as they are secured on the bankruptcy estate by a security (deposit) mortgage (*hipoteka kaucyjna*). As at June 30th 2009, subject to the execution of the terms of the arrangement, the amount receivable was PLN 925 thousand.

LOTOS Jasło S.A. made a valuation allowance for the said amount receivable.

16. Other Explanatory Information on Selected Items of the Statements of Financial Position and Statements of Comprehensive Income

16.1 Property, Plant and Equipment, Prepayments for Tangible Assets under Construction and Intangible Assets

(PLN '000)	Jun 30 2009	Dec 31 2008
	(unaudited)	(audited)
Land	231,709	227,871
Buildings and structures	1,740,882	1,705,246
Plant and equipment	645,861	616,571
Vehicles and other tangible assets	241,569	235,464
Tangible assets under construction, including:		
- capitalised financing costs	5,201,362	2,747,460
	144,411	161,033
	=====	=====
Total property, plant and equipment	8,061,383	5,532,612
	=====	=====
Prepayments for tangible assets under construction, including:		
- capitalised financing costs	302,151	1,200,713
	4,003	37,612
	=====	=====
Total property, plant and equipment	8,363,534	6,733,325
	=====	=====
Intangible assets	80,183	55,921
	=====	=====
Total	8,443,717	6,789,246

The Group applies IFRS 6 to presentation and disclosures with respect to assets related to exploration and appraisal of mineral resources.

As at June 30th 2009, the net value of assets related to exploration and appraisal of mineral resources amounted to PLN 221,261 thousand.

As at June 30th 2009, the net value of the asset related to the decommissioning of an oil rig amounted to PLN 79,862 thousand.

The cost of depreciation of assets related to exploration and appraisal of mineral resources in the period of six months ended June 30th 2009 amounted to PLN 2,998 thousand.

In the six months ended June 30th 2009, no impairment charges were made for assets related to exploration and appraisal of mineral resources.

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

(PLN '000)	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Property, plant and equipment	Intangible assets	Total
Gross book value as at Jan 1 2008 (audited)	4,021,854	634,764	781,780	5,438,398	106,186	5,544,584
Increase	100,633	380,067	493,650	974,350	4,444	978,794
Decrease	(26,274)	(4,011)	(55,803)	(86,088)	(464)	(86,552)
Gross book value as at Jun 30 2008 (unaudited)	4,096,213	1,010,820	1,219,627	6,326,660	110,166	6,436,826
Gross book value as at Jan 1 2009 (audited)	4,229,955	2,788,049	1,200,713	8,218,717	114,330	8,333,047
Increase	235,829	2,608,814	179,438	3,024,081	29,886	3,053,967
Decrease	(7,342)	(155,256)	(1,078,000)	(1,240,598)	(1,606)	(1,242,204)
Gross book value as at Jun 30 2009 (unaudited)	4,458,442	5,241,607	302,151	10,002,200	142,610	10,144,810
Accumulated depreciation as at Jan 1 2008 (audited)	1,137,129	-	-	1,137,129	41,163	1,178,292
Increase	148,872	-	-	148,872	9,018	157,890
Decrease	(10,722)	-	-	(10,722)	(409)	(11,131)
Accumulated depreciation as at Jun 30 2008 (unaudited)	1,275,279	-	-	1,275,279	49,772	1,325,051
Accumulated depreciation as at Jan 1 2009 (audited)	1,425,825	-	-	1,425,825	58,385	1,484,210
Increase	145,331	-	-	145,331	4,509	149,840
Decrease	(4,454)	-	-	(4,454)	(491)	(4,945)
Accumulated depreciation as at Jun 30 2009 (unaudited)	1,566,702	-	-	1,566,702	62,403	1,629,105

