



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

**GRUPA LOTOS S.A.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31ST 2009**

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

**ALONG WITH THE INDEPENDENT AUDITOR'S OPINION**

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**GRUPA LOTOS S.A.**  
**Financial statements for the year ended December 31st 2009**

**FINANCIAL HIGHLIGHTS**

GRUPA LOTOS S.A.	PLN'000		EUR'000	
	Year ended Dec 31 2009	Year ended Dec 31 2008	Year ended Dec 31 2009	Year ended Dec 31 2008
		(comparable data)		(comparable data)
Sales revenue	12,696,912	14,898,653	2,925,151	4,218,072
Operating profit/(loss)	108	(573,456)	25	(162,356)
Pre-tax profit/(loss)	701,871	(856,160)	161,699	(242,394)
Net profit/(loss) from continuing operations	591,327	(675,704)	136,232	(191,304)
Total comprehensive income	591,327	(675,704)	136,232	(191,304)
Net cash provided by/(used in) operating activities	(25,753)	(160,780)	(5,933)	(45,520)
Net cash provided by/(used in) investing activities	(2,409,365)	(1,712,082)	(555,076)	(484,721)
Net cash provided by/(used in) financing activities	2,124,441	2,010,399	489,435	569,180
Total net cash flow	(309,495)	139,833	(71,302)	39,589
Basic earnings/(loss) per ordinary share (PLN/EUR)	4.88	(5.58)	1.12	(1.58)
Diluted earnings/(loss) per ordinary share (PLN/EUR)	-	-	-	-
	PLN'000		EUR'000	
	As at Dec 31 2009	As at Dec 31 2008	As at Dec 31 2009	As at Dec 31 2008
		(comparable data)		(comparable data)
Total assets	12,396,184	9,491,020	3,017,425	2,274,715
Equity	5,347,708	4,399,811	1,301,716	1,054,504

Items of the statement of financial position as at December 31st 2009 presented in the "Financial Highlights" table were translated using the euro mid-exchange rate published by the National Bank of Poland for that date, i.e. EUR 1 = PLN 4.1082. Items of the statement of comprehensive income and statement of cash flows for the year ended December 31st 2009 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 4.3406 (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 – December 31st 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 statement of cash flows for the year ended December 31st 2008 presented in the "Financial Highlights" table were translated at the exchange rate of EUR 1 = PLN 3.5321 (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 – December 31st 2008).

The notes to the financial statements, presented on pages 10-107, are their integral part.

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

(PLN '000)	Note	Dec 31 2009	Dec 31 2008 (comparable data)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	6,606,584	3,401,685
Prepayments for tangible assets under construction	11	150,699	1,194,489
Intangible assets	12	43,928	46,382
Non-current financial assets	13	1,078,148	691,834
Deferred tax assets	35	-	58,227
Prepayments and accrued income	16	3,676	-
<b>Total non-current assets</b>		<b>7,883,035</b>	<b>5,392,617</b>
<b>Current assets</b>			
Inventories	14	2,894,236	2,273,445
Trade and other receivables	15	1,428,666	1,197,452
Current tax receivable	35	71,622	177,252
Prepayments and accrued income	16	15,355	18,138
Current financial assets	17	85,050	279,402
Cash and cash equivalents	18	18,220	152,714
<b>Total current assets</b>		<b>4,513,149</b>	<b>4,098,403</b>
<b>Total assets</b>		<b>12,396,184</b>	<b>9,491,020</b>

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

(PLN '000)	Note	Dec 31 2009	Dec 31 2008 (comparable data)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	129,873	113,700
Statutory reserve funds		1,311,348	970,951
Retained earnings		3,906,487	3,315,160
<b>Total equity</b>		<b>5,347,708</b>	<b>4,399,811</b>
<b>Non-current liabilities</b>			
Interest-bearing loans	24	4,662,659	3,098,491
Long-term provisions	25	28,820	28,665
Deferred tax liabilities	35	30,874	-
Other financial liabilities	27	220,230	175,892
<b>Total non-current liabilities</b>		<b>4,942,583</b>	<b>3,303,048</b>
<b>Current liabilities</b>			
Trade and other payables and accruals and deferred income	26	1,612,978	1,394,575
Interest-bearing loans	24	471,926	314,478
Short-term provisions	25	7,712	41,617
Other financial liabilities	27	13,277	37,491
<b>Total current liabilities</b>		<b>2,105,893</b>	<b>1,788,161</b>
<b>Total liabilities</b>		<b>7,048,476</b>	<b>5,091,209</b>
<b>Total equity and liabilities</b>		<b>12,396,184</b>	<b>9,491,020</b>

