



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

## **THE LOTOS GROUP**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2009**

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**THE LOTOS GROUP  
FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS – CONSOLIDATED**

THE LOTOS GROUP	PLN '000		EUR '000	
	9 months ended Sep 30 2009	9 months ended Sep 30 2008	9 months ended Sep 30 2009	9 months ended Sep 30 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	10,296,523	12,543,612	2,340,491	3,663,117
Operating profit	338,032	519,583	76,838	151,734
Pre-tax profit	854,587	592,952	194,255	173,160
Profit from continuing operations	668,995	477,899	152,069	139,561
Profit from continuing operations attributable to owners of the parent	659,728	428,052	149,962	125,004
Profit from continuing operations attributable to non-controlling interests	9,267	49,847	2,106	14,557
Total comprehensive income	690,258	475,375	156,902	138,824
Comprehensive income attributable to owners of the parent	680,991	425,528	154,795	124,267
Comprehensive income attributable to non-controlling interests	9,267	49,847	2,106	14,557
Net cash provided by/(used in) operating activities	655,852	22,417	149,081	6,546
Net cash provided by/(used in) investing activities	(2,806,861)	(1,465,646)	(638,024)	(428,013)
Net cash provided by/(used in) financing activities	1,829,397	1,099,762	415,838	321,164
Total net cash flow	(321,906)	(346,373)	(73,172)	(101,151)
Basic earnings per ordinary share (PLN/EUR)	5.58	3.76	1.27	1.10
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Sep 30 2009	As at Dec 31 2008	As at Sep 30 2009	As at Dec 31 2008
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,786,445	12,201,998	3,501,739	2,924,455
Equity attributable to owners of the parent	6,454,897	5,404,135	1,528,655	1,295,210
Non-controlling interests	34,860	395,917	8,256	94,890
Total equity	6,489,757	5,800,052	1,536,910	1,390,100

**FINANCIAL HIGHLIGHTS – NON-CONSOLIDATED**

GRUPA LOTOS S.A.	PLN '000		EUR '000	
	9 months ended Sep 30 2009	9 months ended Sep 30 2008	9 months ended Sep 30 2009	9 months ended Sep 30 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	9,089,060	11,624,859	2,066,024	3,394,813
Operating profit/ (loss)	(18,454)	268,903	(4,195)	78,528
Pre-tax profit	573,270	448,850	130,309	131,078
Profit from continuing operations	490,621	384,934	111,523	112,412
Total comprehensive income	490,621	384,934	111,523	112,412
Net cash provided by/(used in) operating activities	39,193	(293,592)	8,909	(85,738)
Net cash provided by/(used in) investing activities	(2,012,916)	(1,066,250)	(457,554)	(311,378)
Net cash provided by/(used in) financing activities	1,768,723	1,126,795	402,046	329,058
Total net cash flow	(207,826)	(237,216)	(47,241)	(69,274)
Basic earnings per ordinary share (PLN/EUR)	4.15	3.39	0.94	0.99
Diluted earnings per ordinary share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Sep 30 2009	As at Dec 31 2008	As at Sep 30 2009	As at Dec 31 2008
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	12,346,776	9,491,020	2,923,975	2,274,715
Equity	5,247,002	4,399,811	1,242,600	1,054,503

Items of the statement of financial position as at September 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 4.2226. Items of the statement of comprehensive income and the statement of cash-flows for the first nine months of 2009 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 4.3993 (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 – September 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 nine months of 2008 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 3.4243 (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 – September 30th 2008).

**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
for the three and nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	Sep 30 2009 (unaudited)	Dec 31 2008 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,843,812	5,532,612
Prepayments for tangible assets under construction	192,199	1,200,713
Goodwill	45,562	45,562
Intangible assets	86,568	55,921
Investment property	3,815	4,898
Investments in associates	73,488	73,488
Non-current financial assets	97,483	26,516
Deferred tax assets	43,958	132,223
Other non-current assets, including:	29,535	21,911
- non-current receivables	17,610	9,152
- prepayments and accrued income	11,925	12,759
	-----	-----
<b>Total non-current assets</b>	<b>9,416,420</b>	<b>7,093,844</b>
	-----	-----
<b>Current assets</b>		
Inventories	2,936,186	2,447,247
Trade and other receivables	1,729,812	1,364,881
Current tax receivable	58,273	199,971
Prepayments and accrued income	28,662	45,863
Current financial assets	189,850	328,760
Cash and cash equivalents	422,896	712,801
	-----	-----
<b>Total current assets</b>	<b>5,365,679</b>	<b>5,099,523</b>
	-----	-----
<b>Assets held for sale</b>	<b>4,346</b>	<b>8,631</b>
	-----	-----
	=====	=====
<b>Total assets</b>	<b>14,786,445</b>	<b>12,201,998</b>
	=====	=====

**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
for the three and nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	Sep 30 2009 (unaudited)	Dec 31 2008 (audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	129,873	113,700
Statutory reserve funds	1,311,348	970,951
Retained earnings	4,984,059	4,311,130
Translation of foreign operations	29,617	8,354
	-----	-----
<b>Equity attributable to owners of the parent</b>	<b>6,454,897</b>	<b>5,404,135</b>
	-----	-----
<b>Non-controlling interests</b>	<b>34,860</b>	<b>395,917</b>
	-----	-----
<b>Total equity</b>	<b>6,489,757</b>	<b>5,800,052</b>
	-----	-----
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	4,677,837	3,412,245
Long-term provisions	257,075	267,903
Deferred tax liabilities	47,923	10,411
Other financial and other liabilities	127,492	9,961
	-----	-----
<b>Total non-current liabilities</b>	<b>5,110,327</b>	<b>3,700,520</b>
	-----	-----
<b>Current liabilities</b>		
Trade and other payables and accruals and deferred income	2,198,173	1,886,440
Current tax payable	24,082	8,069
Interest-bearing loans and borrowings	660,559	507,360
Short-term provisions	75,571	80,470
Other financial liabilities	227,976	219,087
	-----	-----
<b>Total current liabilities</b>	<b>3,186,361</b>	<b>2,701,426</b>
	-----	-----
<b>Total liabilities</b>	<b>8,296,688</b>	<b>6,401,946</b>
	=====	=====
<b>Total equity and liabilities</b>	<b>14,786,445</b>	<b>12,201,998</b>
	=====	=====



**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the three and nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	3 months ended Sep 30 2009 (unaudited)	9 months ended Sep 30 2009 (unaudited)	3 months ended Sep 30 2008 (unaudited)	9 months ended Sep 30 2008 (unaudited)
Sales revenue	4,132,020	10,296,523	4,764,221	12,543,612
Cost of sales	(3,648,808)	(9,160,277)	(4,451,468)	(11,216,234)
<b>Gross profit</b>	<b>483,212</b>	<b>1,136,246</b>	<b>312,753</b>	<b>1,327,378</b>
Other operating income	8,414	27,567	5,372	19,205
Selling costs	(192,956)	(521,089)	(187,056)	(534,059)
General and administrative expenses	(84,131)	(246,163)	(78,005)	(240,771)
Other operating expenses	(29,581)	(58,529)	(13,883)	(52,170)
<b>Operating profit</b>	<b>184,958</b>	<b>338,032</b>	<b>39,181</b>	<b>519,583</b>
Finance income	594,963	679,621	(178,928)	314,215
Finance expenses	(80,618)	(193,868)	(140,194)	(240,846)
Loss of control over subsidiary	30,802	30,802	-	-
<b>Pre-tax profit/(loss)</b>	<b>730,105</b>	<b>854,587</b>	<b>(279,941)</b>	<b>592,952</b>
Corporate income tax	(150,106)	(185,592)	56,023	(115,053)
<b>Net profit/(loss) from continuing operations</b>	<b>579,999</b>	<b>668,995</b>	<b>(223,918)</b>	<b>477,899</b>
<b>Net profit/(loss) from continuing operations attributable to:</b>				
Owners of the parent	579,364	659,728	(237,889)	428,052
Non-controlling interests	635	9,267	13,971	49,847
	<b>579,999</b>	<b>668,995</b>	<b>(223,918)</b>	<b>477,899</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	(3,072)	21,263	3,740	(2,524)
<b>Other comprehensive income, net</b>	<b>(3,072)</b>	<b>21,263</b>	<b>3,740</b>	<b>(2,524)</b>
<b>Total comprehensive income</b>	<b>576,927</b>	<b>690,258</b>	<b>(220,178)</b>	<b>475,375</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	576,292	680,991	(234,149)	425,528
Non-controlling interests	635	9,267	13,971	49,847
	<b>576,927</b>	<b>690,258</b>	<b>(220,178)</b>	<b>475,375</b>
<b>Net earnings/(loss) from continuing operations per share (PLN)</b>				
Weighted average number of shares (in thousands)	127,060	118,202	113,700	113,700
- basic	4.56	5.58	(2.09)	3.76
- diluted	-	-	-	-