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(PLN '000)	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Property, plant and equipment	Intangible assets	Total
Impairment losses as at Jan 1 2008 (audited)	5,644	42,598	-	48,242	24	48,266
Increase	4,039	154	-	4,193	-	4,193
Decrease	(498)	(2,391)	-	(2,889)	-	(2,889)
	-----	-----	-----	-----	-----	-----
Impairment losses as at Jun 30 2008 (unaudited)	9,185	40,361	-	49,546	24	49,570
 Impairment losses as at Jan 1 2009 (audited)	 18,978	 40,589	 -	 59,567	 24	 59,591
Increase	13,625 ⁽¹⁾	43	-	13,668	-	13,668
Decrease	(884)	(387)	-	(1,271)	-	(1,271)
	-----	-----	-----	-----	-----	-----
Impairment losses as at Jun 30 2009 (unaudited)	31,719	40,245	-	71,964	24	71,988
 Net book value as at Jun 30 2008 (unaudited)	 2,811,749	 970,459	 1,219,627	 5,001,835	 60,370	 5,062,205
	=====	=====	=====	=====	=====	=====
Net book value as at Dec 31 2008 (audited)	2,785,152	2,747,460	1,200,713	6,733,325	55,921	6,789,246
	=====	=====	=====	=====	=====	=====
Net book value as at Jun 30 2009 (unaudited)	2,860,021	5,201,362	302,151	8,363,534	80,183	8,443,717
	=====	=====	=====	=====	=====	=====

⁽¹⁾ The Group recognised impairment losses of PLN 13,609 thousand on the property, plant and equipment of KRAK-GAZ Sp. z o.o.

The 10+ Programme (Comprehensive Technical Upgrade Programme)

An element of the growth strategy of the LOTOS Group is the implementation of the 10+ Programme, designed to increase the throughput capacity of the Gdańsk Refinery by approximately 75%, that is to 10.5m tonnes of crude oil p.a., with a higher conversion ratio.

At the end of June 2009, the progress of implementation of the 10+ Programme was as planned, at 82%.

Following completion of the preparatory phase, the Programme's implementation commenced. The following units at the Gdańsk Refinery of Grupa LOTOS S.A. are to be completed by the end of 2010:

- crude distillation unit (CDU/VDU),
- mild hydrocracker (MHC),
- residue oil supercritical extraction (ROSE),
- hydrogen generation unit (HGU),
- amine sulphur recovery unit (ASR),
- infrastructure expansion (tanks, utilities, inter-facility connections).

The hydrodesulphurisation unit (HDS) for diesel oil was assigned the RFSU (Ready For Start Up) status on June 26th 2009. Consequently, responsibility for the unit was assumed by the Production Division of Grupa LOTOS S.A. The loading of feedstock and the launch of production by the unit is planned for the end of August 2009.

The construction of the heavy residue gasification unit for treating the residue from crude oil processing, designed to be used mainly for generation of hydrogen and energy carriers, is expected to commence between 2012 and 2015, depending on the conditions on the bitumen market.

The forecast of bitumen consumption in Poland predicts higher demand for bitumens in the years 2010-2012 and the continuation of positive trends in the following years. Increased consumption of bitumens in the years 2010-2020 will be connected with continued development of transport infrastructure and implementation of the projects envisaged in government documents (including the "National Road Construction Programme 2007-2015" and the "Local Road Reconstruction Programme 2008-2011"). Following completion of the 10+ Programme, Grupa LOTOS S.A. plans to increase its annual sales of bitumens to approx. 1,100 thousand tonnes. At present, the Parent Undertaking is making preparations to implement the heavy residue gasification and energy generation project (IGCC), which will enable it to launch, in 2012-2015, the second phase of the 10+ Programme, which will focus on the construction and commissioning of the heavy residue gasification unit (IGCC). As at June 30th 2009, capitalised expenditure on the IGCC project was PLN 45,853 thousand. The Company's Management Board expects that the financial benefits to be derived from the project will be no less than the expenditure incurred.

