



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

GRUPA LOTOS S.A.

**(THIS DOCUMENT IS AN APPENDIX TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS OF THE LOTOS GROUP)**

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2010

**ALONG WITH THE INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE
FINANCIAL STATEMENTS**

FINANCIAL HIGHLIGHTS	3
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	4
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM CONDENSED STATEMENT OF CASH FLOWS	6
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY.....	7
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2010.....	8
1. General Information.....	8
2. Changes in the Composition of the Management and Supervisory Boards	8
3. Rules of Presentation	9
3.1 Change of Information Presented in Previous Reporting Periods	9
4. Accounting Policies	9
5. Translation of Financial Highlights into the Euro	10
6. Seasonality and Cyclicity of Operations in the Interim Period	11
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	11
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	11
9. Issue, Redemption and Repayment of Debt and Equity Securities	11
10. Dividends.....	11
11. Earnings/(Loss) per Share	11
12. Business Segments.....	12
13. Material Events Occurring after the End of the Interim Period and not Reflected in the Interim Financial Statements for the Interim Period.....	12
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	12
15. Changes in Contingent Liabilities and Assets after the Previous Balance-Sheet Date	14
15.1 Contingent Liabilities	14
15.2 Material Court, Arbitration or Administrative Proceedings and Other Risks Of the Company	17
16. Other Explanatory Information on Selected Items of the Statements of Financial Position and Statements of Comprehensive Income	20
16.1 Property, Plant and Equipment and Prepayments for Tangible Assets under Construction	20
16.2 Non-Current Financial Assets	23
16.3 Inventories.....	23
16.4 Current Financial Assets	23
16.5 Interest-Bearing Loans	24
16.6 Other Financial Liabilities	27
16.7 Costs by Type.....	27
16.8 Finance Income.....	27
16.9 Finance Expenses.....	28
16.10 Corporate Income Tax.....	28
16.11 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.....	29
16.12 Material Transactions of Grupa LOTOS S.A. with Related Undertakings within the LOTOS Group	31
17. Other Information	34
18. Signatures of the Management Board Members and the Person Responsible for Keeping the Accounting Books of Grupa LOTOS S.A.....	35

GRUPA LOTOS S.A.
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GRUPA LOTOS S.A.	PLN'000		EUR'000	
	6 months ended Jun 30 2010	6 months ended Jun 30 2009 (restated)	6 months ended Jun 30 2010	6 months ended Jun 30 2009 (restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	8,050,169	5,467,070	2,010,431	1,209,957
Operating profit	103,955	306	25,961	68
Pre-tax profit/(loss)	(723,928)	85,643	(180,792)	18,954
Profit/(loss) from continuing operations	(539,612)	96,236	(134,762)	21,299
Total comprehensive income	(539,612)	96,236	(134,762)	21,299
Net cash provided by/(used in) operating activities	163,876	192,394	40,926	42,580
Net cash provided by/(used in) investing activities	(298,268)	(1,379,373)	(74,489)	(305,279)
Net cash provided by/(used in) financing activities	216,891	1,290,599	54,166	285,632
Total net cash flow	80,041	98,259	19,989	21,746
Basic earnings/(loss) per share (PLN/EUR)	(4.15)	0.85	(1.04)	0.19
Diluted earnings/(loss) per share (PLN/EUR)	-	-	-	-
	PLN'000		EUR'000	
	As at Jun 30 2010	As at Dec 31 2009 (restated)	As at Jun 30 2010	As at Dec 31 2009 (restated)
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,297,747	12,559,630	3,448,731	3,057,210
Total equity	4,940,487	5,480,099	1,191,685	1,333,942

Items of the statement of financial position as at June 30th 2010, 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 4.1458. Items of the statement of comprehensive income and the statement of cash flows for the first six months of 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0042 (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 2010).

Items of the statement of financial position as at December 31st 2009, 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 4.1082. 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).

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at June 30th 2010 and December 31st 2009

(PLN '000)		Jun 30 2010	Dec 31 2009
	Note	(unaudited)	(restated) (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	16.1	3,209,637	1,664,687
Tangible assets under construction	16.1	4,126,995	5,256,042
Intangible assets		44,046	43,928
Non-current financial assets	16.2	1,064,238	1,078,148
Deferred tax assets		122,387	-
Prepayments and accrued income		3,495	3,676
Total non-current assets		8,570,798	8,046,481
Current assets			
Inventories, including:	16.3	3,636,515	2,894,236
- mandatory stocks		2,805,092	2,192,785
Trade and other receivables		1,959,592	1,428,666
Current income tax receivable		502	71,622
Prepayments and accrued income		17,282	15,355
Current financial assets	16.4	75,569	85,050
Cash and cash equivalents		37,489	18,220
Total current assets		5,726,949	4,513,149
Total assets		14,297,747	12,559,630
EQUITY AND LIABILITIES			
Equity			
Share capital		129,873	129,873
Statutory reserve funds		1,311,348	1,311,348
Retained earnings		3,499,266	4,038,878
Total equity		4,940,487	5,480,099
Non-current liabilities			
Interest-bearing loans and borrowings	16.5	5,964,438	4,662,659
Long-term provisions		28,902	28,820
Deferred tax liabilities		-	61,929
Other financial liabilities	16.6	110,054	220,230
Total non-current liabilities		6,103,394	4,973,638
Current liabilities			
Trade payables, accruals and deferred income, and other liabilities		2,525,171	1,612,978
Interest-bearing loans and borrowings	16.5	446,055	471,926
Short-term provisions		7,383	7,712
Other financial liabilities	16.6	275,257	13,277
Total current liabilities		3,253,866	2,105,893
Total liabilities		9,357,260	7,079,531
Total equity and liabilities		14,297,747	12,559,630

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended June 30th 2010 and June 30th 2009

(PLN '000)		6 months ended Jun 30 2010	6 months ended Jun 30 2009 (restated)
	Note	(unaudited)	(unaudited)
Sales revenue		8,050,169	5,467,070
Cost of sales	16.7	(7,624,857)	(5,202,563)
Gross profit/(loss)		425,312	264,507
Other operating income		5,738	3,165
Selling costs	16.7	(205,215)	(164,579)
General and administrative expenses	16.7	(111,799)	(99,565)
Other operating expenses		(10,081)	(3,222)
Operating profit		103,955	306
Finance income	16.8	253,850	173,261
Finance expenses	16.9	(1,081,733)	(87,924)
Pre-tax profit/(loss)		(723,928)	85,643
Corporate income tax	16.10	184,316	10,593
Net profit/(loss) from continuing operations		(539,612)	96,236
Other comprehensive income, net		-	-
Total comprehensive income		(539,612)	96,236
Net earnings/(loss) from continuing operations per share (PLN)	11		
Weighted average number of shares (in thousands)		129,873	113,700
- basic		(4.15)	0.85
- diluted		-	-