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**GRUPA LOTOS S.A.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended December 31st 2009 and December 31st 2008

(PLN '000)	Note	Year ended Dec 31 2009	Year ended Dec 31 2008
Sales revenue	29	12,696,912	14,898,653
Cost of sales	30	(12,116,519)	(14,867,282)
<b>Gross profit</b>		<b>580,393</b>	<b>31,371</b>
Other operating income	31	38,681	6,580
Selling costs	30	(359,470)	(376,811)
General and administrative expenses	30	(214,922)	(220,812)
Other operating expenses	32	(44,574)	(13,784)
<b>Operating profit/(loss)</b>		<b>108</b>	<b>(573,456)</b>
Finance income	33	949,997	134,212
Finance expenses	34	(248,234)	(416,916)
<b>Pre-tax profit/(loss)</b>		<b>701,871</b>	<b>(856,160)</b>
Corporate income tax	35	(110,544)	180,456
<b>Net profit/(loss) from continuing operations</b>		<b>591,327</b>	<b>(675,704)</b>
<b>Other comprehensive income (net)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>591,327</b>	<b>(675,704)</b>
<b>Net earnings/(loss) from continuing operations per share (PLN)</b>			
Weighted average number of shares (in thousands)	23	121,144	121,144
- basic		4.88	(5.58)
- diluted		-	-

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**GRUPA LOTOS S.A.**  
**STATEMENT OF CASH FLOWS**  
for the year ended December 31st 2009 and December 31st 2008

(PLN '000)	Note	Year ended Dec 31 2009	Year ended Dec 31 2008
<b>Cash flows from operating activities</b>			
<b>Net profit/(loss) from continuing operations</b>		<b>591,327</b>	<b>(675,704)</b>
Adjustments:			
Depreciation and amortisation	30	139,215	183,685
Foreign exchange (gains)/losses		(370,504)	343,407
Interest and dividend		(135,272)	(119,264)
(Profit)/loss on investing activities		252,204	14,987
Current income tax	35	110,544	(180,456)
Income tax paid		(92,981)	(182,886)
(Increase)/decrease in receivables	19	(234,381)	407,551
(Increase)/decrease in inventories	19	(620,791)	196,329
Increase/(decrease) in liabilities and accruals and deferred income	19	584,573	(394,161)
(Decrease)/increase in provisions	19	(33,750)	11,587
Decrease/(increase) in prepayments and accrued income	19	3,148	(4,079)
Settlement of financial instruments		(219,085)	238,166
Other items, net		-	58
<b>Net cash provided by/(used in) operating activities</b>		<b>(25,753)</b>	<b>(160,780)</b>
<b>Cash flows from investing activities</b>			
Dividend received	33	145,784	130,333
Repayment of non-current loans advanced		19,805	3,700
Loans advanced		(62,521)	-
Interest received		2,936	2,270
(Purchase)/sale of non-current financial assets		(6,400)	(3,483)
(Purchase)/sale of tangible assets and intangible assets		(2,255,580)	(1,071,875)
Prepayments for tangible assets under construction		(253,389)	(773,027)
<b>Net cash provided by/(used in) investing activities</b>		<b>(2,409,365)</b>	<b>(1,712,082)</b>
<b>Cash flows from financing activities</b>			
Increase in loans and borrowings		2,032,411	2,279,083
Decrease in loans and borrowings		(34,396)	-
Cash flows connected with changes in ownership interest in subsidiary that did not result in a loss of control of non-current financial assets		2,353	-
Interest paid		(94,361)	(30,310)
Settlement of financial instruments		219,085	(238,166)
Other items, net		(651)	(208)
<b>Net cash provided by/(used in) financing activities</b>		<b>2,124,441</b>	<b>2,010,399</b>
Effect of exchange rate fluctuations on cash held		1,182	2,296
<b>Change in net cash</b>		<b>(309,495)</b>	<b>139,833</b>
<b>Cash and cash equivalents at beginning of period</b>	19	<b>(134,303)</b>	<b>(274,136)</b>
<b>Cash and cash equivalents at end of period</b>	19	<b>(443,798)</b>	<b>(134,303)</b>
- restricted cash	18	17,070	82,070