Prospects for Development of the B-4 and B-6 Gas Fields

The item "Tangible assets under construction" includes the expenditure of PLN 47,937 thousand incurred by Petrobaltic S.A. on exploration for gas at the B-4 and B-6 fields. Petrobaltic S.A. commissioned an analysis of the economic viability of development of the fields. According to its findings, significant capital expenditure is required to obtain commercial flows of hydrocarbons and to make the project profitable. Despite the envisaged excess of revenue from sale of products to be obtained by exploitation of the reserves over the cost of their development and production, no significant expenditure on this project is expected in the medium term. The Management Board of Petrobaltic S.A. maintains that, regardless of the necessity to make significant investments, in view of the strategic nature of the reserves as well as changing prices and terms of supply of imported energy materials, their development is possible if the investment plans of Petrobaltic S.A. and Grupa LOTOS S.A. are aligned in time. The activities currently under way focus, among other things, on finding a partner with whom the company could jointly develop the B-4 and B-6 gas fields. The geological analyses and analyses of the reserves carried out to date by Petrobaltic S.A.'s potential partners have confirmed the positive assessment of the fields, opening up a possibility of future collaboration that would lead to the implementation of a joint project. The Company has prepared for its potential partners terms of reference for bids related to development of the B-4 and B-6 fields on a partnership basis.

Information on Interests in Norwegian Production and Exploration Licences

The item "Tangible assets under construction" includes expenditure of NOK 1,395,036 thousand (the equivalent of PLN 688,590 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2009) incurred by LOTOS Exploration and Production Norge AS on the purchase of interests in Norwegian production and exploration licences (the YME field). Additionally, under "Intangible assets" LOTOS Exploration and Production Norge AS recognised the expenditure of NOK 49,036 thousand as at June 30th 2009 (the equivalent of PLN 24,204 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2009) incurred on the purchase of the PL455 licence.

As at June 30th 2009, LOTOS Exploration and Production Norge AS holds licenses covering a 20% interest in the YME field and a 20% interest in the PL 455 exploration licence. These are described in more detail in Note 11 to the 2008 consolidated financial statements prepared in accordance with the IFRS.

16.2 Interest-Bearing Loans and Borrowings

PLN '000	Jun 30 2009	Dec 31 2008
	(unaudited)	(audited)
Bank loans	5,295,933	3,879,749
Borrowings	37,356	39,856
	=====	=====
Total	5,333,289	3,919,605
	=====	=====
Including:		
non-current portion	4,714,600	3,412,245
current portion	618,689	507,360

Bank Loans and Borrowings by Currency and Maturity, as at June 30th 2009

PLN '000	EUR loans and borrowings	USD loans and borrowings	PLN loans and borrowings	Total
H2 2009	1,341	96,935	390,494	488,770
2010	2,634	77,257	86,612	166,503
2011	2,634	1,350,725	57,980	1,411,339
2012	2,634	177,529	57,979	238,142
2013	2,634	180,377	55,479	238,490
2014	2,634	246,199	55,535	304,368
after 2014	2,634	2,480,024	3,019	2,485,677
	=====	=====	=====	=====
Total	17,145	4,609,046	707,098	5,333,289
	=====	=====	=====	=====

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Loans and Borrowings by Lender

PLN '000	Jun 30 2009	Dec 31 2008
	(unaudited)	(audited)
Non-current portion		
Kredyt Bank S.A.	29,987	32,987
Pekao S.A.	19,318	22,676
National Fund for Environmental Protection and Water Management	29,956	34,856
Raiffeisen Bank Polska S.A.	6,000	6,000
Bank consortium (1)*	1,269,320	1,184,720
Bank consortium (2)**	2,518,825	1,434,195
Bank consortium (3)***	645,682	479,576
Bank consortium (5)*****	195,512	217,235
Total non-current portion	4,714,600	3,412,245
Current portion		
Kredyt Bank S.A.	6,000	6,000
Pekao S.A.	52,328	73,955
ING Bank Śląski S.A.	9,574	24,304
PKO BP S.A.	4,274	18,978
National Fund for Environmental Protection and Water Management	7,400	5,000
Raiffeisen Bank Polska S.A.	1,248	2,081
BRE Bank S.A.	20,775	19,363
Nordea Bank Polska S.A.	70,003	-
Bank consortium (1)*	10,807	11,557
Bank consortium (2)**	23,476	11,629
Bank consortium (3)***	6,734	3,748
Bank consortium (4)****	362,623	287,247
Bank consortium (5)*****	43,447	43,498
Total current portion	618,689	507,360
Total	5,333,289	3,919,605

* Bank consortium (1): Pekao S.A., PKO BP S.A., BRE Bank S.A., Rabobank Polska S.A.