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2010 and June 30th 2009

(PLN '000)	Note	6 months ended Jun 30 2010 (unaudited)	6 months ended Jun 30 2009 (restated) (unaudited)
Cash flows from operating activities			
Net profit/(loss) from continuing operations		(539,612)	96,236
Adjustments:			
Depreciation and amortisation		84,553	66,268
Foreign exchange (gains)/losses		951,813	126,169
Interest and dividends		(251,797)	(148,088)
(Gain)/loss on investing activities		(2,362)	4,006
Current income tax		(184,316)	(10,593)
(Increase) in receivables	16.11	(420,089)	(490,693)
(Increase) in inventories	16.11	(742,279)	(309,932)
Increase in liabilities and accruals and deferred income	16.11	967,549	853,873
(Decrease)/increase in provisions	16.11	(247)	405
(Increase)/decrease in prepayments and accrued income	16.11	(1,746)	1,329
Settlement and valuation of financial instruments		302,409	3,414
		-----	-----
Net cash provided by/(used in) operating activities		163,876	192,394
		-----	-----
Cash flows from investing activities			
Cash flows attributable to changes in interest in a subsidiary undertaking not resulting in loss of control over non-current financial assets		(10,891)	-
Dividend received		141,095	145,384
Interest received		237	2,070
(Purchase)/sale of tangible assets, tangible assets under construction and intangible assets		(390,500)	(1,313,222)
Prepayments for tangible assets under construction		(42,609)	(170,888)
Loans advanced		(2,000)	(42,717)
Other cash provided by financial instruments		6,400	-
		-----	-----
Net cash provided by/(used in) investing activities		(298,268)	(1,379,373)
		-----	-----
Cash flows from financing activities			
Increase in loans and borrowings		498,596	1,346,722
Repayment of loans and borrowings		(147,485)	(34,396)
Interest paid		(27,110)	(36,957)
Settlement of financial instruments		(107,016)	15,321
Other items, net		(94)	(91)
		-----	-----
Net cash provided by/(used in) financing activities		216,891	1,290,599
		-----	-----
Effect of exchange rate fluctuations on cash held		(2,458)	(5,361)
		=====	=====
Change in net cash		80,041	98,259
		=====	=====
Cash and cash equivalents at beginning of period	16.11	(443,798)	(134,303)
		=====	=====
Cash and cash equivalents at end of period	16.11	(363,757)	(36,044)
		=====	=====
- restricted cash	16.11	34,338	192,403

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended June 30th 2010 and June 30th 2009

(PLN '000)	<u>Share capital</u>	<u>Statutory reserve funds</u>	<u>Retained earnings</u>	<u>Total equity</u>
Jan 1 2009 (restated) (audited)	113,700 -----	970,951 -----	3,447,551 -----	4,532,202 -----
Total comprehensive income for the six months ended Jun 30 2009	- =====	- =====	96,236 =====	96,236 =====
Jun 30 2009 (restated) (unaudited)	113,700 =====	970,951 =====	3,543,787 =====	4,628,438 =====
Jan 1 2010 (restated) (audited)	129,873 -----	1,311,348 -----	4,038,878 -----	5,480,099 -----
Total comprehensive income for the six months ended Jun 30 2010	- =====	- =====	(539,612) =====	(539,612) =====
Jun 30 2010 (unaudited)	129,873 =====	1,311,348 =====	3,499,266 =====	4,940,487 =====

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2010

1. General Information

GRUPA LOTOS S.A. is a joint-stock company with the registered office in Gdańsk at ul. Elbląska 135. Its shares are publicly traded on the Warsaw Stock Exchange.

The Company's interim condensed financial statements for the six months ended June 30th 2010 were approved for publication by the Company's Management Board on August 23rd 2010.

Grupa LOTOS S.A. is the Parent Undertaking of the LOTOS Group ("the Group") and a major investor in subordinated undertakings and their related undertakings in which it holds shares. Accordingly, Grupa LOTOS S.A. has prepared the interim condensed consolidated financial statements of its Group, which include these undertakings' financial data for the six months ended June 30th 2010, and which were approved for publication by the Management Board on August 23rd 2010.

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

In the period from January 1st 2010 until the date of approval of these interim condensed 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, Chief Operation Officer,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at January 1st 2010, 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.

On February 11th 2010, the Extraordinary General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution to remove Mr Mariusz Obszyński, Mr Radosław Barszcz and Mr Jan Stefanowicz from their positions on the Supervisory Board. Next, Messrs Oskar Pawłowski, Michał Rumiński and Rafał Wardziński were appointed as members of the Supervisory Board of the seventh term of office.

On March 29th 2010, the Company received a resignation by Mr Ireneusz Fąfara, Member of the Supervisory Board of Grupa LOTOS S.A., from his position as Member of the Company's Supervisory Board.

On June 28th 2010, the following persons were appointed to the Supervisory Board of Grupa LOTOS S.A. of the seventh term of office: Ms Ewa Sibrecht-Ośka – as Member of the Supervisory Board, and Mr Rafał Lorek – as Independent Member of the Supervisory Board.

As at June 30th 2010 and as at the date of approval of these interim condensed 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,
Oskar Pawłowski – Secretary of the Supervisory Board,
Małgorzata Hirszel – Member of the Supervisory Board,
Michał Rumiński – Member of the Supervisory Board,
Rafał Wardziński – Member of the Supervisory Board,
Ewa Sibrecht-Ośka – Member of the Supervisory Board,
Rafał Lorek – Independent Member of the Supervisory Board.

3. Rules of Presentation

These interim condensed financial statements of Grupa LOTOS S.A. were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Reporting* ("IAS 34") and in compliance with the relevant EU-endorsed accounting standards applicable to interim financial reporting, which had been published and were effective at the time of preparing these interim condensed financial statements of the Company.

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

These interim condensed financial statements should be read in conjunction with the audited financial statements of Grupa LOTOS S.A. for 2009, prepared in accordance with the IFRS.

The financial information as at June 30th 2010 and for the six months ended on that date, as well as the comparative financial data for the six months ended June 30th 2009, contained in these interim condensed financial statements, were subject to review by the Company's auditor. The financial information as at December 31st 2009 was audited by a qualified auditor, who issued an opinion on the financial statements on April 26th 2010.

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

3.1 Change of Information Presented in Previous Reporting Periods

The Company adjusted the comparative data for the six months ended June 30th 2009 to reflect in the case of selected items of property plant and equipment the component approach required by IAS 16 *Property, Plant and Equipment*, adopted in Grupa LOTOS S.A.'s financial statements for 2009 prepared in accordance with the IFRS. Therefore, in the statement of comprehensive income for the six months ended June 30th 2009, cost of sales and income tax decreased respectively by PLN 17,618 thousand and PLN 3,348 thousand, and net profit from continuing operations rose by PLN 14,270 thousand. The data disclosed in the statement of cash flows for the six months ended June 30th 2009 was adjusted accordingly by PLN 14,270 thousand under net profit from continuing operations, by PLN 17,618 thousand under depreciation and amortisation, and by PLN 3,348 thousand under current income tax.

In the statement of cash flows for the six months ended June 30th 2009, valuation of financial instruments of PLN 18,735 thousand, previously disclosed under "(Profit)/loss on investing activities", was transferred to "Settlement and valuation of financial instruments".

4. Accounting Policies

The accounting policies and calculation methods adopted by the Company in the preparation of these interim condensed financial statements are the same as those used in the preparation of the financial statements for the year ended December 31st 2009 (see Note 10 to the financial statements for 2009, prepared in accordance with the IFRS), except that since January 1st 2010 the Company has applied amendments to IAS 17 *Leasing*, as a result of which perpetual usufruct right to land obtained free of charge was capitalised at fair value and presented under property, plant and equipment (equity was increased accordingly as the related liabilities could not have been determined). Previously, the perpetual usufruct right to land obtained free of charge was classified by the Company as operating lease and disclosed at fair value as an off-balance-sheet item. In connection with the disclosure of the land perpetual usufruct rights obtained free of charge in the balance-sheet, the Company adjusted the comparative data presented in these financial statements. As a result of the adjustment, as at December 31st 2009, the value of property, plant and equipment rose by PLN 163,446 thousand, deferred tax liabilities increased by PLN 31,055 thousand, and equity (retained earnings) grew by PLN 132,391 thousand, taking into account the effect of deferred income tax.

In April 2009, the IASB issued another set of changes to the standards, mostly to eliminate inconsistencies and clarify wording. Various transitional provisions apply for the individual standards. Application of the following standards led to changes in the Group's accounting policies, but had no impact on the Group's financial standing or performance:

IFRS 8 *Operating Segments*. It has been clarified that segment assets and liabilities should be disclosed only when such assets and liabilities are included in the measures used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets, the Group continues to disclose the required information in Note 12.

IAS 7 *Statement of Cash Flows*: It has been made clear that only expenditure which leads to the recognition of an asset may be classified as cash flows from investing activities.