**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	9 months ended Sep 30 2009	9 months ended Sep 30 2008
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
<b>Net profit from continuing operations</b>	<b>668,995</b>	<b>477,899</b>
Adjustments:		
Depreciation and amortisation	219,321	236,805
Foreign exchange (gains)/losses	(333,556)	6,087
Net interest and dividend paid	8,454	(524)
(Profit)/loss on investing activities	79,518	222,203
Income tax paid	(66,546)	(257,639)
Current income tax	185,592	115,053
(Increase) in receivables	(367,111)	(323,943)
(Increase) in inventories	(461,016)	(787,474)
Increase in liabilities and accruals and deferred income	836,795	449,103
Increase in provisions	4,433	11,983
Decrease/(increase) in prepayments and accrued income	13,705	(5,531)
Settlement of financial instruments	(132,732)	(121,309)
Other adjustments	-	(296)
<b>Net cash provided by/(used in) operating activities</b>	<b>655,852</b>	<b>22,417</b>
<b>Cash flows from investing activities</b>		
Dividend received	1,737	24,360
Interest received	2,974	22,502
Sale/ (purchase) of property, plant and equipment and intangible assets	(2,593,835)	(876,243)
Sale/ (purchase) of current financial assets	(28)	445
Repayment of non-current loans advanced	-	11
Acquisition of Rafineria Nafty GLIMAR S.A., net of cash acquired	-	3,987
Prepayments for tangible assets under construction	(206,629)	(639,960)
Cash related to loss of control over subsidiary	(371)	-
Other items, net	(10,709)	(748)
<b>Net cash provided by/(used in) investing activities</b>	<b>(2,806,861)</b>	<b>(1,465,646)</b>
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	1,920,694	1,086,768
Repayment of loans and borrowings	(126,145)	(64,558)
Interest paid	(96,211)	(40,376)
Dividend paid	(15)	(2,578)
Decrease in finance lease liabilities	(954)	(670)
Settlement of financial instruments	132,732	121,309
Other items, net	(704)	(133)
<b>Net cash provided by/(used in) financing activities</b>	<b>1,829,397</b>	<b>1,099,762</b>
Effect of exchange rate fluctuations on cash held	(294)	(2,906)
<b>Change in net cash</b>	<b>(321,906)</b>	<b>(346,373)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>338,353</b>	<b>477,104</b>
<b>Cash and cash equivalents at end of period</b>	<b>16,447</b>	<b>130,731</b>
- restricted cash	53,227	23,967



**THE LOTOS GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended September 30th 2009 and September 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
<b>Jan 1 2008 (audited)</b>	113,700	970,951	4,746,221	(14,645)	5,816,227	334,691	6,150,918
Total comprehensive income for the nine months ended Sep 30 2008	-	-	428,052	(2,524)	425,528	49,847	475,375
Dividend to shareholders – distribution of profit for 2007	-	-	-	-	-	(2,578)	(2,578)
Changes in the Group's organisational structure	-	-	-	-	-	(168)	(168)
<b>Sep 30 2008 (unaudited)</b>	113,700	970,951	5,174,273	(17,169)	6,241,755	381,792	6,623,547
<b>Jan 1 2009 (audited)</b>	113,700	970,951	4,311,130	8,354	5,404,135	395,917	5,800,052
Total comprehensive income for the nine months ended Sep 30 2009	-	-	659,728	21,263	680,991	9,267	690,258
Dividend to shareholders – distribution of profit for 2008	-	-	-	-	-	(19)	(19)
Changes in the Group's organisational structure	-	-	-	-	-	(158)	(158)
Share issue	16,173	-	-	-	16,173	-	16,173
Share premium	-	340,773	-	-	340,773	-	340,773
Issue expenses including income tax	-	(376)	-	-	(376)	-	(376)
Changes in ownership interest	-	-	13,201	-	13,201	(370,147)	(356,946)
<b>Sep 30 2009 (unaudited)</b>	129,873	1,311,348	4,984,059	29,617	6,454,897	34,860	6,489,757

**GRUPA LOTOS S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
as at September 30th 2009 and December 31st 2008

(PLN '000)	<u>Sep 30 2009</u> <u>(unaudited)</u>	<u>Dec 31 2008</u> <u>(audited)</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6,304,977	3,401,685
Prepayments for tangible assets under construction	190,472	1,194,489
Intangible assets	41,900	46,382
Financial assets	1,071,036	668,986
Deferred tax assets	-	58,227
	-----	-----
<b>Total non-current assets</b>	<b>7,608,385</b>	<b>5,369,769</b>
	-----	-----
<b>Current assets</b>		
Inventories	2,753,331	2,273,445
Trade and other receivables	1,691,773	1,197,452
Current tax receivable	5,610	177,252
Prepayments	7,928	18,138
Current financial assets	226,815	302,250
Cash and cash equivalents	52,934	152,714
	-----	-----
<b>Total current assets</b>	<b>4,738,391</b>	<b>4,121,251</b>
	-----	-----
	=====	=====
<b>Total assets</b>	<b>12,346,776</b>	<b>9,491,020</b>
	=====	=====

**GRUPA LOTOS S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
as at September 30th 2009 and December 31st 2008

(PLN '000)	Sep 30 2009 (unaudited)	Dec 31 2008 (audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	129,873	113,700
Statutory reserve funds	1,311,348	970,951
Retained earnings	3,805,781	3,315,160
<b>Total equity</b>	<b>5,247,002</b>	<b>4,399,811</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	4,417,702	3,098,491
Long-term provisions	29,631	28,665
Deferred tax liabilities	24,334	-
Other financial liabilities	120,584	359
<b>Total non-current liabilities</b>	<b>4,592,251</b>	<b>3,127,515</b>
<b>Current liabilities</b>		
Trade payables, accruals and deferred income, and other liabilities	1,915,232	1,394,575
Interest-bearing loans and borrowings	412,709	314,478
Short-term provisions	41,188	41,617
Other financial liabilities	138,394	213,024
<b>Total current liabilities</b>	<b>2,507,523</b>	<b>1,963,694</b>
<b>Total liabilities</b>	<b>7,099,774</b>	<b>5,091,209</b>
<b>Total equity and liabilities</b>	<b>12,346,776</b>	<b>9,491,020</b>