** Bank consortium (2): Banco Bilbao Vizcaya Argentaria S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., Pekao S.A., BNP Paribas S.A., Caja de Ahorros y Monte de Piedad de Madrid, Calyon, DnB Nor Bank ASA, DnB Nor Polska S.A., Fortis Bank S.A./N.V., ING Bank Śląski S.A., KBC Finance Ireland, Kredyt Bank S.A., Nordea Bank AB, PKO BP S.A., The Royal Bank of Scotland plc, Société Générale S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A., Bank Gospodarki Żywnościowej S.A., Sumitomo Mitsui Banking Corporation Europe Ltd.

*** Bank consortium (3): Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas S.A., Fortis Bank S.A./N.V.

**** Bank consortium (4): Pekao S.A., PKO BP S.A., BNP Paribas S.A., ING Bank Śląski S.A., Nordea Bank Polska S.A., Rabobank Polska S.A., Bank Gospodarki Żywnościowej S.A.

***** Bank consortium (5): Pekao S.A., PKO BP S.A.

Bank Loans Contracted by the Parent Undertaking

As at June 30th 2009, under a loan agreement to finance inventory (Bank consortium (1)), described in Note 30 of the consolidated financial statements for 2008 prepared in accordance with the IFRS, the Company had contracted liabilities for the total amount of USD 400,000 thousand.

As at June 30th 2009, under the investment loan facility (Bank consortium (2), (3)), described in Note 30 to the consolidated financial statements for 2008 prepared in accordance with the IFRS, the nominal amount drawn by the Company was USD 1,029,665 thousand (the equivalent of PLN 3,267,435 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 30th 2009), which does not include letters of credit due to the fact that their validity terms had expired (see Note 15.1 to these condensed interim consolidated financial statements, items 2, 3, 6 and 7). The working-capital loan (Bank consortium (4)) was advanced to Grupa LOTOS S.A. in the form of overdraft facilities which are used by the Company on an as-needed basis. Until the date of these condensed interim consolidated financial statements, Grupa LOTOS S.A. drew funds under the credit facility agreement according to its needs.

Bank Loans Contracted by the Subsidiary Undertakings

Loan Agreement Concluded Between Petrobaltic S.A. and Nordea Bank Polska S.A.

On May 19th 2009, following the completion of public procurement proceedings in the form of a limited tender, Nordea Bank Polska S.A. of Gdynia and Petrobaltic S.A. executed the following agreements:

1) Framework agreement on a revolving working-capital facility, bank guarantees and letters of credit with a limit of up to PLN 100,000 thousand. The limit was granted for the period from the Agreement's execution date until November 18th 2010, to finance the day-to-day needs of Petrobaltic S.A. related to its operational and investment activities.

The performance of the agreement is secured with:

- assignment of claims under the crude oil sales agreement of June 4th 2004 between Petrobaltic S.A. and Grupa LOTOS S.A. of Gdańsk ("Crude Oil Sales Agreement"),
- blank promissory note with a promissory note agreement (see Note 15.1 to these condensed interim consolidated financial statements, item 27),
- declaration on submission to enforcement by Petrobaltic S.A.

As at June 30th 2009, Petrobaltic S.A. had drawn under the facility an amount of USD 22,200 thousand (the equivalent of PLN 70,447 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 30th 2009).

2) Agreement on an overdraft working-capital facility with a limit of up to PLN 50,000 thousand. The facility was granted for the period from the Agreement's execution date until November 18th 2010 to finance the day-to-day needs of Petrobaltic S.A. related to its operational and investment activities.