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**GRUPA LOTOS S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended December 31st 2009 and December 31st 2008

(PLN '000)	Note	Share capital	Statutory reserve funds	Retained earnings	Total equity
<b>Jan 1 2008</b>		<b>113,700</b>	<b>970,951</b>	<b>3,990,864</b>	<b>5,075,515</b>
		-----	-----	-----	-----
Total comprehensive income for year ended Dec 31 2008		-	-	(675,704)	(675,704)
		=====	=====	=====	=====
<b>Dec 31 2008</b>		<b>113,700</b>	<b>970,951</b>	<b>3,315,160</b>	<b>4,399,811</b>
		=====	=====	=====	=====
<b>Jan 1 2009</b>		<b>113,700</b>	<b>970,951</b>	<b>3,315,160</b>	<b>4,399,811</b>
		=====	=====	=====	=====
Total comprehensive income for year ended Dec 31 2009		-	-	591,327	591,327
Share issue	21	16,173	-	-	16,173
Share premium	21	-	340,773	-	340,773
Issue expenses including income tax	21	-	(376)	-	(376)
		=====	=====	=====	=====
<b>Dec 31 2009</b>		<b>129,873</b>	<b>1,311,348</b>	<b>3,906,487</b>	<b>5,347,708</b>
		=====	=====	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS****1. General Information**

Grupa LOTOS S.A. ("the Company") 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 Company'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.

In accordance with the Company's Articles of Association, the Company's core business comprises production and trading activities, as well as provision of services, including in particular (PKD = Polish Classification of Activities):

- 1) manufacture and processing of coke and refined petroleum products (PKD 19),
- 2) manufacture of industrial gases (PKD 20.11),
- 3) manufacture of other inorganic basic chemicals (PKD 20.13),
- 4) manufacture of other organic basic chemicals (PKD 20.14),
- 5) manufacture of plastics in primary forms (PKD 20.16),
- 6) generation and supply of electricity, gas, steam, hot water and air for air-conditioning installations (PKD 35),
- 7) water collection, treatment and supply (PKD 36),
- 8) extraction of crude petroleum and natural gas (PKD 06),
- 9) construction of utility projects for fluids, electricity and telecommunications (PKD 42.2),
- 10) electrical, plumbing and other construction installation activities (PKD 43.2),
- 11) wholesale of fuels and related products (PKD 46.71),
- 12) wholesale of chemical products (PKD 46.75),
- 13) freight rail transport (PKD 49.2),
- 14) transport via pipelines (PKD 49.5),
- 15) cargo handling (PKD 52.24),
- 16) warehousing and storage (PKD 52.1),
- 17) technical testing and analysis (PKD 71.2),
- 18) other research and experimental development on natural sciences and engineering (PKD 72.19).

The code of the Company's core business according to the Polish Classification of Activities (2007) is PKD 1920Z – manufacture and processing of refined petroleum products. The Company operates in the segment of manufacturing and distribution of petroleum and chemical products.

The Company holds the following licences related to its core business:

- Licence for production of liquid fuels, issued by the President of the Polish Energy Regulatory Office on November 28th 1998 and extended until December 31st 2025 by virtue of the decision of the President of the Energy Regulatory Office of October 5th 2007,
- Licence for trade in liquid fuels, issued by the President of the Polish Energy Regulatory Office on December 23rd 1998 and extended until December 31st 2025 by virtue of the decision of the President of the Energy Regulatory Office of October 5th 2007,
- Licence for storage of liquid fuels valid until October 15th 2016, issued by the President of the Polish Energy Regulatory Office on October 10th 2006,
- Licence for generation of electricity in co-generation units, issued by the President of the Polish Energy Regulatory Office on September 29th 2000 and extended until September 1st 2018 by virtue of the decision of the President of the Polish Energy Regulatory Office of July 16th 2009,
- Licence for trade in electricity valid until September 10th 2011, issued by the President of the Polish Energy Regulatory Office on September 5th 2001,

- Licence for transmission and distribution of electricity valid until September 10th 2011, issued by the President of the Polish Energy Regulatory Office on September 5th 2001.