The Company has reviewed the new interpretations, standards and amendments to effective standards. The new interpretations, standards and amendments to the 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 Company.

The following new interpretations, standards and amendments to the existing standards which have been adopted by the European Union will apply to periods beginning after January 1st 2010:

- IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* (applies to annual periods beginning on or after February 1st 2010),
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters* (apply to annual periods beginning on or after July 1st 2010),
- Amendments to IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement* (apply to periods beginning on or after January 1st 2011),
- Revised IAS 24 *Related Party Disclosures* (applies to annual periods beginning on or after January 1st 2011),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applies to annual periods beginning on or after July 1st 2010).

The Company chose to early apply - as of January 1st 2009 - the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*. Application of the revised IFRS 3 and IAS 27 had no material effect on the previous periods.

The following new standards, amendments to existing standards and interpretations 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:

- IFRS 9 *Financial Instruments* (applies from January 1st 2013),
- Changes introduced as part of the improvements to IFRSs published in May 2010 (some changes are effective for annual periods beginning on July 1st 2010, some for annual periods beginning on January 1st 2011).

The Group did not decide to choose the option of early application of any other standard, interpretation, or amendment to an existing standard which has been published but has not yet become effective.

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 Company, or on the Company's financial standing or results.

5. Translation of Financial Highlights into the Euro

Items of the statement of financial position as at June 30th 2010, 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 4.1458. Items of the statement of comprehensive income and the statement of cash flows for the first six months of 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0042 (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 2010).

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Items of the statement of financial position as at December 31st 2009, 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 4.1082. 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 = 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).

6. Seasonality and Cyclicity of Operations in the Interim Period

The Company'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 2010, valuation of foreign-currency denominated loans of PLN 954,064 thousand was charged to finance expenses.

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 material changes to the estimates reported in prior interim periods of the current financial year or in prior financial years.

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

In the period between January 1st and June 30th 2010 there were no transactions relating to issue, redemption or repayment of debt or equity securities.

10. Dividends

On June 28th 2010, the General Shareholders Meeting of Grupa LOTOS S.A. adopted Resolution No. 6 concerning distribution of the Company's net profit for 2009. Pursuant to the resolution, the Company's net profit for the year ended December 31st 2009, totalling PLN 591,327 thousand, was applied as follows:

- PLN 590,327 thousand was transferred to the Company's statutory reserve funds,
- PLN 1,000 thousand was transferred to a special account to finance corporate social responsibility (CSR) projects.

In these interim condensed financial statements, the Company presented profit after distribution under retained earnings. In addition, the allocation of profit to the Special Account was recognised as an expense in the six months ended June 30th 2010 and presented under short-term provisions.

11. Earnings/(Loss) per Share

	6 months ended Jun 30 2010	6 months ended Jun 30 2009 (restated)
	(unaudited)	(unaudited)
Profit/(loss) from continuing operations attributable to owners of the Parent (PLN '000) (A)	(539,612)	96,236
Weighted average number of shares (in thousands) (B)	129,873	113,700
	=====	=====
Earnings/(loss) per share (PLN) (A/B)	(4.15)	0.85

Earnings/(loss) per share for each period are calculated by dividing the profit/(loss) from continuing operations attributable to owners of the Parent for a given period by the weighted average number of shares in the period.

The Company does not disclose diluted earnings/(loss) per share, since it has no instruments with a potential dilutive effect.

12. Business Segments

As the segments are identified at the Group level, the results of the particular business segments for the six months ended June 30th 2010 were presented in Note 13 to the interim condensed consolidated financial statements for the six months ended June 30th 2010. Grupa LOTOS S.A. is included in the downstream segment.

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

1. On July 12th 2010, the President of the Energy Regulatory Office extended the license granted to Grupa LOTOS S.A. for electricity trading, transmission and distribution until September 1st 2021.
2. On August 20th 2010, Grupa LOTOS S.A. submitted a PLN 240,000 thousand blank promissory note to the Customs Office in Gdańsk as a lump-sum excise security for the amount of PLN 800,000 thousand. This security remains valid until August 19th 2011.

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

In the six months ended June 30th 2010, there were no material changes in the Company's structure other than described below.

Change in the Number of Grupa LOTOS S.A. Shares Held by the State Treasury

Based on orders placed and accepted on January 22nd 2010, on January 22nd 2010 the State Treasury sold in block transactions an aggregate of 14,000,000 ordinary bearer shares in Grupa LOTOS S.A., representing 10.78% of Grupa LOTOS S.A.'s share capital and conferring the rights to 14,000,000 votes, or 10.78% of the total vote, in the Company.

Prior to the change, the State Treasury, represented by the Minister of State Treasury, held in aggregate 83,076,392 ordinary bearer shares in Grupa LOTOS S.A., representing 63.97% of the Company's share capital and conferring the rights to 83,076,392 votes, or 63.97% of the total vote in Grupa LOTOS S.A.

After the change, the State Treasury, represented by the Minister of State Treasury, holds in aggregate 69,076,392 ordinary bearer shares in Grupa LOTOS S.A., representing in aggregate 53.19% of the Company's share capital, and 69,076,392 votes, or 53.19% of the total vote in Grupa LOTOS S.A.

Introduction to Stock-Exchange Trading of Grupa LOTOS S.A. Series A Shares; Assimilation of Grupa LOTOS S.A. Shares by the Polish NDS

By virtue of Resolution No. 26/2010 of January 18th 2010, the Management Board of the Warsaw Stock Exchange decided to introduce to trading on the main market, on January 19th 2010, by way of the ordinary procedure, 57,987,030 Series A shares in Grupa LOTOS S.A., with a par value of PLN 1 per share, designated by the National Depository for Securities with code No. PLLOTOS00033.

By virtue of Resolution No. 33/10 of its Management Board, the National Depository for Securities decided to assimilate, on January 19th 2010, 57,987,030 ordinary bearer shares in Grupa LOTOS S.A., created through a conversion, on January 19th 2010, of 57,987,030 ordinary registered shares (code No. PLLOTOS00033) with 55,635,609 ordinary bearer shares in Grupa LOTOS S.A. (code No. PLLOTOS00025). The assimilated shares were assigned code No. PLLOTOS00025.

As of January 19th 2010, 113,622,639 shares in Grupa LOTOS S.A. were marked with code No. PLLOTOS00025, and 77,361 shares in Grupa LOTOS S.A. were marked with code No. PLLOTOS00033.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

By virtue of Resolution No. 316/2010 of April 1st 2010, the Management Board of the Warsaw Stock Exchange decided to introduce to trading on the main market, on April 12th 2010, by way of the ordinary procedure, 8,250 Series A shares in Grupa LOTOS S.A., with a par value of PLN 1 per share, designated by the National Depository for Securities with code No. PLLOTOS00033. Under the resolution, the shares were to be introduced to trading on April 12th 2010 on condition that the National Depository for Securities converts, on April 12th 2010, the aforementioned registered shares in Grupa LOTOS S.A. into ordinary bearer shares and assimilates them, on April 12th 2010, with the shares in Grupa LOTOS S.A. already traded on the stock-exchange under code No. PLLOTOS00025.

By virtue of Resolution No. 185/10 of its Management Board, the National Depository for Securities decided to assimilate, on April 12th 2010, 8,250 ordinary bearer shares in Grupa LOTOS S.A., created through a conversion, on April 12th 2010, of 8,250 ordinary registered shares (code No. PLLOTOS00033), with 113,622,639 ordinary bearer shares in Grupa LOTOS S.A. (code No. PLLOTOS00025). The assimilated shares were assigned code No. PLLOTOS00025.

Since April 12th 2010, shares in Grupa LOTOS S.A. have been marked as follows:

- code No. PLLOTOS00025 - 113,630,889 shares,
- code No. PLLOTOS00033 - 69,111 shares.