The performance of the agreement is secured with:

- assignment of claims under the crude oil sales agreement of June 4th 2004 between Petrobaltic S.A. and Grupa LOTOS S.A. of Gdańsk ("Crude Oil Sales Agreement"),
- blank promissory note with a promissory note agreement (see Note 15.1 to these condensed interim consolidated financial statements, item 27),
- declaration on submission to enforcement by Petrobaltic S.A.

As at June 30th 2009, Petrobaltic S.A. had not drawn any funds under this overdraft working-capital facility.

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Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security
		PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	Current portion	Non- current portion		
Bank consortium (1)	-	-	400,000 USD	10,807	3,260 USD	1,269,320	400,000 USD	Jul 15 2009	Dec 20 2011	based on 3M or 6M LIBOR USD, depending on the interest period as selected from time to time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, submission to enforcement
Bank consortium (2)	-	-	1,125,000 USD	23,476	7,398 USD	2,518,825	793,469 USD	Jul 15 2009	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period as selected from time to time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale agreements with a value of over PLN 10m per year, submission to enforcement
Bank consortium (3)	-	-	425,000 USD	6,734	2,122 USD	645,682	203,400 USD	Jul 15 2009	Jan 15 2021	fixed interest rate	
Bank consortium (4)	-	-	200.000 USD or its equivalent	310,309	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				23	5 EUR	-	-			3M EURIBOR + bank's margin	
				52,291	16,478 USD	-	-			3M LIBOR USD + bank's margin	
Bank consortium (5)	Warsaw	340,000	-	43,447	-	195,512	-	Jun 30 2010	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Kredyt Bank S.A.	Warsaw	60,000	-	6,000	-	29,987	-	Jun 30 2010	Jun 30 2015	1M WIBOR + bank's margin	mortgage
Nordea Bank Polska S.A.	Gdynia	100,000 or its equivalent	-	70,003	22,200 USD	-	-	Jun 30 2010	-	1M WIBOR + bank's margin	blank promissory note, submission to enforcement

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Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security
		PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	Current portion	Non- current portion		
Raiffeisen Bank Polska S.A.	Rzeszów	10,000	-	1,248	-	6,000	-	Dec 31 2009	Dec 28 2012	1M WIBOR + bank's margin	power of attorney over bank account, submission to enforcement, security (deposit) mortgage
ING Bank Śląski S.A.	Katowice	4,000	-	3,182	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	assignment of receivables
Pekao S.A.	Warsaw	15,000	-	11,575	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account, submission to enforcement
ING Bank Śląski S.A.	Katowice	23,500	-	39	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
BRE Bank S.A.	Warsaw	30,000	-	13,591	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note
BRE Bank S.A.	Warsaw	15,000	-	7,184	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note, assignment of receivables
ING Bank Śląski S.A.	Katowice	6,000	-	5,704	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	mortgage, assignment of receivables
PKO BP S.A.	Warsaw	5,000	-	4,274	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	mortgage, assignment of receivables, promissory notes
National Fund for Environmental Protection and Water Management	Warsaw	15,000	-	3,150	-	1,650	-	Sep 30 2009	Apr 30 2010	0.5 of the rediscount rate for promissory notes	surety
Pekao S.A.	Kraków	26,837	7,060 EUR	2,634	590 EUR	14,488	3,240 EUR	Apr 30 2009	Oct 31 2015	1M EURIBOR + bank's margin	mortgage
Pekao S.A.	Kraków	30,000	-	23,834	-	-	-	Jun 25 2010	-	1M WIBOR + bank's margin	mortgage
Pekao S.A.	Kraków	44,754	-	32	-	175	-	Apr 30 2010	Oct 31 2015	1M WIBOR + bank's margin	mortgage
National Fund for Environmental Protection and Water Management	Warsaw	35,000	-	4,250	-	28,306	-	Jun 30 2010	Dec 20 2014	0.8 of the rediscount rate for promissory notes	bank guarantee, promissory note
Pekao S.A.	Kraków	7,000	-	7,000	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	assignment of receivables