## **2. Composition of the Supervisory and Management Boards**

In the period from January 1st 2009 until the expiry 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, Chief Operation Officer.

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, Chief Operation Officer,  
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at December 31st 2009 and the date of approval of these 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, Chief Operation Officer,  
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 December 31st 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,  
Małgorzata Hirszel – Member of the Supervisory Board,  
Jan Stefanowicz – Member of the Supervisory Board,  
Ireneusz Fąfara – Member of the Supervisory Board.

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

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

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

Wiesław Skwarko – Chairman of the Supervisory Board,  
Leszek Starosta – Deputy Chairman of the Supervisory Board,  
Oskar Pawłowski – Secretary of the Supervisory Board,  
Małgorzata Hirszel – Member of the Supervisory Board,  
Michał Rumiński – Member of the Supervisory Board,  
Rafał Wardziński – Member of the Supervisory Board.

### **3. Approval of the Financial Statements**

These financial statements were approved for publication by the Management Board on April 26th 2010.

### **4. Information Whether the Company is a Parent Undertaking or a Major Investor and Whether It Prepares Consolidated Financial Statements**

Grupa LOTOS S.A. is the Parent Undertaking of the LOTOS Group and a major investor in subordinated undertakings and their related undertakings, controlled by the Company. Accordingly, Grupa LOTOS S.A. has prepared consolidated financial statements of its Group, which include these undertakings' financial data for the year ended December 31st 2009, and which were approved for publication by the Management Board on April 26th 2010.

### **5. Going Concern**

The Company's financial statements were prepared on the assumption that the Company will continue its business activities in the foreseeable future. As at the date of approving these financial statements, the Company's Management Board has identified no facts or circumstances that might pose a threat to the Company continuing as a going concern in the 12 months following the balance-sheet date as a result of a planned or compulsory discontinuation or substantial limitation of its business activities.

### **6. Duration of the Company**

The duration of the Company is unlimited.

### **7. Balance-Sheet Date and the Period Covered by the Financial Statements**

These financial statements of Grupa LOTOS S.A. cover the data disclosed in the statement of financial position as at December 31st 2009 and comparable data as at December 31st 2008. The statement of comprehensive income, statement of cash flows and statement of changes in the Company's equity present the data for the period January 1st – December 31st 2009 along with the comparable data for January 1st – December 31st 2008.

The financial information as at December 31st 2009 and for the year then ended, contained in these financial statements, was audited. The financial information as at December 31st 2008 and for the year then ended was audited and an opinion on it was issued by the auditor on April 27th 2009 (this does not refer to selected comparable financial information, as mentioned in Note 9).

## 8. Measurement Currency and Reporting Currency

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

## 9. Basis of Preparation of the Financial Statements

These financial statements were prepared in accordance with the EU-endorsed International Financial Reporting Standards ("IFRS") which have been published and are in effect as at December 31st 2009.

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

As at the date of approval of these financial statements for publication, given the ongoing process of implementation of the IRFS by the EU member states and the type of business conducted by the Company, as far as the accounting policies applied by the Company are concerned, there are no differences between the IRFS and the EU-endorsed IRFS.

The accounting policies and calculation methods adopted in the preparation of these financial statements are the same as those used in the preparation of the financial statements for the year ended December 31st 2008, and the Group decided to early apply – as of January 1st 2009 – the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*. Application of the revised IFRS 3 and the revised IAS 27 did not have any material bearing on the previous periods.