**GRUPA LOTOS S.A.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the three and nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	3 months ended Sep 30 2009 (unaudited)	9 months ended Sep 30 2009 (unaudited)	3 months ended Sep 30 2008 (unaudited)	9 months ended Sep 30 2008 (unaudited)
Sales revenue	3,621,990	9,089,060	4,382,570	11,624,859
Cost of sales	(3,482,632)	(8,702,813)	(4,337,148)	(10,926,749)
<b>Gross profit</b>	<b>139,358</b>	<b>386,247</b>	<b>45,422</b>	<b>698,110</b>
Other operating income	1,734	4,899	3,337	5,423
Selling costs	(90,902)	(255,481)	(89,967)	(268,261)
General and administrative expenses	(51,006)	(150,571)	(52,914)	(159,078)
Other operating expenses	(326)	(3,548)	(1,610)	(7,291)
<b>Operating profit/(loss)</b>	<b>(1,142)</b>	<b>(18,454)</b>	<b>(95,732)</b>	<b>268,903</b>
Finance income	550,614	723,875	(220,387)	373,406
Finance expenses	(44,227)	(132,151)	(108,842)	(193,459)
<b>Pre-tax profit/(loss)</b>	<b>505,245</b>	<b>573,270</b>	<b>(424,961)</b>	<b>448,850</b>
Corporate income tax	(96,590)	(82,649)	80,220	(63,916)
<b>Net profit/(loss) from continuing operations</b>	<b>408,655</b>	<b>490,621</b>	<b>(344,741)</b>	<b>384,934</b>
<b>Total comprehensive income</b>	<b>408,655</b>	<b>490,621</b>	<b>(344,741)</b>	<b>384,934</b>
<b>Net earnings/(loss) from continuing operations per share (PLN)</b>				
Weighted average number of shares (in thousands)	127,060	118,202	113,700	113,700
- basic	3.22	4.15	(3.03)	3.39
- diluted	-	-	-	-

**GRUPA LOTOS S.A.**  
**STATEMENT OF CASH FLOWS**  
for the nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	9 months ended Sep 30 2009	9 months ended Sep 30 2008
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
<b>Net profit from continuing operations</b>	<b>490,621</b>	<b>384,934</b>
Adjustments:		
Depreciation and amortisation	119,106	137,808
Foreign exchange (gains)/losses	(305,362)	(12,395)
Net interest and dividend paid	(158,986)	(131,551)
(Profit)/loss on investing activities	97,004	226,835
Current income tax	82,649	63,916
Income tax paid	(5,610)	(182,886)
(Increase) in receivables	(476,670)	(344,654)
(Increase) in inventories	(451,559)	(750,021)
Increase in liabilities and accruals and deferred income	773,120	423,393
Increase in provisions	537	4,349
Decrease in prepayments and accrued income	7,107	7,989
Settlement of financial instruments	(132,764)	(121,309)
<b>Net cash provided by/(used in) operating activities</b>	<b>39,193</b>	<b>(293,592)</b>
<b>Cash flows from investing activities</b>		
Dividend received	145,384	130,333
Repayment of non-current loans advanced	-	3,700
Loans advanced	(42,717)	-
Interest received	2,777	1,436
Sale/(Purchase) of non-current financial assets	-	(4,569)
Sale/(Purchase) of property, plant and equipment and intangible assets	(1,912,128)	(559,190)
Prepayments for tangible assets under construction	(206,232)	(637,960)
<b>Net cash provided by/(used in) investing activities</b>	<b>(2,012,916)</b>	<b>(1,066,250)</b>
<b>Cash flows from financing activities</b>		
Increase in loans and borrowings	1,749,265	1,022,877
Repayment of loans and borrowings	(34,396)	-
Interest paid	(78,304)	(17,219)
Settlement of financial instruments	132,764	121,309
Other items, net	(606)	(172)
<b>Net cash provided by/(used in) financing activities</b>	<b>1,768,723</b>	<b>1,126,795</b>
Effect of exchange rate fluctuations on cash held	(2,826)	(4,169)
<b>Change in net cash</b>	<b>(207,826)</b>	<b>(237,216)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(134,303)</b>	<b>(274,136)</b>
<b>Cash and cash equivalents at end of period</b>	<b>(342,129)</b>	<b>(511,352)</b>
- restricted cash	50,889	22,025

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

**GRUPA LOTOS S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended September 30th 2009 and September 30th 2008

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings	Total equity
<b>Jan 1 2008 (audited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,990,864</b>	<b>5,075,515</b>
Total comprehensive income for the nine months ended Sep 30 2008	-	-	384,934	384,934
<b>Sep 30 2008 (unaudited)</b>	<b>113,700</b>	<b>970,951</b>	<b>4,375,798</b>	<b>5,460,449</b>
<b>Jan 1 2009 (audited)</b>	<b>113,700</b>	<b>970,951</b>	<b>3,315,160</b>	<b>4,399,811</b>
Total comprehensive income for the nine months ended Sep 30 2009	-	-	490,621	490,621
Share issue	16,173	-	-	16,173
Share premium	-	340,773	-	340,773
Issue expenses including income tax	-	(376)	-	(376)
<b>Sep 30 2009 (unaudited)</b>	<b>129,873</b>	<b>1,311,348</b>	<b>3,805,781</b>	<b>5,247,002</b>

**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the three and nine months ended September 30th 2009**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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. Composition of the Group**

The following table presents the subsidiary undertakings of the LOTOS Group, their business profiles, consolidation method, and the Group's stakes in their share capitals.

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Sep 30 2009	Dec 31 2008	Sep 30 2008
<b>Parent Undertaking</b>						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
<b>Direct Subsidiary Undertakings</b>						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Gaz S.A. <sup>(1)</sup>	Mława	Production, wholesale and retail sale of LPG	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sale of base oils	full	100.00%	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%	100.00%
LOTOS Ekoenergia S.A.	Gdańsk	The company has not commenced operations	full	100.00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%	100.00%

**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the three and nine months ended September 30th 2009**

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Sep 30 2009	Dec 31 2008	Sep 30 2008
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00%	100.00%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Gdańsk <sup>(2)</sup>	Wholesale of petroleum products	full	100.00%	100.00%	100.00%
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice	Storage and distribution of fuels	full	85.04% <sup>(3)</sup>	80.04%	80.04%
LOTOS Jasło S.A. (parent undertaking of another group)	Jasło	Production and processing of refined petroleum products and their wholesale and retail sale	full	85.01% <sup>(3)</sup>	80.01%	80.01%
Petrobaltic S.A. (parent undertaking of another group)	Gdańsk	Acquisition of crude oil and natural gas reserves and their exploitation	full	99.32% <sup>(3)</sup>	69.00%	69.00%
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	full	100.00%	100.00%	100.00%
Rafineria Nafty GLIMAR S.A.	Gorlice	_(4)				91.54%
LOTOS Hydrokompleks Sp. z o.o. w likwidacji (in liquidation) <sup>(5)</sup>	Gorlice	Construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated	-	-	100,00%
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Business and management consultancy services/the company does not conduct operations at the moment	full	90.12% <sup>(6)</sup>	86.91%	86.91%
<b>Indirect Subsidiary Undertakings</b>						
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Provision of services	full	85.04% <sup>(6)</sup>	80.04%	80.04%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME) <sup>(7)</sup>	full	85.04% <sup>(6)</sup>	80.04%	80.04%
RC Serwis Sp. z o.o.	Czechowice-Dziedzice	Provision of services	_(8)	90.12% <sup>(6)</sup>	86.91%	86.91%
PLASTEKOL Organizacja Odzysku S.A.	Jasło	Provision of services	full	79.91% <sup>(10) (6)</sup>	66.81%	66.81% <sup>(9)</sup>
Chemipetrol Sp. z o.o.	Jasło	_(11)				80.01%
KRAK - GAZ Sp. z o.o. in bankruptcy by liquidation <sup>(1)</sup>	Bochnia	Wholesale and retail sale of LPG	_(1)		100.00%	100.00%
Miliana Shipping Company Ltd.	Cyprus	Provision of services	full	99.32 % <sup>(6)</sup>	68.93%	68.93%

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



**THE LOTOS GROUP**  
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Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Sep 30 2009	Dec 31 2008	Sep 30 2008
LOTOS Exploration and Production Norge AS	Stavanger Norway	Oil exploration and production at the Norwegian continental shelf, provision of services related to oil exploration and production; the company commenced operations in November 2007	full	99.32% <sup>(6)</sup>	69.00%	69.00% <sup>(12)</sup>
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Provision of services	full	99.32% <sup>(6)</sup>	69.00%	69.00%

<sup>(1)</sup> Loss of control over KRAK-GAZ Sp. z o.o. (a subsidiary of LOTOS GAZ S.A.). 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 23rd 2009, the District Court for Kraków Śródmieście, VIII Commercial Division for Bankruptcy and Recovery resolved to declare KRAK-GAZ Sp. z o.o.'s bankruptcy by liquidation of the company's assets (see Note 15 to these interim condensed consolidated financial statements).