Acquisition of LOTOS Jasło S.A. Shares

On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Jasło S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Jasło S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares through donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 4.90 per share in the period from February 8th 2010 to March 8th 2010, and PLN 4.23 per share in the period from March 9th 2010 to March 22nd 2010. As at the date of approval of these interim condensed financial statements, the purchase procedure, which commenced on March 9th 2010, has not been completed.

By June 30th 2010, Grupa LOTOS S.A. acquired 756,858 LOTOS Jasło S.A. shares with the aggregate value of PLN 3,767 thousand, representing 12.62% of the company's share capital. As a result of the transactions executed by June 30th 2010, Grupa LOTOS S.A.'s percentage share in the share capital of LOTOS Jasło S.A. rose from 85.01% to 97.63%.

Acquisition of LOTOS Czechowice S.A. Shares

On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Czechowice S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Czechowice S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares through donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 7.98 per share in the period from February 8th 2010 to March 8th 2010, and PLN 6.89 per share in the period from March 9th 2010 to March 22nd 2010. As at the date of approval of these interim condensed financial statements, the purchase procedure, which commenced on March 9th 2010, has not been completed.

By June 30th 2010, Grupa LOTOS S.A. acquired 877,963 LOTOS Czechowice S.A. shares with the aggregate value of PLN 7,124 thousand, representing 11.70% of the company's share capital. As a result of these transactions, by June 30th 2010, Grupa LOTOS S.A.'s percentage share in the share capital of LOTOS Czechowice S.A. rose from 85.04% to 96.74%.

Other changes to the structure of the LOTOS Group are presented in Note 15 to the interim condensed consolidated financial statements for the six months ended June 30th 2010.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

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

15.1 Contingent Liabilities

Contingent Liabilities under Sureties and Guarantees Granted

Jun 30 2010 (PLN '000)	Contingent liability granted in foreign currency	Currency of contingent liability	Contingent liability in PLN ⁽¹⁾	Contingent liability expiry date	Bank or other institution which granted the contingent liability	Type of contingent liability granted / information on debtor
Beneficiary						
Contingent liabilities granted / commissioned by Grupa LOTOS S.A.						
National Fund for Environmental Protection and Water Management	1,650 ⁽²⁾	PLN	1,650	Nov 30 2010	Grupa LOTOS S.A.	Surety for LOTOS Jaslo S.A.
Head of the Customs Office in Pruszków	1,700	PLN	1,700	Jul 15 2010 ⁽³⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	3,300	PLN	3,300	Jul 15 2010 ⁽³⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	5,000	PLN	5,000	Jul 15 2010 ⁽³⁾	Bank PKO BP S.A.	Bank guarantee
Eminent Energy Limited	62,790	USD	213,147	Jul 30 2010 ⁽⁴⁾	Bank PKO BP S.A.	Documentary letter of credit
Other (each with a unit value of less than PLN 1,000 thousand)	1,010	PLN	1,010	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	161	EUR	667	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	122	-	-	Bank guarantees
Total			226,596			

⁽¹⁾ Contingent liabilities in foreign currencies were translated at the mid exchange rate quoted by the National Bank of Poland for June 30th 2010.

⁽²⁾ As per the agreement, the surety covers the loan amount of up to PLN 15,000 thousand. As at June 30th 2010, the loan amount was PLN 1,650 thousand.

⁽³⁾ Contingent liabilities expired upon the lapse of their validity term.

⁽⁴⁾ The letter of credit expired on July 21st 2010 due to an earlier repayment of liabilities.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Dec 31 2009 (PLN '000)	Contingent liability granted in foreign currency	Currency of contingent liability	Contingent liability in PLN ⁽¹⁾	Contingent liability expiry date	Bank or other institution which granted the contingent liability	Type of contingent liability granted / information on debtor
Beneficiary						
Contingent liabilities granted / commissioned by Grupa LOTOS S.A.						
National Fund for Environmental Protection and Water Management	3,300 ⁽²⁾	PLN	3,300	Nov 30 2010	Grupa LOTOS S.A.	Surety for LOTOS Jasło S.A.
Customs Office in Pruszków	1,500	PLN	1,500	Feb 26 2010 ⁽³⁾	Bank PKO BP S.A.	Bank guarantee
TOTAL DEUTSCHLAND GmbH	10,500 ⁽⁴⁾	USD	29,928	Jan 29 2010 ⁽⁴⁾	Deutsche Bank Polska S.A.	Bank guarantee of payment
TOTAL DEUTSCHLAND GmbH	10,500	USD	29,928	Jan 31 2010 ⁽⁵⁾	Bank Pekao S.A.	Bank guarantee of payment
Gunvor International B.V.	852 ⁽⁶⁾	USD	2,428	Jan 15 2010	Deutsche Bank Polska S.A.	Documentary letter of credit – security for a contract
Gunvor International B.V.	8,800	USD	25,083	Feb 15 2010	Bank Pekao S.A.	Stand-by letter of credit – security for a contract
Customs Office in Pruszków	16,000	PLN	16,000	Feb 26 2010 ⁽⁷⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	1,700	PLN	1,700	Jul 15 2010	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	3,300	PLN	3,300	Jul 15 2010	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	5,000	PLN	5,000	Jul 15 2010	Bank PKO BP S.A.	Bank guarantee
Other (each with a unit value of less than PLN 1,000 thousand)	550	PLN	550	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	123	EUR	505	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	103	-	-	Bank guarantees
Total			119,325			

⁽¹⁾ Contingent liabilities in foreign currencies were translated at the mid exchange rate quoted by the National Bank of Poland for December 31st 2009.

⁽²⁾ As per the agreement, the surety covers the loan amount of up to PLN 15,000 thousand. As at December 31st 2009, the loan amount was PLN 3,300 thousand.

⁽³⁾ The original validity term of the guarantee was December 31st 2009 but it was subsequently extended until September 30th 2010 and then, on November 20th 2009, until October 31st 2010. As the excise security expired, the original guarantee document was returned to the issuer and on February 26th 2010, the liability ceased to exist.

⁽⁴⁾ With effect from August 1st 2009, the guarantee amount was changed from USD 18,000 thousand to USD 10,500 thousand. The guarantee expired upon the lapse of its validity term.

⁽⁵⁾ The guarantee expired upon the lapse of its validity term.

⁽⁶⁾ Documentary letter of credit issued for the amount of USD 7,150 thousand.

⁽⁷⁾ The guarantee was to expire on September 30th 2010. As the excise security expired, the original guarantee document was returned to the issuer and on February 26th 2010 the liability ceased to exist.

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

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Contingent Liabilities under Promissory Notes

Jun 30 2010 (PLN '000)	Promissory note amount in foreign currency	Currency of promissory note	Promissory note amount in PLN	Promissory note expiry date	Type
Beneficiary of the promissory note					
Customs Office in Gdańsk	200,000	PLN	200,000	Jul 8 2010 ⁽¹⁾	Security for tax liability
Customs Office in Gdańsk	200,000	PLN	200,000	Jul 6 2010 ⁽¹⁾	Security for tax liability
Customs Office in Gdańsk	400,000	PLN	400,000	Jan 13 2011	Security for tax liability
PKO BP S.A.	250,000	PLN	250,000	Aug 25 2010	Security for a bank loan
Total			1,050,000		

⁽¹⁾ Contingent liabilities expired upon the lapse of their validity term.

Dec 31 Dec 2009 (PLN '000)	Promissory note amount in foreign currency	Currency of promissory note	Promissory note amount in PLN	Promissory note expiry date	Type
Beneficiary of the promissory note					
Customs Office in Gdańsk	200,000	PLN	200,000	Jul 8 2010	Security for tax liability
Customs Office in Gdańsk	200,000	PLN	200,000	Jul 6 2010	Security for tax liability
Customs Office in Gdańsk	400,000	PLN	400,000	Jan 13 2011	Security for tax liability
PKO BP S.A.	250,000	PLN	250,000	Aug 25 2010	Security for a bank loan
Total			1,050,000		

Contingent Investment Commitments

As at June 30th 2010, the Company's commitments under material agreements related to expenditure on property, plant and equipment (the 10+ Programme) amounted to PLN 149.3m (PLN 590m as at December 31st 2009).