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Bank's name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security
		PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	Current portion	Non- current portion		
ING Bank Śląski S.A.	Katowice	2,000	-	649	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	mortgage
Pekao S.A.	Warsaw	56,409	14,800 USD	7,253	2,286 USD	4,655	1,466 USD	Oct 30 2010	Feb 28 2011	1M LIBOR USD + bank's margin	mortgage
RAZEM				618,689	53,744 USD	4,714,600	1,398,335 USD				
				-	595 EUR	-	3,240 EUR				

16.3 Provisions

PLN '000	Jun 30 2009	Dec 31 2008
	(unaudited)	(audited)
Long-term provisions		
Provision for land reclamation	21,401	33,795
Length-of-service awards and retirement severance pays	84,430	82,587
Provision for the Offshore Oil Rigs	123,163	122,019
Other provisions	31,290	29,502
	-----	-----
Total long-term provisions	260,284	267,903
	=====	=====
Short-term provisions		
Provision for land reclamation	3,026	4,988
Length-of-service awards and retirement severance pays	11,302	9,505
Provision for the Offshore Oil Rigs	2,400	2,400
Other provisions	63,968	63,577
	-----	-----
Total short-term provisions	80,696	80,470
	=====	=====
Total	340,980	348,373
	=====	=====

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The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of- service awards and retirement severance pays	Provision for the Offshore Oil Rigs	Other provisions	Total
As at Jan 1 2008 (audited)	39,005	69,183	92,201	82,473	282,862
Increase	-	4,737	2,305	10,887	17,929
Decrease	(120)	(2,252)	-	(5,676)	(8,048)
	=====	=====	=====	=====	=====
As at Jun 30 2008 (unaudited)	38,885	71,668	94,506	87,684	292,743
	=====	=====	=====	=====	=====
As at Jan 1 2009 (audited)	38,783	92,092	124,419	93,079	348,373
Increase	-	5,130	1,144	3,638	9,912
Decrease	(14,356) ⁽¹⁾	(1,490)	-	(1,459)	(17,305)
	=====	=====	=====	=====	=====
As at Jun 30 2009 (unaudited)	24,427	95,732	125,563	95,258	340,980
	=====	=====	=====	=====	=====

⁽¹⁾ In connection with the sale of the perpetual usufruct right to land by the LOTOS Czechowice Group to an unrelated third party, and considering that LOTOS Czechowice S.A. was freed from all obligations under any administrative decisions relating directly to the said land, a portion of the provision for land reclamation was released (PLN 2,786 thousand) and a portion of the provision was used to pay the purchaser of the land a fee of PLN 11,570 thousand to cover the cost of performance of the obligations assumed by the purchaser.

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16.4 Finance Income

PLN '000	6 months ended Jun 30 2009 (unaudited)	6 months ended Jun 30 2008 (unaudited)
Dividend received	-	1,118
Interest	10,441	24,191
Foreign exchange gains	46,714	210,728
Gains on disposal of investments	-	13
Revaluation of financial assets	2,611	149
Settlement of derivative instruments	24,881	253,506
Other	11	3,438
	-----	-----
Total finance income	84,658	493,143
	=====	=====

16.5 Finance Expenses

PLN '000	6 months ended Jun 30 2009 (unaudited)	6 months ended Jun 30 2008 (unaudited)
Interest	35,866	35,554
Amounts included in costs of assets qualifying for capitalisation	(10,204)	(19,664)
Foreign exchange losses	54,864	-
Revaluation of financial assets	30,627	80,263
Settlement of derivative instruments	749	-
Other	1,348	4,499
	-----	-----
Total finance expenses	113,250	100,652
	=====	=====

16.6 Cash Structure, Restricted Cash and Causes of Differences between the Changes in Certain Items of the Statement of Financial Position and Changes Disclosed in the Statement of Cash Flows

PLN '000	Jun 30 2009	Dec 31 2008
	(unaudited)	(audited)
Cash at bank	619,429	711,132
Cash in hand	4,274	194
Other cash	8,208	1,475
Overdraft facilities	(415,821)	(374,448)
	=====	=====
Total cash	216,090	338,353
	=====	=====

Cash at banks bears interest at variable rates set according to the short-term interbank interest rates. Short-term deposits are placed for various periods, ranging from one day to one month, depending on the Group's current demand for cash, and bear interest at the interest rates set for them.