<sup>(2)</sup> On August 12th 2009, the registered office of LOTOS Tank Sp. z o.o. was relocated from Jasło to Gdańsk.

<sup>(3)</sup> On July 9th 2009, an agreement was signed providing for the acquisition by the State Treasury of Grupa LOTOS S.A. shares. In exchange, the State Treasury made non-cash contributions to Grupa LOTOS S.A. in the form of 30.32% of shares in Petrobaltic S.A., 5% of shares in LOTOS Czechowice S.A. and 5% of shares in LOTOS Jasło S.A. (see Note 15 to these interim condensed consolidated financial statements).

<sup>(4)</sup> On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty GLIMAR S.A. of Gorlice bankrupt. Upon consideration on March 11th 2008 of the petition to discontinue the bankruptcy proceedings, submitted by bankruptcy administrator Capricorn Sp. z o.o. of Nowy Sącz, the District Court of Nowy Sącz, Commercial Court Division V, decided to discontinue the bankruptcy proceedings on the basis of Art. 361.2 of the Bankruptcy and Recovery Law. On July 25th 2008, the court's decision became final. As from July 25th 2008, the Rafineria Nafty GLIMAR Group started to be consolidated with the full method. Rafineria Nafty GLIMAR S.A. is the parent undertaking of a group which comprises the following companies: Zakład Transportu TRANSGLIMAR Sp. z o.o. w upadłości (in bankruptcy), Zakład Produkcji Pasz i Bioetanolu AGRO GLIMAR Sp. z o.o. w likwidacji (in liquidation), and LOT Magazynowanie Paliw i Smarów Sp. z o.o. On December 1st 2008, Grupa LOTOS S.A. entered into an agreement with Podkarpacki Holding Budowy Dróg Drogbud Sp. z o.o. of Strzyżów concerning the sale of its shares in Rafineria Nafty GLIMAR S.A. The agreement provided for the sale of 9,520,000 shares in Rafineria Nafty GLIMAR S.A. with a par value of PLN 10 per share, representing 91.54% of the company's share capital. The agreed transaction value was PLN 1,000 thousand. As at the agreement execution date, the carrying value of the shares in Grupa LOTOS S.A.'s accounting books was PLN 0.

<sup>(5)</sup> On November 26th 2007, by virtue of a resolution of the Extraordinary General Shareholders Meeting, LOTOS Hydrokompleks Sp. z o.o., a wholly-owned subsidiary of Grupa LOTOS S.A., was placed in liquidation. On October 20th 2008, the District Court in Kraków issued a decision to delete the company from the National Court Register.

<sup>(6)</sup> The shareholding changes described in item <sup>(3)</sup> above led to changes in the Group's interests in the share capitals of the subsidiaries of Petrobaltic S.A., LOTOS Czechowice S.A. and LOTOS Jasło S.A.

<sup>(7)</sup> On March 1st 2009, LOTOS Biopaliwa Sp. z o.o. commenced operations.

<sup>(8)</sup> Shares contributed to LOTOS Park Technologiczny Sp. z o.o. by the LOTOS Czechowice Group on January 2nd 2006.

<sup>(9)</sup> In May – June 2008, LOTOS Jasło S.A. acquired 165 shares in PLASTEKOL Organizacja Odzysku S.A. The acquired shares are equal and indivisible and represent 16.5% of the share capital of PLASTEKOL Organizacja Odzysku S.A. As a result of this transaction, LOTOS Jasło S.A. holds 835 shares, representing 83.5% of the share capital of Plastekol Organizacja Odzysku S.A.

<sup>(10)</sup> In January–May 2009, LOTOS Jasło S.A. acquired 105 shares in PLASTEKOL Organizacja Odzysku S.A., representing 10.5% of the company's share capital. As a result of the executed transactions, LOTOS Jasło S.A.'s share in the share capital of PLASTEKOL Organizacja Odzysku S.A. increased from 83.5% to 94% (or from 835 to 940 shares) (see Note 15 to these interim condensed consolidated financial statements).

<sup>(11)</sup> On December 30th 2008, LOTOS Jasło S.A. executed an agreement concerning the sale of 100% of the shares in Chemipetrol Sp. z o.o.

<sup>(12)</sup> On May 19th 2008, the Management Board of Petrobaltic S.A. made a decision to initiate the registration procedure concerning the increase of the share capital and the acquisition by Petrobaltic S.A. of 80% of the shares in LOTOS Exploration and Production Norge AS. Petrobaltic S.A. purchased 32 million new shares for the price equal to their par value, i.e. NOK 32m (or PLN 13,782 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for May 19th 2008). On June 12th 2008, Grupa LOTOS S.A. entered into an agreement with Petrobaltic S.A. to sell to Petrobaltic S.A. 8 million shares in LOTOS Exploration and Production Norge AS, representing 20% of the company's share capital. The shares transferred under the agreement, with the total par value of NOK 8m (or PLN 3,376 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 12th 2008), conferring the right to 8 million votes, are equal and indivisible shares and represent 20% of the share capital of LOTOS E&P Norge AS. Their acquisition is treated by Petrobaltic S.A. as a long-term investment. As a result of the transaction, Petrobaltic S.A. holds 40 million shares, representing 100% of the share capital of LOTOS Exploration and Production Norge AS.

As at September 30th 2009, the Group held the following indirect equity interests in associated undertakings: 40.31% of shares in AB Geonaftha and 46.29% of shares in Energobaltic Sp. z o.o.

As at September 30th 2009, December 31st 2008 and September 30th 2008, the Group's shares in the total vote at the general shareholders meetings of its subsidiary undertakings were equal to its shares in their share capitals.

**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the three and nine months ended September 30th 2009**

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### **3. 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 Sokołowski – 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 Sokołowski – Vice-President of the Management Board, Production and Development Director,  
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at September 30th 2009 and the date of approval of these interim condensed 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 Sokołowski – 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.

As at September 30th 2009 and the date of approval of these interim condensed 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.

**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the three and nine months ended September 30th 2009**

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#### **4. Rules of Presentation**

These interim condensed consolidated financial statements of the LOTOS Group were prepared in accordance with International Accounting Standard No. 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 interim condensed 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 interim condensed 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 September 30th 2009 and for the nine months ended on that date, as well as the comparable financial data for the nine months ended September 30th 2008 contained in these interim condensed consolidated financial statements, were not audited. 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 interim condensed consolidated financial statements is the Polish zloty (PLN). These interim condensed consolidated financial statements are presented in the zloty (PLN), and all the figures are presented in thousands of zloty, unless indicated otherwise.

These interim condensed consolidated financial statements were approved for publication by the Management Board on November 2nd 2009.

#### **5. Accounting Policies**

The accounting policies and calculation methods adopted by the Group in the preparation of these interim condensed 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), except for the application, as of January 1st 2009, of the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*. Application of the revised IFRS 3 and the revised IAS 27 did not have any material bearing on the previous periods.