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

15.2 Material Court, Arbitration or Administrative Proceedings and Other Risks Of the Company

Changes which have occurred with respect to pending court, arbitration, or administrative proceedings or with respect to other risks of the Company since the end of the previous financial year, i.e. December 31st 2009 (see Note 38 to the 2009 financial statements prepared in accordance with the IFRS) include the following:

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

In July 2005, the Company appealed to the Anti-Monopoly Court against the Competition and Consumer Protection Office's decision limiting access to a part of the evidence gathered in the case. Independent of the appeal, in September 2005, the Company filed another request with the Court to issue a decision to the effect that Grupa LOTOS S.A. does not use monopolistic practices. In October 2005, the Company received another decision of the Competition and Consumer Protection Office concerning limitation of access to a part of the evidence, against which the Company appealed to the Anti-Monopoly Court. The Regional Anti-Monopoly Court dismissed the appeals. Grupa LOTOS S.A. appealed to the Warsaw Court of Appeals against the Regional Anti-Monopoly Court's decisions, but those appeals were dismissed as well.

Pursuant to the Court's Decision of April 18th 2007, Grupa LOTOS S.A.'s right of access to evidence in the anti-trust proceedings, namely to the materials obtained during inspections at PKN ORLEN S.A.'s offices, was restricted on the basis of a petition submitted by PKN ORLEN S.A. The restriction concerned the report on inspection of the offices in Warsaw together with appendices to the report, and a part of appendices to the report on inspection of the offices in Płock. Under the same Decision, PKN ORLEN S.A.'s petition was rejected to the extent concerning restriction of Grupa LOTOS S.A.'s right of access to the report on inspection of PKN ORLEN S.A.'s offices in Płock. On April 26th 2007, Grupa LOTOS S.A. filed a complaint against the Decision restricting Grupa LOTOS S.A.'s right of access to the evidence. On May 9th 2007, Grupa LOTOS S.A. received a notice from the Competition and Consumer Protection Office to provide information on changes to U-95 and Pb95 gasoline prices. The information was sent to the Office on the same day. On August 2nd 2007, Grupa LOTOS S.A. sent a notification to the Office to the effect that the production of the U95 gasoline had been discontinued. On December 31st 2007, the President of the Office imposed a fine of PLN 1,000 thousand on Grupa LOTOS S.A. Consequently, on January 17th 2008, an appeal against the decision was filed with the Regional Court of Warsaw.

On September 23rd 2008, the Regional Court of Warsaw - Competition and Consumer Protection Court sent a response by the President of the Competition and Consumer Protection Office to the appeal submitted by Grupa LOTOS S.A. against the President's decision. In response to Grupa LOTOS S.A.'s appeal, the President of the Competition and Consumer Protection Office stated that Grupa LOTOS S.A.'s objections both with reference to substantive and procedural laws were unfounded and requested that the appeal be dismissed in its entirety and that the President be awarded the costs of legal representation.

On April 27th 2010, the Court adjourned the rendering of judgment until May 6th 2010. On May 6th 2010, the Regional Court in Warsaw passed a decision dismissing the appeal against the decision of the Competition and Consumer Protection Office concerning anti-trust proceedings initiated *ex officio* as a result of the decision issued by the President of the Competition and Consumer Protection Office on March 21st 2005 concerning distribution of the U95 universal gasoline (see Note 38 to the 2009 financial statements prepared in accordance with the IFRS), and upheld the fines of PLN 1,000 thousand and PLN 4,000 thousand imposed by the Competition and Consumer Protection Office on, respectively, Grupa LOTOS S.A. and PKN ORLEN S.A. On June 15th 2010, the Company received a decision dismissing the appeal against the decision of the President of the Competition and Consumer Protection Office. On June 28th 2010, Grupa LOTOS S.A. appealed against this decision. As at the date of approval of these interim condensed financial statements, the case was pending.

Provisions for potential liabilities in the amount of PLN 1,000 thousand were created in the financial statements to cover the risk of losing a potential dispute.

2. 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 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 was pending before the Regional Court of Gdańsk (First Instance Court); file No. is IX GC 134/04. The Company defended 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. During a hearing held on November 3rd 2009, the Court obliged PETROECCO JV Sp. z o.o. to appoint an expert. The date of the next hearing was set for October 1st 2010. As at the date of approval of these interim condensed 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.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

3. 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. At the hearing held on September 30th 2009, the Court of Appeals dismissed the action and awarded reimbursement of the cost of court proceedings to Grupa LOTOS S.A. The State Treasury was called upon to reimburse Grupa LOTOS S.A. for the cost of court proceedings. On January 11th 2010, the State Treasury lodged a cassation complaint against the ruling to the Court of Appeals. The complaint was served on the Company on June 6th 2010. On July 8th 2010, the Supreme Court overruled the Court of Appeals' judgment and remanded the case for re-examination. As at the date of approval of these interim condensed 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.

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

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

PLN '000	Jun 30 2010	Dec 31 2009
	(unaudited)	(restated) (audited)
Land	178,115	178,166
Buildings and structures	1,434,428	941,634
Plant and equipment	1,482,503	480,634
Vehicles and other tangible assets	114,591	64,253
	=====	=====
Total tangible assets	3,209,637	1,664,687
	=====	=====
Tangible assets under construction	4,080,451	5,105,343
Prepayments for tangible assets under construction	46,544	150,699
	=====	=====
Total tangible assets under construction	4,126,995	5,256,042
	=====	=====
Intangible assets	44,046	43,928
	=====	=====
Total	7,380,678	6,964,657

As at June 30th 2010, capitalised financing costs amounted to PLN 249,880 thousand (as at December 31st 2009: PLN 186,656 thousand).

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

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

PLN '000	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
Gross book value as at Jan 1 2010 (restated) (audited)	2,640,370	5,163,089	150,699	7,954,158	91,071	8,045,229
Increase, including: - from settlement of investments	1,626,691	(1,024,857)	39,858	641,692	3,105	644,797
Decrease	1,623,489	(1,626,594)	-	(3,105)	3,105	-
	(8,162)	(35)	(144,013)	(152,210)	-	(152,210)
	-----	-----	-----	-----	-----	-----
Gross book value as at Jun 30 2010 (unaudited)	4,258,899	4,138,197	46,544	8,443,640	94,176	8,537,816
Gross book value as at Jan 1 2009 (restated) (audited)	2,418,975	2,016,182	1,194,489	5,629,646	87,032	5,716,678
Increase, including: - from settlement of investments	61,195	2,410,523	170,888	2,642,606	980	2,643,586
Decrease	27,646	(28,626)	-	(980)	980	-
	(1,968)	(102,928)	(1,062,836)	(1,167,732)	(712)	(1,168,444)
	-----	-----	-----	-----	-----	-----
Gross book value as at Jun 30 2009 (restated) (unaudited)	2,478,202	4,323,777	302,541	7,104,520	87,300	7,191,820
Accumulated depreciation/amortisation as at Jan 1 2010 (audited)	975,683	-	-	975,683	47,143	1,022,826
Increase	81,674	-	-	81,674	2,987	84,661
Decrease	(8,095)	-	-	(8,095)	-	(8,095)
	-----	-----	-----	-----	-----	-----
Accumulated depreciation/amortisation as at Jun 30 2010 (unaudited)	1,049,262	-	-	1,049,262	50,130	1,099,392
Accumulated depreciation/amortisation as at Jan 1 2009 (audited)	845,868	-	-	845,868	40,650	886,518
Increase	62,972	-	-	62,972	3,437	66,409
Decrease	(1,917)	-	-	(1,917)	(400)	(2,317)
	-----	-----	-----	-----	-----	-----
Accumulated depreciation/amortisation as at Jun 30 2009 (restated) (unaudited)	906,923	-	-	906,923	43,687	950,610

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GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

PLN '000	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
Impairment losses as at Jan 1 2010 (audited)	-	57,746	-	57,746	-	57,746
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Impairment losses as at Jun 30 2010 (unaudited)	-	57,746	-	57,746	-	57,746
Impairment losses as at Jan 1 2009 (audited)	-	24,158	-	24,158	-	24,158
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Impairment losses as at Jun 30 2009 (unaudited)	-	24,158	-	24,158	-	24,158
Net book value as at Jun 30 2010 (unaudited)	3,209,637	4,080,451	46,544	7,336,632	44,046	7,380,678
	=====	=====	=====	=====	=====	=====
Net book value as at Jan 1 2010 (restated) (audited)	1,664,687	5,105,343	150,699	6,920,729	43,928	6,964,657
	=====	=====	=====	=====	=====	=====
Net book value as at Jun 30 2009 (restated) (unaudited)	1,571,279	4,299,619	302,541	6,173,439	43,613	6,217,052
	=====	=====	=====	=====	=====	=====

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., at a higher conversion ratio.