As at June 30th 2009, restricted cash amounted to PLN 195,478 thousand (PLN 84,160 thousand as at December 31st 2008). Restricted cash was held mainly by the Parent Undertaking and included:

- a deposit of PLN 13,578 thousand, serving as security for the repayment of interest on the loan contracted to finance inventories,
- a margin of PLN 7,876 thousand,
- funds of PLN 20,975 thousand, held in accounts dedicated to payments related to the 10+ Programme projects and repayment of principal and interest on loans/credit facilities contracted to finance the implementation of the 10+ Programme,
- deposits of PLN 149,974 thousand, made in the event of a temporary surplus of funds held in accounts dedicated to payments related to the projects under the 10+ Programme.

Restricted cash is disclosed in the statement of financial position under "Cash and cash equivalents".

Causes of Differences between the Changes in Certain Items of the Statement of Financial Position and Changes Disclosed in the Statement of Cash Flows

Receivables	Jun 30 2009	Jun 30 2008
PLN '000	(unaudited)	(unaudited)
Change in net non-current and current receivables	(129,444)	(236,580)
Change in income tax receivables	(157,368)	(509)
Change in investment receivables	(4,040)	(9,005)
Dividends receivable	(1,343)	13,560
Other	9,561	(2,844)
	-----	-----
Change in receivables as disclosed in the statement of cash flows	(282,634)	(235,378)

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Liabilities, accruals and deferred income PLN '000	Jun 30 2009 (unaudited)	Jun 30 2008 (unaudited)
Change in current and non-current liabilities, and accruals and deferred income	2,049,887	529,406
Change in current and non-current loans and borrowings	(1,413,684)	(253,895)
Change in investment liabilities	232,688	(62,178)
Finance lease liabilities	(490)	275
Change in income tax liabilities	(6,745)	(33,589)
Negative valuation of financial instruments	(6,713)	(61,976)
Accrued dividend	(4)	-
Other	10,605	(3,122)
	-----	-----
Change in liabilities and accruals and deferred income as disclosed in the statement of cash flows	865,544	114,921
Inventories PLN '000	Jun 30 2009 (unaudited)	Jun 30 2008 (unaudited)
Change in inventories	(471,584)	(482,942)
Other	128,157	(341)
	-----	-----
Change in inventories as disclosed in the statement of cash flows	(343,427)	(483,283)
Provisions PLN '000	Jun 30 2009 (unaudited)	Jun 30 2008 (unaudited)
Change in provisions	10,151	(3,551)
Change in deferred tax liabilities	(17,544)	13,432
Other	-	34
	-----	-----
Change in provisions as disclosed in the statement of cash flows	(7,393)	9,915
Prepayments and accrued income PLN '000	Jun 30 2009 (unaudited)	Jun 30 2008 (unaudited)
Change in prepayments and accrued income	(26,215)	(11,450)
Change in deferred tax assets	12,477	8,780
Other	222	(7,725)
	-----	-----
Change in prepayments and accrued income as disclosed in the statement of cash flows	(13,516)	(10,395)
Cash and cash equivalents PLN '000	Jun 30 2009 (unaudited)	Jun 30 2008 (unaudited)
Change in cash	(80,890)	(203,104)
Change in interest-bearing overdraft facilities	(41,373)	46,738
	-----	-----
Change in cash as disclosed in the statement of cash flows	(122,263)	(156,366)

17. Supplementary Information

Package of Anti-Crisis Measures for the LOTOS Group

In view of the unstable macroeconomic environment due to the current economic crisis and given the Company's ongoing investment programmes, on February 11th 2009 the Management Board of Grupa LOTOS S.A. prepared and adopted a Package of Anti-Crisis Measures for the LOTOS Group. The primary objective of the measures is to ensure the implementation of those investment programmes which are key to Grupa LOTOS S.A. and its future shareholder value, and to guarantee the Company's liquidity in 2009.