With the exception of the Parent Undertaking, the foreign undertakings, Petrobaltic S.A., LOTOS Asphalt 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 in periods beginning on or after 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)
- 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)

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- 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, 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)
- Amendments to IAS 39 *Financial Instruments: Exposures Qualifying for Hedge Accounting* (apply to annual periods beginning on or after July 1st 2009, endorsed 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 interim condensed financial statements, the Group 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, EBITDA.

EBIT (= operating profit/(loss)),

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 13 to these interim condensed consolidated 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:

- 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)
- Amendment to IFRS 7 – *Improving Disclosures about Financial Instruments* (applies to annual periods beginning on or after January 1st 2009, not yet endorsed by the European Union)
- Amendment to IFRS 2 – *Group Cash-settled Share-based Payment Arrangements* (applies to annual periods beginning on or after January 1st 2010, not yet endorsed by the European Union)
- Amendment to IFRS 32 – *Classification of Rights Issues* (applies to annual periods beginning on or after February 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.

## **6. Translation of Financial Highlights into the Euro**

Items of the statement of financial position as at September 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 4.2226. Items of the statement of comprehensive income and the statement of cash-flows for the first nine months of 2009 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 4.3993 (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 – September 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 nine months of 2008 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 3.4243 (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 – September 30th 2008).

## **7. Seasonality and Cyclicity of Operations in Interim Period**

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

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**8. 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 September 30th 2009, no events occurred which would significantly affect the Group's assets, liabilities, equity, net profit/loss or cash flows.

**9. 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.

**10. 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 September 30th 2009, except as described in Note 15 to these interim condensed consolidated financial statements.

**11. 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.

**12. Earnings per Share**

	Nine months ended Sep 30 2009	Nine months ended Sep 30 2008
	(unaudited)	(unaudited)
Profit from continuing operations attributable to owners of the parent (PLN '000) (A)	659,728	428,052
Weighted average number of shares (in thousands) (B) <sup>(1)</sup>	118,202	113,700
	=====	=====
Earnings per share (PLN) (A/B)	5.58	3.76

<sup>(1)</sup> Earnings per share were computed on the basis of the weighted average number of shares in the period January 1st – September 30th 2009. In connection with the registration of a share capital increase at Grupa LOTOS S.A. on July 17th 2009, the weighted average number of shares includes new Series C shares issued as part of the new issue (see Note 15 to these interim condensed consolidated financial statements).

Earnings per share for each period are calculated by dividing the profit from continuing operations attributable to owners of the parent 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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### 13. Business Segments

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	Three months ended Sep 30 2009	Nine months ended Sep 30 2009	Three months ended Sep 30 2009	Nine months ended Sep 30 2009	Three months ended Sep 30 2009	Nine months ended Sep 30 2009	Three months ended Sep 30 2009	Nine months ended Sep 30 2009	Three months ended Sep 30 2009	Nine months ended Sep 30 2009
	(unaudited)									
<b>Sales revenue:</b>	<b>43,519</b>	<b>152,522</b>	<b>4,113,815</b>	<b>10,211,728</b>	<b>71,689</b>	<b>220,116</b>	<b>(97,003)</b>	<b>(287,843)</b>	<b>4,132,020</b>	<b>10,296,523</b>
Intersegment sales	39,816	147,454	43,576	95,733	13,611	44,656	(97,003)	(287,843)	-	-
External sales	3,703	5,068	4,070,239	10,115,995	58,078	175,460	-	-	4,132,020	10,296,523
Operating profit/(loss) (EBIT)	<b>4,146</b>	<b>(1,152)</b>	<b>212,134</b>	<b>381,698</b>	<b>(19,876)</b>	<b>(42,954)</b>	<b>(11,446)</b>	<b>440</b>	<b>184,958</b>	<b>338,032</b>
Amortisation and depreciation	12,614	35,512	59,216	183,615	106	608	(137)	(414)	71,799	219,321
Operating profit/(loss) before amortisation and depreciation (EBITDA)	<b>16,760</b>	<b>34,360</b>	<b>271,350</b>	<b>565,313</b>	<b>(19,770)</b>	<b>(42,346)</b>	<b>(11,583)</b>	<b>26</b>	<b>256,757</b>	<b>557,353</b>

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	As at Sep 30 2009									
	(unaudited)									
<b>Total assets</b>		<b>1,693,511</b>		<b>13,525,480</b>		<b>46,539</b>		<b>(479,085)</b>		<b>14,786,445</b>

<sup>(1)</sup> includes LOTOS Ekoenergia S.A., LOTOS Park Technologiczny Sp. z o.o. and the LOTOS Gaz Group (until the date of losing control over the subsidiary).

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PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	Three months ended Sep 30 2008	Nine months ended Sep 30 2008	Three months ended Sep 30 2008	Nine months ended Sep 30 2008	Three months ended Sep 30 2008	Nine months ended Sep 30 2008	Three months ended Sep 30 2008	Nine months ended Sep 30 2008	Three months ended Sep 30 2008	Nine months ended Sep 30 2008
	(comparable data)									
<b>Sales revenue:</b>	<b>96,000</b>	<b>324,492</b>	<b>4,709,422</b>	<b>12,387,929</b>	<b>136,846</b>	<b>367,264</b>	<b>(178,047)</b>	<b>(536,073)</b>	<b>4,764,221</b>	<b>12,543,612</b>
Intersegment sales	93,913	319,463	54,660	140,224	29,474	76,386	(178,047)	(536,073)	-	-
External sales	2,087	5,029	4,654,762	12,247,705	107,372	290,878	-	-	4,764,221	12,543,612
Operating profit/(loss) (EBIT)	<b>41,387</b>	<b>165,388</b>	<b>9,891</b>	<b>414,235</b>	<b>4,650</b>	<b>(7,000)</b>	<b>(16,747)</b>	<b>(53,040)</b>	<b>39,181</b>	<b>519,583</b>
Amortisation and depreciation	11,925	37,161	66,726	198,185	439	1,557	(43)	(98)	79,047	236,805
Operating profit/(loss) before amortisation and depreciation (EBITDA)	<b>53,312</b>	<b>202,549</b>	<b>76,617</b>	<b>612,420</b>	<b>5,089</b>	<b>(5,443)</b>	<b>(16,790)</b>	<b>(53,138)</b>	<b>118,228</b>	<b>756,388</b>

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	As at Dec 31 2008									
	(comparable data)									
<b>Total assets</b>		<b>1,708,070</b>		<b>10,492,470</b>		<b>67,090</b>		<b>(65,632)</b>		<b>12,201,998</b>

<sup>(1)</sup> includes LOTOS Ekoenergia S.A., LOTOS Park Technologiczny Sp. z o.o., the LOTOS Gaz Group and Rafineria Nafty GLIMAR S.A.

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

1. On October 14th 2009, the LOTOS Group signed an agreement to grant a loan in the amount of USD 7,000 thousand (i.e. PLN 19,776 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for October 14th 2009) to LOTOS Exploration and Production Norge AS. The loan will be used to finance the expenditure related to the YME Production Project. The loan principal and interest loan is to be repaid by June 30th 2010.

In order to secure the repayment of the loan, 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 the LOTOS Group.

2. In connection with the Recovery Arrangement implemented at Energobaltic Sp. z o.o. (see Note 15 to these interim consolidated financial statements), on October 29th 2009 the General Shareholders Meeting of Energobaltic Sp. z o.o. increased the company's share capital by PLN 30,334.5 thousand, through the issue of 3,745 new shares with a par value of PLN 8,100 per share. The shares were acquired in exchange for a cash contribution by Petrobaltic S.A. and Stablewood Power Ventures (Wladyslawowo) Ltd on October 30th 2009.