The implementation of the 10+ Programme proceeds as scheduled, and reached 98.99% at the end of June 2010. In H1 2010, the following auxiliary infrastructure facilities reached the Ready For Start Up phase:

- nitrogen production unit,
- hydrogen recovery unit (HRU),
- inter-facility pipeline connection systems (phase III).

The following units were commissioned in H1 2010:

- amine sulphur recovery unit (ASR),
- hydrogen generation unit (HGU),
- hydrodesulphurisation unit (HDS),
- refinery-harbour product pipeline,
- hydrogen recovery unit (HRU).

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

In 2010-2011, the following units at the Gdańsk Refinery of Grupa LOTOS S.A. are to be completed:

- mild hydrocracker (MHC),
- residue oil supercritical extraction (ROSE),
- infrastructure expansion (tanks, utilities, inter-facility connections).

At present, Grupa LOTOS S.A. is making preparations to launch in 2012-2015 the second phase of the 10+ Programme, which will focus on the management of heavy residue. As at June 30th 2010, capitalised expenditure on the IGCC project, including a reduction of production lines capacity and a different method of processing of gases, was PLN 20,468 thousand (as at December 31st 2009: PLN 20,468 thousand). The Company is assessing the possibilities of technical use of the incurred expenditure.

16.2 Non-Current Financial Assets

PLN '000	<u>Jun 30 2010</u> <u>(unaudited)</u>	<u>Dec 31 2009</u> <u>(audited)</u>
Shares in subsidiary undertakings, including:	1,027,861	1,016,969
- additional contributions to equity	247,081	247,081
Shares in other undertakings	6,317	6,317
Positive valuation of derivative financial instruments:	30,060	54,862
- commodity swaps(raw materials and petroleum products)	1,506	-
- interest rate swap (IRS)	28,471	54,767
- futures (CO ₂ emissions)	83	95
	=====	=====
Total	1,064,238	1,078,148
	=====	=====

16.3 Inventories

PLN '000	<u>Jun 30 2010</u> <u>(unaudited)</u>	<u>Dec 31 2009</u> <u>(audited)</u>
Finished products	938,537	664,886
Semi-finished products and work in progress	416,627	309,164
Goods for resale	218,713	176,082
Materials	2,062,638	1,744,104
	=====	=====
Net inventories	3,636,515	2,894,236
	=====	=====

16.4 Current Financial Assets

PLN '000	<u>Jun 30 2010</u> <u>(unaudited)</u>	<u>Dec 31 2009</u> <u>(audited)</u>
Positive valuation of derivative financial instruments:	28,325	47,017
- commodity swap (raw materials and petroleum products)	2,412	-
- futures (CO ₂ emissions)	82	442
- currency forward and spot contracts	25,459	46,575
- forward rate agreements (FRAs)	372	-
Loans advanced to related undertakings	47,244	38,033
	=====	=====
Total	75,569	85,050
	=====	=====

16.5 Interest-Bearing Loans

PLN '000	Jun 30 2010 <u>(unaudited)</u>	Dec 31 2009 <u>(audited)</u>
Bank loans	6,410,493	5,134,585
Total	6,410,493	5,134,585
including:		
non-current portion	5,964,438	4,662,659
current portion	446,055	471,926

Bank Loans as at June 30th 2010, by Currency and Maturity

PLN '000	EUR loans and borrowings	USD loans and borrowings	PLN loans and borrowings	Total ⁽¹⁾
H2 2010	1,170	98,811	350,930	450,911
2011	-	1,467,339	-	1,467,339
2012	-	254,225	-	254,225
2013	-	258,450	-	258,450
2014	-	356,094	-	356,094
2015	-	370,177	-	370,177
beyond 2015	-	3,253,297	-	3,253,297
Total	1,170	6,058,393	350,930	6,410,493

⁽¹⁾ Measured at amortised cost.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Loans by Lender

PLN '000	Jun 30 2010	Dec 31 2009
	(unaudited)	(audited)
Non-current portion		
Bank consortium (1)*	1,357,535	1,139,513
Bank consortium (2)**	3,544,833	2,750,485
Bank consortium (3)***	1,062,070	772,661
	-----	-----
Total non-current portion	5,964,438	4,662,659
Current portion		
Pekao S.A.	29,556	2,263
PKO BP S.A.	3	-
Bank consortium (1)*	2,123	1,670
Bank consortium (2)**	9,046	6,477
Bank consortium (3)***	4,058	1,760
Bank consortium (4)****	401,269	459,756
	-----	-----
Total current portion	446,055	471,926
	=====	=====
Total	6,410,493	5,134,585
	=====	=====

* Bank consortium (1): Pekao S.A., PKO BP S.A., BRE Bank S.A. and 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, Credit Agricole CIB (formerly Calyon), DnB Nor Bank ASA, DnB Nor Polska S.A., Banca Nazionale del Lavoro SpA (BNL), 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. and Sumitomo Mitsui Banking Corporation Europe Ltd.

*** Bank consortium (3): Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas S.A. and Banca Nazionale del Lavoro SpA (BNL).

**** 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. and Bank Gospodarki Żywnościowej S.A.

Bank Loans

As at June 30th 2010, the nominal amount drawn by the Company under the investment loan facility (Bank consortium (2), (3)) described in Note 24 to the 2009 financial statements prepared in accordance with the IFRS was USD 1,382,909 thousand (the equivalent of PLN 4,694,424 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 30th 2010). 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 interim condensed financial statements, Grupa LOTOS S.A. drew funds under the credit facility agreement according to its needs.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Loans as at June 30th 2010:

Bank name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion) ⁽¹⁾		Outstanding loan amount (non-current portion) ⁽¹⁾		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN ('000)	Foreign currency ('000)	PLN ('000)	Foreign currency ('000)	PLN ('000)	Foreign currency ('000)	Current portion	Non-current portion		
Pekao S.A.	Warsaw	100,000	-	29,556	-	-	-	Overdraft facility ⁽²⁾	-	1M WIBOR + bank's margin	submission to enforcement
PKO BP S.A.	Warsaw	133,000	-	3	-	-	-	Overdraft facility ⁽²⁾	-	1M WIBOR + bank's margin	representation on submission to enforcement, blank promissory note with a promissory note declaration
Bank Consortium (1)	-	-	USD 400,000	2,123	USD 555	1,357,535	USD 399,875	Oct 15 2010	Dec 20 2011	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given 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)	-	-	USD 1,125,000	9,046	USD 3,262	3,544,833	USD 1,064,735	Oct 15 2010	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given 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 10,000 thousand per year, submission to enforcement
Bank Consortium (3)	-	-	USD 425,000	4,058	USD 2,278	1,062,070	USD 309,782	Oct 15 2010	Jan 15 2021	fixed interest rate	
Bank Consortium (4)	-	USD 200,000 or equivalent		321,371	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				78,728	USD 23,188	-	-			3M LIBOR USD + bank's margin	
				1,170	EUR 283	-	-			3M EURIBOR + bank's margin	
Total				350,930	-	-	-				
				93,955	USD 29,283	5,964,438	USD 1,774,392				
				1,170	EUR 283	-	-				
				446,055	-	5,964,438	-				

⁽¹⁾ Measured at amortised cost.