The key elements of the package are cost savings of approximately PLN 170m in 2009 and suspension or abandonment of approx. PLN 220m of the investment expenditure planned for 2009, which in effect should improve the LOTOS Group's cash flows by about PLN 390m.

Given the uncertain market situation and limited possibilities to raise financing, Grupa LOTOS S.A.'s Management Board decided to suspend the implementation of the investment projects provided for in the Group's strategy for 2006–2012, with the capex totalling approximately PLN 2.1bn. The limitations will not affect the key ongoing investment projects under the 10+ Programme, the development of the YME field on the Norwegian Continental Shelf, or the expenditure on the development of the B8 and B23 fields on the Baltic Sea, planned as part of the development programme for Petrobaltic S.A.

The limitations mean an over 25% reduction of the LOTOS Group's total capex planned for 2009-2012, and a nearly 40% capex reduction if the Company's investment commitments connected with the 10+ Programme and the development of the YME field are taken into account. This objective will be achieved by postponing of the implementation of certain projects.

The Company's Management Board will be closely monitoring the market situation and in the event of any significant changes will revise the plans described above.

Conclusion of a Significant Agreement between Grupa LOTOS S.A. and TOTAL DEUTSCHLAND GmbH

On February 1st 2009, Grupa LOTOS S.A. entered into an agreement with TOTAL DEUTSCHLAND GmbH of Berlin, Germany, under which Grupa LOTOS S.A. will purchase liquid fuels from TOTAL DEUTSCHLAND GmbH. The agreement was executed for a specified period from February 1st to December 31st 2009 and its estimated value is PLN 563m (VAT excl.).

The agreement does not contain any provisions concerning contractual penalties. Both parties have the right to seek full damages before a court of general jurisdiction in Berlin, such courts having competence over the agreement as it is governed by the German law. The other terms and conditions of the agreement do not differ from the terms and conditions commonly applied in agreements of such type.

Conclusion of a Significant Agreement between Grupa LOTOS S.A. and NESTE OIL (SUISSE) SA

On December 10th 2008, Grupa LOTOS S.A. entered into an agreement with Neste Oil (Suisse) SA of Vernier, Switzerland, under which Grupa LOTOS S.A. will purchase liquid fuels from Neste Oil (Suisse) SA. The agreement was executed for a specified period from January 1st to December 31st 2009 and its estimated value is PLN 624m (Vat excl.).

The agreement does not contain any provisions concerning contractual penalties. Both parties have the right to seek full damages before a court of general jurisdiction in London, such courts having competence over the agreement as it is governed by the English law. The other terms and conditions of the agreement do not differ from the terms and conditions commonly applied in agreements of such type.

Conclusion of a Significant Agreement between Grupa LOTOS S.A. and J&S Service and Investment Ltd

On July 3rd 2009 the total value of agreements executed between Grupa LOTOS S.A. and J&S Service and Investment Ltd in the last twelve months amounted to USD 180.4m (or PLN 563.6m translated at the USD mid-exchange rate quoted by the National Bank of Poland for July 3rd 2009), and reached the value of a significant agreement, as it exceeded 10% of Grupa LOTOS S.A.'s equity.

The largest transaction (in terms of value) concluded between the two companies in the last twelve months was the agreement whereunder Grupa LOTOS S.A. purchased crude oil from J&S Service and Investment Ltd. The value of the transaction as at July 3rd 2009 was USD 48.8m (or PLN 152.5m translated at the USD mid-exchange rate quoted by the National Bank of Poland for July 3rd 2009) The agreement did not contain any conditions precedent or specify any date of events giving rise to a claim (*dies a quo*), it did not provide for any contractual penalties, and was executed on typical market terms for this type of transactions.

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

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