After the share capital increase is registered, Petrobaltic S.A.'s interest in the share capital of Energobaltic Sp. z o.o. will rise from 46.61% to 50.92%.

3. On October 29th 2009, the Management Board of Grupa LOTOS S.A. became aware that Petrobaltic S.A. had received a decision of the Minister of the Environment concerning amendments to the licence for extraction of crude oil and the associated natural gas from the B8 field situated within the Polish exclusive economic zone of the Baltic Sea.

The decision has extended the licence validity term from 10 to 25 years counting from the licence issue date, which means that the licence has been extended by 15 years.

Pursuant to the amended licence, as at December 31st 2008 the recoverable reserves of the B8 field amounted to:

- 3.5 million tonnes of crude oil,
- 0.4 billion cubic meters of natural gas (associated mineral).

As a result of reassessment of the B8 field reserves, LOTOS Group's recoverable reserves rose by 1.5 million tonnes (or 30%) in the case of crude oil and by 0.1 billion cubic meters (or 2%) in the case of natural gas relative to the amounts disclosed in the LOTOS Group's Consolidated Financial Statements for 2008.

Taking into account the reassessment of the B8 field reserves, as at December 31st 2008 LOTOS Group's crude oil and natural gas reserves were:

Crude oil (2P\*): 6.5 million tonnes,  
Natural gas (2P\*): 4.5 billion cubic meters.

\* 2P – proved and probable.

4. On November 2nd 2009, at the request of Grupa LOTOS S.A. Bank PKO BP S.A. issued a bank guarantee for PLN 16,000 thousand to the Customs Office in Pruszków, as security for payment of excise tax. The guarantee expires on September 30th 2010.

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**15. 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 and described in Note 2 of the Notes to these interim condensed consolidated financial statements:

**Changes in the Shareholder Structure of PLASTEKOL Organizacja Odzysku S.A.**

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. Tyliś, 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).

**Share Capital Increase at LOTOS Exploration and Production Norge AS and Acquisition of New Shares by Petrobaltic S.A.**

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.

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**Loss of Control over KRAK-GAZ Sp. z o.o. (Subsidiary of LOTOS GAZ S.A.)**

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 provisional court supervisor was appointed. On July 13th 2009, the supervisor submitted a report containing an analysis of the debtor's documentation and condition of its business.

On July 23rd 2009, the District Court for Kraków Śródmieście, VIII Commercial Division for Bankruptcy and Recovery, resolved to declare bankruptcy by way of liquidation of assets of KRAK-GAZ Sp. z o.o. (KRAK-GAZ Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation)).

On July 1st 2009, as a result of the provisional appointment of a court supervisor, LOTOS GAZ S.A. lost control over its subsidiary KRAK-GAZ Sp. z o.o. within the meaning of the revised IAS 27 *Consolidated and Separate Financial Statements*. Consequently, as of July 1st 2009 KRAK-GAZ Sp. z o.o. has not been subject to consolidation and accordingly has not been consolidated in the consolidated financial statements of the LOTOS Group for the period of the three and nine months of 2009 and as at September 30th 2009.

**Accounting for the Loss of Control over KRAK-GAZ Sp. z o.o.**

PLN '000	As at Sep 30 2009
Net assets of KRAK-GAZ Sp. z o.o. as at the date of control takeover <sup>(1)</sup>	4,684
Change in net assets of KRAK-GAZ Sp. z o.o. from the date of control takeover to the date of loss of control	(35,486)
Net assets of KRAK-GAZ Sp. z o.o. as at the date of loss of control	(30,802)
Fair value of KRAK-GAZ Sp. z o.o. shares	0
Impact of the loss of control over KRAK-GAZ Sp. z o.o. on the consolidated financial result of the LOTOS Group	30,802

<sup>(1)</sup> The company was consolidated with the full method from July 7th 2007.

By September 30th 2009 LOTOS GAZ S.A. created an impairment charge for the full value of KRAK-GAZ Sp. z o.o. shares (PLN 17,329 thousand). Moreover, in 2008 an impairment charge was created for the goodwill of PLN 12,645 thousand which had arisen after taking over control of KRAK-GAZ Sp. z o.o. on July 7th 2007. Other operating expenses for the periods of the three and nine months ended September 30th 2009 include an impairment charge created for receivables from KRAK-GAZ Sp. z o.o., in the amount of PLN 21,243 thousand. Previously, the impairment charge had been subject to intra-Group eliminations. The net profit of KRAK-GAZ Sp. z o.o. by the date of the loss of control, accounted for in this consolidated statement of comprehensive income, amounts to PLN (16,698) thousand.

**Energobaltic Sp. z o.o. Recovery Proceedings**

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.

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The key terms of the Arrangement are as follows:

- 1) Bank Ochrony Środowiska will grant a grace period whereby the beginning of repayment of the principal amounts of all the loans will be postponed until June 30th 2014,
- 2) The loans granted by the shareholders (Petrobaltic S.A. and Stablewood Power Ventures (Wladyslawowo) Ltd) will be converted into shares in Energobaltic Sp. z o.o.,
- 3) Petrobaltic S.A. will submit declarations to the effect that:
  - a) gas deliveries from the B8 field will commence on January 1st 2014,
  - b) the agreement with Energobaltic Sp. z o.o. will be extended by 7 years, that is until 2025,
  - c) the gas delivery price and the current pricing formula will remain unchanged for the period by which the agreement is to be extended,
- 4) Petrobaltic S.A. will also agree to provide a security deposit of EUR 500 thousand (in the zloty) to secure the repayment of interest by Energobaltic Sp. z o.o. to Bank Ochrony Środowiska, until June 30th 2014.

The Arrangement entered into by Energobaltic Sp. z o.o. and the creditors as part of the recovery proceedings instituted at the request of Energobaltic Sp. z o.o. was approved by the District Court in Gdańsk, VI Commercial Division, after a hearing held on September 1st 2009. The court's decision regarding approval of the Arrangement became final on September 9th 2009.

As at September 30th 2009, Petrobaltic S.A. performed the Arrangement with respect to items 3 a), 3 b), 3 c) and 4.

As at September 30th 2009, the amount of Petrobaltic S.A.'s claims under a loan granted to Energobaltic Sp. z o.o. was USD 7,951 thousand (USD 7,764 thousand as at December 31st 2008), which is equivalent to PLN 22,940 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for September 30th 2009 (PLN 22,995 thousand as at December 31st 2008, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for 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 September 30th 2009 Petrobaltic S.A. recognised a provision of PLN 26,026 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 (Wladyslawowo) 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.

#### **Changes in the Shareholder Structure of AB Geonafta (AB Naftos Gavyba ("NG") before the Merger)**

In these interim 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 the nine months ended on September 30th 2009, with the assumption that the Petrobaltic Group carries the shares of its associated undertaking AB Geonafta (AB Naftos Gavyba (NG) before the merger) 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 September 30th 2009, the Group recognised assets invested in AB Geonafta (AB Naftos Gavyba (NG) before the merger), its associated undertaking, in the total amount of PLN 25.3m (PLN 25.3m as at December 31st 2008). The recognised amount was presented under "Non-current financial assets" in the balance sheet, whereas previously those assets were presented under "Other current financial assets", the source of which were the funds provided to 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; hereinafter referred to as the Agreement of July 18th 2000).

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

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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.

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. The merger is not accounted for in these interim condensed consolidated financial statements.

As at September 30th 2009, AB Geonafta was owned by Petrobaltic S.A., holding 40.59% of its share capital, and UAB Meditus, holding 59.41% of its share capital. The Group holds indirectly 40.31% of AB Geonafta's share capital (as at December 31st 2008: 29.46% of AB Naftos Gavyba's share capital).