⁽²⁾ Not treated as cash equivalents.

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

16.6 Other Financial Liabilities

PLN '000	<u>Jun 30 2010</u> <u>(unaudited)</u>	<u>Dec 31 2009</u> <u>(audited)</u>
Negative valuation of derivative financial instruments:	385,091	233,193
- commodity swap (raw materials and petroleum products)	19,883	-
- futures (CO ₂ emissions)	1,377	675
- currency forward and spot contracts	134,602	12,798
- interest rate swap (IRS)	229,229	219,720
Lease liabilities	220	314
	=====	=====
Total	385,311	233,507
	=====	=====
Non-current liabilities	110,054	220,230
Current liabilities	275,257	13,277

16.7 Costs by Type

PLN '000	<u>6 months ended</u> <u>Jun 30 2010</u> <u>(unaudited)</u>	<u>6 months ended</u> <u>Jun 30 2009</u> <u>(unaudited)</u>
Depreciation and amortisation	84,553	66,268
Raw materials and energy used	7,655,801	4,381,510
Contracted services	349,534	346,970
Taxes and charges	34,961	29,290
Salaries and wages	63,600	49,246
Social security and other benefits	19,120	16,275
Other costs by type	15,372	14,156
Value of goods for resale and materials sold	159,648	761,259
	=====	=====
Total	8,382,589	5,664,974
Adjustments:	(440,718)	(198,267)
Change in products and adjustments to cost of sales	=====	=====
	7,941,871	5,466,707
	=====	=====
Total operating expenses:	7,624,857	5,202,563
Cost of sales	205,215	164,579
Selling costs	111,799	99,565
General and administrative expenses		

16.8 Finance Income

PLN '000	<u>6 months ended</u> <u>Jun 30 2010</u> <u>(unaudited)</u>	<u>6 months ended</u> <u>Jun 30 2009</u> <u>(unaudited)</u>
Dividend received:	251,936	145,784
- from related undertakings	251,256	145,784
- from other undertakings	680	-
Interest	1,914	2,596
Settlement of derivative financial instruments	-	24,881
	=====	=====
Total	253,850	173,261
	=====	=====

16.9 Finance Expenses

PLN '000	6 months ended Jun 30 2010 <u>(unaudited)</u>	6 months ended Jun 30 2009 <u>(unaudited)</u>
Interest	61,183	64,293
Foreign exchange losses:	780,647	45,628
- on foreign-currency denominated loans	954,064	115,846
- realised foreign exchange differences on foreign-currency transactions in bank accounts	(170,802)	(80,267)
- other foreign exchange differences	(2,615)	10,049
Revaluation of financial assets:	189,993	28,295
- financial derivatives	195,393	28,295
- other	(5,400)	-
Settlement of derivative financial instruments	107,016	-
Bank fees	5,187	1,138
Other	776	840
Amounts recognised in costs of assets which qualify for capitalisation	(63,069)	(52,270)
Total	1,081,733	87,924

16.10 Corporate Income Tax

The main components of the Company's tax expense for the six months ended June 30th 2010 and for the six months ended June 30th 2009 are as follows:

PLN '000	6 months ended Jun 30 2010 <u>(unaudited)</u>	6 months ended Jun 30 2009 <u>(unaudited)</u>
Corporate income tax	-	-
Deferred tax	184,316	10,593
Total tax	184,316	10,593
Tax expense recognised in the statement of comprehensive income	184,316	10,593
Tax expense recognised in the statement of changes in equity	-	-

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

The change in deferred tax assets and liabilities charged to the statement of comprehensive income in the six months ended June 30th 2010 is primarily attributable to the fact that as of January 1st 2010 Grupa LOTOS S.A. has applied the tax method to measure the foreign exchange differences for the purpose of corporate income tax settlements. In 2007-2009, the Company used the accounting method to measure the foreign exchange differences for the purpose of corporate income tax settlements.

16.11 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	<u>Jun 30 2010</u> <u>(unaudited)</u>	<u>Dec 31 2009</u> <u>(audited)</u>
Cash at bank	37,457	18,196
Cash in hand	32	24
Overdraft facilities	(401,246)	(462,018)
	=====	=====
Total cash and cash equivalents	(363,757)	(443,798)
	=====	=====

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

As at June 30th 2010, restricted cash amounted to PLN 34,338 thousand (PLN 17,070 thousand as at December 31st 2009). Restricted cash included:

- a deposit of PLN 17,374 thousand, serving as security for the repayment of interest on a loan contracted to finance inventories,
- a margin of PLN 2,259 thousand, transferred to Grupa LOTOS S.A.'s account kept by brokerage firm Marex Financial to carry out a transaction on the ICE Futures internet platform,
- the amount of PLN 14,705 thousand held in an account dedicated to payments related to repayment of principal and interest on loans/credit facilities contracted in connection with the 10+ Programme.

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

Causes of Differences between Changes in Certain Items as Shown by the Statement of Financial Position and as Shown by the Statement of Cash Flows

Receivables	<u>6 months ended</u> <u>Jun 30 2010</u> <u>(unaudited)</u>	<u>6 months ended</u> <u>Jun 30 2009</u> <u>(unaudited)</u>
PLN '000		
Change in non-current and current receivables, net	(459,806)	(323,399)
Change in receivables related to positive valuation of financial instruments	-	9,560
Set-off of corporate income tax receivables against VAT liabilities	(71,120)	(177,254)
Change in dividends receivable	110,841	400
Other	(4)	-
	-----	-----
Change in receivables as disclosed in the statement of cash flows	(420,089)	(490,693)

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Liabilities, accruals and deferred income	6 months ended Jun 30 2010	6 months ended Jun 30 2009
PLN '000	(unaudited)	(unaudited)
Change in non-current and current liabilities, and accruals and deferred income	2,339,905	2,277,397
Change in non-current and current loans	(1,275,908)	(1,424,498)
Change in investment liabilities	(16,137)	(39,378)
Change in liabilities related to negative valuation of financial instruments	(151,898)	(8,834)
Change in finance lease liabilities	94	91
Set-off of corporate income tax receivables against VAT liabilities	71,120	177,254
Other	373	(128,159)
	-----	-----
Change in liabilities and accruals and deferred income as disclosed in the statement of cash flows	967,549	853,873
Provisions	6 months ended Jun 30 2010	6 months ended Jun 30 2009
PLN '000	(unaudited)	(unaudited)
Change in provisions	(62,176)	405
Change in deferred tax liabilities	61,929	-
	-----	-----
Change in provisions as disclosed in the statement of cash flows	(247)	405
Inventories	6 months ended Jun 30 2010	6 months ended Jun 30 2009
PLN '000	(unaudited)	(unaudited)
Change in inventories	(742,279)	(438,089)
Other	-	128,157
	-----	-----
Change in inventories as disclosed in the statement of cash flows	(742,279)	(309,932)
Prepayments and accrued income	6 months ended Jun 30 2010	6 months ended Jun 30 2009
PLN '000	(unaudited)	(unaudited)
Change in prepayments and accrued income	(124,133)	(12,613)
Change in deferred tax assets	122,387	13,942
	-----	-----
Change in prepayments and accrued income as disclosed in the statement of cash flows	(1,746)	1,329
Cash and cash equivalents	6 months ended Jun 30 2010	6 months ended Jun 30 2009
PLN '000	(unaudited)	(unaudited)
Change in cash	19,269	173,865
Change in interest-bearing overdraft facilities	60,772	(75,606)
	-----	-----
Change in cash as disclosed in the statement of cash flows	80,041	98,259

16.12 Material Transactions of Grupa LOTOS S.A. with Related Undertakings within the LOTOS Group

Transactions with related undertakings are executed on standard market terms.