#### **Increase in the Share Capital of Grupa LOTOS S.A.**

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 129,873,362 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.

In accordance with the revised IAS 27 *Consolidated and Separate Financial Statements*, the above transaction was accounted for as an equity transaction (i.e. as a transaction with owners acting as the entity owners) and resulted in the recognition of an amount of PLN 13,201 thousand under retained earnings.

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**Accounting for the Acquisition of Shares in Petrobaltic S.A., LOTOS Czechowice S.A. and LOTOS Jasło S.A. from Non-Controlling Interests**

PLN '000	
Value of non-controlling interests as at the date of accounting for the transaction (A)	370,147
Value of non-cash contributions in the form of 30.32% of Petrobaltic S.A. shares, 5% of LOTOS Czechowice S.A. shares and 5% of LOTOS Jasło S.A. shares (B)	356,946
Excess of value of the non-controlling interests over value of the non-cash contributions (A-B)	13,201

**Transfer of the LOTOS Group Shares from Nafta Polska S.A. to the State Treasury**

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 all the 59,025,000 Grupa LOTOS S.A. shares held by Nafta Polska 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.

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

**16.1 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 item 1 of Note 14 to these interim condensed 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

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- credit was financed under the term loan facility granted by the group of financial institutions. 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 was financed under the term loan facility granted by the group of financial institutions. 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 validity term was then extended until June 30th 2009. The letter of credit 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. 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. 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.

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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. The obligation expired on September 24th 2009 following fulfilment of the conditions.
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 initial validity term of the guarantee, which was issued to secure payment of amounts due for the delivery of diesel oil and gasoline, was until July 31st 2009. On July 6th 2009, the guarantee validity term was extended until January 29th 2010. Next, with effect from August 1st 2009, the guarantee amount 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).
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 original deadline for repayment of the liabilities under the fuel lending agreement (October 31st 2009) was extended until November 30th 2009. As at the date of approval of these interim condensed consolidated financial statements, the Material Reserves Agency had returned three promissory notes for the amount of PLN 65,956 thousand, PLN 40,269 thousand and PLN 32,858 thousand, respectively. As at September 30th 2009, Grupa LOTOS S.A.'s liabilities under the above agreement amounted to PLN 28,327 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 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 (July 31st 2009) was extended, initially until September 30th 2009 and subsequently until January 29th 2010. The created security in the form of the blank promissory note with a "protest waived" clause and the promissory note declaration remains valid.
16. 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.



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17. The general excise security submitted by Grupa LOTOS S.A. in the form of a blank promissory note, with a "protest waived" clause and a promissory note declaration, 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 remains valid through July 6th 2010, following subsequent extensions of the validity term originally expiring on July 5th 2005.
18. 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 are valid through July 15th 2010.
19. The general excise security submitted by Grupa LOTOS S.A. in the form a blank promissory note, with a "protest waived" clause and a promissory note declaration, 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 remains valid through July 8th 2010, following subsequent extensions of the validity term originally expiring on March 16th 2006.
20. 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 is valid through January 31st 2010.
21. 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 principal amount of the loan will be paid in three instalments and the date of the last instalment is March 31st 2010.
22. 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.
23. 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.
24. 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.
25. 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.
26. 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.

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27. 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.
28. 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.
29. 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.
30. 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.
31. 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.
32. On May 19th 2009, Petrobaltic S.A. concluded an agreement on assignment of claims with Nordea Bank Polska S.A. 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 50,000 thousand and a limit of up to PLN 100,000 thousand. These agreements are also secured by two blank promissory notes with promissory note agreements.
33. 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.
34. On July 13th 2009, in order to secure the repayment of a 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), 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. The 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) was contracted 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.
35. On July 24th 2009, the District Court of Kato ice decided to enter in the register of pledges a pledge on inventories of LOTOS Biopaliwa Sp. z o.o. which – along with an assignment of the insurance policy pursuant an annex to the loan agreement – serves as security for the repayment of the entire amount of the PLN 30,000 thousand loan advanced by Bank Pekao S.A.

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36. In order to secure the repayment of liabilities of LOTOS Exploration and Production Norge AS under a loan contracted by the company from Nordea Bank Norge ASA to finance its day-to-day operations and investment activities, under an agreement of August 18th 2009 Petrobaltic S.A. undertook to instruct Nordea Bank Polska S.A. to issue a bank guarantee for the repayment of the loan for the benefit of Nordea Bank Norge ASA. On August 19th 2009, Nordea Bank Polska S.A., acting on the instructions of Petrobaltic S.A., issued a guarantee for the repayment of the liabilities of LOTOS Exploration and Production Norge AS towards Nordea Bank Norge ASA. The bank guarantee was issued for the amount of USD 8,000 thousand (i.e. PLN 23,716 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for August 19th 2009). In order to secure Petrobaltic S.A.'s claims against LOTOS Exploration and Production Norge AS under the agreement of August 18th 2009, as well as any other liabilities that may arise in connection with the execution and performance of the agreement, LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause for the benefit of Petrobaltic S.A and a promissory note agreement.
37. On September 15th 2009, Petrobaltic S.A. issued a surety for the benefit of Nordea Bank Norge ASA for the repayment of the liabilities of LOTOS Exploration and Production Norge AS under the loan agreement in the amount of USD 11,000 thousand (i.e. PLN 31,365 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for September 15th 2009). In order to secure Petrobaltic S.A.'s claims against LOTOS Exploration and Production Norge AS under the surety, as well as any other liabilities that may arise in connection with the surety, 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 agreement for the benefit of Petrobaltic S.A.

## **16.2 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 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

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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. A hearing was set for November 3rd 2009. 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.

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. 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. 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.

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

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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.

The date of the adjourned hearing was rescheduled at the request of Energobaltic Sp. z o.o.'s attorney and, at the hearing held on September 21st 2009 the parties entered into a settlement, as a result of which the Court discontinued the proceedings. The settlement was made to satisfy one of the conditions stipulated under the arrangement made as part of the recovery proceedings concerning Energobaltic Sp. z o.o. and approved by the District Court of Gdańsk on September 1st 2009.

As at September 30th 2009, Petrobaltic S.A. carried 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 Geonafta. 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 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

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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.

LOTOS Czechowice S.A. received three decisions, dated July 27th 2009, 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 interim condensed 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 interim condensed 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 2009, 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.

By virtue the decisions of the Head of the Customs Office of Bielsko-Biała dated August 28th 2009, the deadline for resolving the cases concerning the excise tax liabilities for the period September–December 2003 was extended to October 28th 2009. As at the date of approval of these interim condensed consolidated financial statements, the case was pending, as the company had not received any decision resolving the case, and after having acquainted itself with the materials collected in connection with the proceedings, on October 23rd 2009 the company sent a letter to the Head of the Customs Office of Bielsko-Biała presenting its position that an order issued by the Director of the Customs Chamber in Katowice concerning a matter of key importance for resolving

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the case had not been carried out. By virtue of subsequent decisions of the Head of the Customs Office of Bielsko-Biała, the deadline for resolving the cases concerning the excise tax liabilities for the period September–December 2003 was extended to December 28th 2009.

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 interim condensed consolidated financial statements of the LOTOS Group with regard to these potential liabilities.

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 September 30th 2009, subject to the execution of the terms of the arrangement, the amount receivable was PLN 833 thousand.

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



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## **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 is monitoring the market situation on an ongoing basis 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 twelve months ended July 3rd 2009 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.

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The largest transaction (in terms of value) concluded between the two companies in the twelve months ended July 3rd 2009 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.

**Conclusion of a Significant Agreement between Grupa LOTOS S.A. and LOTOS Kolej Sp. z o.o.**

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.