PLN '000	6 months ended Jun 30 2010 (unaudited)		As at Jun 30 2010 (unaudited)	
	Sales to related undertakings (incl. excise tax and fuel charge)	Purchases from related undertakings (incl. excise tax and fuel charge)	Receivables from related undertakings	Payables to related undertakings
Consolidated undertakings	6,684,280	592,051	1,465,399	152,411
Non-consolidated undertakings	-	-	-	-
Total	6,684,280	592,051	1,465,399	152,411

In the period January 1st–June 30th 2010, the Company was returned the amount of PLN 6,400 paid for shares in connection with a share capital increase at a related undertaking.

In the period January 1st–June 30th 2010, the Company reversed impairment losses for financial assets from related undertakings in the amount of PLN 6,400 thousand.

In the period January 1st–June 30th 2010, the Company recognised impairment losses on financial assets from related undertakings (loans) in the amount of PLN 1,000 thousand.

In the period January 1st–June 30th 2010, the Company recognised impairment losses on receivables from related undertakings in the amount of PLN 4,477 thousand.

In the period January 1st–June 30th 2010, the Company advanced a PLN 2,000 thousand loan to a related undertaking. On June 29th 2010, Grupa LOTOS S.A. executed an agreement under which the Company advanced a PLN 2,000 thousand loan to LOTOS Gaz S.A. The principal amount along with interest is to be repaid by December 31st 2010.

Security for 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), will be provided in the form of an assignment by LOTOS Gaz S.A. of future proceeds from the sale of its assets, subject to a condition precedent of LOTOS Gaz S.A.'s non-performance of its obligations to Grupa LOTOS S.A.

As at June 30th 2010, loans advanced to related undertakings amounted to PLN 46,130 thousand.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

PLN '000	6 months ended Jun 30 2009 (unaudited)		As at Dec 31 2009 (audited)	
	Sales to related undertakings (incl. excise tax and fuel charge)	Purchases from related undertakings (incl. excise tax and fuel charge)	Receivables from related undertakings	Payables to related undertakings
Consolidated subsidiaries	5,128,760	430,096	986,825	86,422
Non-consolidated subsidiaries	11	1,214	-	-
Total	5,128,771	431,310	986,825	86,422

Areas of transactions with related undertakings	6 months ended Jun 30 2010 (unaudited)	Six months ended Jun 30 2009 (unaudited)
PLN '000		
Sale of property, plant and equipment and intangible assets	5	4
Purchase of property, plant and equipment and intangible assets	33,487	77,292
Finance income	252,882	146,412
Finance expenses	(5,400)	-
Other operating income	531	14
Other operating expenses	4,476	56

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2010

Remuneration of the Management and Supervisory Board Members and Information on Loans and Other Similar Benefits Granted to Members of Management and Supervisory Staff

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

PLN '000	Six months ended Jun 30 2010 <u>(unaudited)</u>	Six months ended Jun 30 2009 <u>(unaudited)</u>
Management Board		
Supervisory Board	653	242
Management Board – subsidiary undertakings ⁽¹⁾	116	113
Total ⁽²⁾	=====	=====
	930	495

⁽¹⁾ Remuneration paid and payable to the members of the Management Board of Grupa LOTOS S.A. for serving on the Supervisory Boards and the Boards of Directors of subsidiary undertakings.

⁽²⁾ The value of remuneration reflects changes in the composition of the Management and Supervisory Boards of Grupa LOTOS S.A. during the reporting period.

As at June 30th 2010 and December 31st 2009, the Company did not grant any loans or similar benefits to members of its management and supervisory staff.

Other transactions with Members of the Company's Management or Supervisory Boards, Their Spouses, Siblings, Ascendants, Descendants or Other Close Persons

In the six months ended June 30th 2010, the Company executed no significant transactions with members of the Management and Supervisory Boards⁽¹⁾, their spouses, relatives or relatives by affinity in the direct line up to the second degree, persons related through guardianship or adoption or with other persons with whom they have personal relationships. The Company advanced no loans, made no advances, issued no guarantees and concluded no agreements to or with any such persons which would provide for considerable benefits to Grupa LOTOS S.A. or its subsidiary or associated undertakings.

⁽¹⁾ Taking into account changes in the composition of the Supervisory Board (see Note 2 to these interim condensed financial statements).

Other transactions between the Company and Entities Related through Members of the Management and Supervisory Boards

In accordance with the representations submitted by members of the Management and Supervisory Boards, in the six months ended June 30th 2010, there were no transactions with related parties.

17. Other Information

Significant Agreement between Grupa LOTOS S.A. and LOTOS Asphalt Sp. z o.o.

On February 26th 2010, Grupa LOTOS S.A. and LOTOS Asphalt Sp. z o.o. of Gdańsk entered into an agreement under which Grupa LOTOS S.A. will sell to LOTOS Asphalt Sp. z o.o. fuels intended to be used as bunker fuel. The agreement was executed for an indefinite term starting on March 1st 2010. Its estimated value over a five-year term is approx. PLN 570m. The estimated maximum value of the contractual penalties is about PLN 5.5m.

Significant Agreement between Grupa LOTOS S.A. and PGNiG S.A.

On June 16th 2010, Grupa Lotos S.A. and Polskie Górnictwo Naftowe i Gazownictwo SA of Warsaw entered into an agreement providing for the supply of natural gas to Grupa Lotos S.A. starting from December 16th 2011. In accordance with the agreement, on justified request by Grupa Lotos S.A., the starting date of the gas supplies may be postponed by six months, i.e. until June 15th 2012. The agreement has been concluded for an indefinite term. The estimated value of the agreement in the period of five years amounts to approximately PLN 2,208m. The estimated maximum contractual penalties may exceed 10% of the agreement's value, and their amount depends on the quantity of gas ordered but not taken off by Grupa LOTOS S.A. The agreement does not contain any provisions on seeking additional compensation in excess of the contractual penalties. The other terms and conditions of the agreement do not differ from standard provisions commonly applied in agreements of such type. The agreement has been concluded in order to ensure higher supplies of network gas to Grupa LOTOS S.A.'s refinery, which will replace the fuels currently used, including LPG, light gasoline, and – to some extent – fuel oil. LPG is currently used in the fuel gas system and together with light gasoline is used to produce hydrogen. The projected annual supplies of natural gas in 2012 will be 403 million cubic meters, and the target annual volume is 447 million cubic meters. In addition to savings which will be generated thanks to the replacement of the abovementioned fuels with network gas, the change will increase the production of liquefied fuels and limit CO₂ emissions by Grupa LOTOS S.A.'s refinery.

Agreement on Supplies of Crude Oil between Grupa LOTOS S.A. and Mercuria Energy Trading SA

On May 7th 2010, the total value of agreements concluded between Grupa LOTOS S.A. and Mercuria Energy Trading S.A. of Geneva since the execution of the last significant agreement between these entities (current report No. 43/2009 of December 4th 2009) reached USD 239.9m (PLN 787.2m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for May 7th 2010), i.e. the value of a significant agreement (that is more than 10% of the equity of Grupa LOTOS S.A.).

In terms of value, the largest of those agreements is the agreement of May 7th 2010 on the supply of 150,000 tonnes of REBCO crude oil. The agreement provides for supplies of the crude through the Druzhba Pipeline. As at the agreement date, its estimated value was USD 85.6m (PLN 280.9m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for May 7th 2010). The agreement does not include any condition precedent or specify any date of events giving rise to a claim (*dies a quo*), it does not provide for any contractual penalties and its terms and conditions do not differ from the terms and conditions commonly used in agreements of such type.

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, Chief Operation Officer	
	Marek Sokołowski
Vice-President of the Management Board, Chief Commercial Officer	
	Maciej Szozda
Chief Accountant	
	Tomasz Południewski