**Extension of the Licence for Co-generation of Electricity and Heat Granted to Grupa LOTOS S.A.**

On July 16th 2009, the President of the Energy Regulatory Office extended the licence for co-generation of electricity and heat granted to Grupa LOTOS S.A. until September 1st 2018.

**Extension of the Scope of the Licence Granted to Petrobaltic S.A. for Exploration for and Prospecting of Oil and Gas Deposits in the GAZ PÓLNOC Area**

On October 1st 2009, Petrobaltic S.A. received a decision of the Minister of Environment of September 18th 2009, amending licence 35/2001/p issued by the Minister of Environment to Petrobaltic S.A. for exploration and prospecting of oil and gas deposits in the GAZ PÓLNOC area situated in the eastern regions of Poland. Under the amended licence, the scope of work was extended to include the acquisition of 200 km<sup>2</sup> of 3D seismic.

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**SUPPLEMENTARY INFORMATION PROVIDED UNDER THE MINISTER OF FINANCE'S REGULATION ON CURRENT AND PERIODIC INFORMATION TO BE PUBLISHED BY ISSUERS OF SECURITIES AND CONDITIONS FOR RECOGNITION AS EQUIVALENT OF INFORMATION WHOSE DISCLOSURE IS REQUIRED UNDER THE LAWS OF A NON-MEMBER STATE, DATED FEBRUARY 19TH 2009**

Pursuant to Par. 87 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2009, No. 33, item 259), the Management Board of Grupa LOTOS S.A. hereby releases the following information:

**I. Organisation of the LOTOS Group, and Consolidated Undertakings**

The structure of the LOTOS Group as well as the consolidated undertakings are presented in Note 2 to these interim condensed consolidated financial statements for the nine months ended September 30th 2009.

**II. Effects of Changes in the Structure of the LOTOS Group**

Q3 2009 saw no changes in the structure of the LOTOS Group, except for those disclosed in Note 15 to these interim condensed consolidated financial statements.

**III. Seasonal or Cyclical Nature of the Company's Business in Q3 2009**

In Q3 2009, the operations of Grupa LOTOS S.A. were not affected by seasonality or cyclicity.

**IV. Issue, Redemption or Repurchase of Non-Equity and Equity Securities in Q3 2009**

In Q3 2009, no non-equity or equity securities were issued, redeemed or repurchased, except as described in Note 15 to these interim condensed consolidated financial statements.

**V. Shareholders Holding 5% or More of the Total Vote at the General Shareholders Meeting of the Parent Undertaking as at the Date of Release of this Report**

As at September 30th 2009 and the date of release of this report, the shareholder structure of Grupa LOTOS S.A. was as follows:

	Number of shares	Number of votes	Par value of shares (PLN)	% of share capital held <sup>(1)</sup>
State Treasury	83,076,392	83,076,392	83,076,392	63.97 %
Other shareholders	46,796,970	46,796,970	46,796,970	36.03 %
<b>Total</b>	<b>129,873,362</b>	<b>129,873,362</b>	<b>129,873,362</b>	<b>100.00 %</b>

<sup>(1)</sup> The percentage of share capital held equals the percentage share in the total vote.

From June 30th 2009 until the publication date of this report, there were changes in Grupa LOTOS S.A.'s share capital structure and with respect to its shareholders holding 5% or more of the total vote at the General

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Shareholders Meeting. These changes are described at greater length in Note 15 to these interim condensed consolidated financial statements.

The share capital comprises 129,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share confers the right to one vote at the General Shareholders Meeting and carries the right to dividend.

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

	As at Aug 24 2009	Acquisition	Sale	Other	As at Oct 28 2009
Marek Sokołowski Vice-President of the Management Board, Production and Development Director	8,636	-	-	-	8,636
<b>Total</b>	<b>8,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,636</b>

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

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

There are no pending court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value equal to or exceeding 10% of the Company's equity.

Material court, arbitration or administrative proceedings and other risks concerning the Parent Undertaking or its subsidiary undertakings are described in Note 16.2 to these interim condensed consolidated financial statements.

**VIII. Information on Material Related Party Transactions**

In the period from January 1st to September 30th 2009, there were no material related party transactions within the Group, other than the transactions described below and in Note 17 to these interim condensed consolidated financial statements.

On January 15th 2009, Petrobaltic S.A. signed an agreement to grant a loan in the amount of USD 55m (the equivalent of PLN 177m, translated at the mid-exchange rate quoted by the National Bank of Poland for January 15th 2009) to LOTOS Exploration and Production Norge AS. The loan will be used to finance further implementation of the YME Production Project, in particular the capital expenditure on the Project implementation, along with the cost of capital, including interest on the loan. The principal amount of the loan will be paid in three instalments and the date of the last instalment is March 31st 2010.

On March 9th 2009 Petrobaltic S.A. signed an agreement to grant a loan in the amount of USD 7.5m (the equivalent of PLN 28m, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for March 9th 2009) to LOTOS Exploration and Production Norge AS. 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

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Petrobaltic S.A. The loan will be used to finance further implementation of the YME Production Project. The principal amount is to be repaid by January 29th 2010.

On April 1st 2009, Petrobaltic S.A. signed an agreement to grant a loan in the amount of USD 2.5m (the equivalent of PLN 8.8m, as translated using the USD/PLN mid-exchange rate quoted by the National Bank of Poland for April 1st 2009) to LOTOS Exploration and Production Norge AS. 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.

On May 19th 2009, Petrobaltic S.A. signed an agreement to grant 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) to LOTOS Exploration and Production Norge AS. 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 to be paid by December 31st 2010.

On June 9th 2009, Petrobaltic S.A. signed an agreement to grant 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) to LOTOS Exploration and Production Norge AS. The loan will be used to finance further implementation of the YME Production Project. The loan principal is to be repaid in three instalments and the date of the last instalment is December 31st 2012.

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 blank promissory notes with "protest waived" clauses and promissory note declarations, for the benefit of Petrobaltic S.A., in order to secure the repayment of the loans (see items 21, 22, 27, 31, 33 and 34 of Note 16.1 to these interim condensed consolidated financial statements).

On April 30th 2009, Grupa LOTOS S.A. signed an agreement to grant a loan in the amount of USD 13,000 (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) to LOTOS Exploration and Production Norge AS. The loan will be used to finance the expenditure related to the YME Production Project. The original loan repayment date was July 31st 2009, but was extended – first until September 30th 2009, and later – until January 29th 2010.

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 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, see item 15 of Note 16.1 to these interim condensed consolidated financial statements).

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

In the period from January 1st to September 30th 2009, the Parent Undertaking and its subsidiaries issued no loan sureties or guarantees to any entity or its subsidiary whose value would represent 10% or more of the Company's equity, apart from those described in Note 16.1 to these interim condensed consolidated financial statements.

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

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

**XI. Management Board's Position Regarding the Feasibility of Meeting Forecasts Published Earlier for a Given Year in the Light of the Results Presented in the Quarterly Report in Relation to the Forecast Results**

Grupa LOTOS S.A.'s Management Board has not published any forecasts concerning the Company's performance in 2009.

**XII. Factors with a Bearing on the LOTOS Group's Results in the Next Quarter or in a Longer Term, according to Grupa LOTOS S.A.'s Assessment**

The Management Board believes that the factors presented below will have a bearing on the Company's and the Group's results in the next quarter of 2009 or in a longer time horizon:

- oil and petroleum products prices
- PLN/USD exchange rate
- supply and demand for petroleum products
- PLN/EUR exchange rate
- since January 1st 2008, producers and importers have been required to achieve the National Target Ratio specifying the minimum content of bio-components in fuels marketed in Poland
- continuation of implementation of the package of anti-crisis measures.

**XIII. Segment Information**

Information concerning business segments is presented in Note 5 and Note 13 to these interim condensed consolidated financial statements for the three and nine months ended September 30th 2009.

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**XIV. 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