The Company 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)
- 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)
- 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)

- Revised IFRS 1 *First-Time Adoption of IFRSs* (applies to annual periods beginning on or after July 1st 2009, 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, 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, endorsed by the European Union)
- IFRIC 18 *Transfers of Assets from Customers* (applies to annual periods beginning on or after July 1st 2009, endorsed by the European Union)
- Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* (applies to annual periods ending after June 30th 2009, endorsed by the European Union)
- Amendment to IFRS 32 – *Classification of Rights Issues* (applies to annual periods beginning on or after February 1st 2010, 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, 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, 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 financial statements, the Company used new terminology as prescribed by the standard to name the particular sections of the financial statements. Moreover, the Company had analysed the expected holding period of assets and liabilities classified as held for trading (financial instruments) and as at December 31st 2009 classified such assets and liabilities as either current or non-current, depending on the expiry date of the last financial instrument. The Company adjusted the comparable data. As at December 31st 2008, current and non-current assets and liabilities classified as held for trading (financial instruments) amounted respectively to PLN 275,725 thousand and PLN 22,848 thousand; PLN 37,348 thousand and PLN 175,533 thousand. As at December 31st 2007, the Group did not carry any non-current assets and liabilities classified as held for trading (financial instruments), therefore the comparable data was not adjusted.

#### *Application of IFRS 8*

International Financial Reporting Standard 8 *Operating Segments* (IFRS 8) superseded International Accounting Standard 14 *Segment Reporting*. The Company did not and does not prepare information on business segments as it did not meet the criteria of identification of business segments as set forth in IAS 14 *Segment Reporting* and does not meet the requirements of IFRS 8.

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

Detailed information on the operating segments, as required under IFRS 8, is presented in the consolidated financial statements for 2009. Grupa LOTOS S.A. is included in the downstream segment. The upstream segment is comprised of the Petrobaltic Group (currently LOTOS Petrobaltic Group), excluding Energobaltic Sp. z o. o.

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:

- 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)
- Revised IAS 24 *Related Party Disclosures* (applies to annual periods beginning on or after January 1st 2011, not yet endorsed by the European Union),
- IFRS 9 *Financial Instruments* (applies from January 1st 2013, not yet endorsed by the European Union),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applies to annual periods beginning on or after July 1st 2010, not yet endorsed by the European Union),
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (apply from January 2011, not yet endorsed by the European Union),
- Amendments to IFRS 1 *First-Time Adoption of IFRSs - Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters* (apply to annual periods beginning on or after July 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 Company.

## **10. Key Accounting Policies**

These financial statements have been prepared in accordance with the historical cost principle, except with respect to the financial derivatives, which are measured at fair value.

The key accounting policies adopted by the Company are presented below.

### **10.1. Intangible Assets**

Intangible assets are recognised if the Company is likely to obtain future economic benefits attributable directly to the assets. Intangible assets are initially recognised at cost, if they are acquired in separate transactions. Intangible assets acquired as part of a business combination are capitalised at their fair value on acquisition date. Following initial recognition, intangible assets are valued at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised using the straight-line method over their estimated useful lives.

The expected useful lives of the Company's intangible assets are from 2 to 21 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in the asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated for as changes in accounting estimates.

Useful lives are also reviewed each year and, if required, they are adjusted with effect from the beginning of the following financial year.

With the exception of capitalised expenditure on development, expenditure on intangible assets produced by the Company is not capitalised and is charged to expenses in the period in which they were incurred.

### **10.2. Property, Plant and Equipment**

Items of property, plant and equipment other than land are valued at cost less accumulated depreciation and impairment losses.

Land is valued at cost less impairment losses. In the case of perpetual usufruct rights to land, cost is understood to mean the amount paid for the right to a third party. Perpetual usufruct rights to land obtained on the basis of administrative decisions are disclosed by the Company at fair value as off-balance sheet items.

Initial value of a tangible asset comprises its cost, which includes all costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred on an asset which is already in service, such as costs of repairs, overhauls or operating fees, are expensed in the reporting period in which they were incurred.

At the time of acquisition, tangible assets are divided into elements of material value to which separate useful economic lives can be assigned. The costs of major overhauls are also such elements.

Tangible assets (including their components), other than land, are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings and structures	1–80 years
Plant and equipment	1–25 years
Vehicles	1–15 years
Other tangible assets	1–10 years

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on removal of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying value of the asset) are disclosed in the statement of comprehensive income in the period of removal.

The residual value, useful economic life and depreciation method are reviewed on an annual basis and adjusted – if required – with effect from the beginning of the next financial year.

The costs of each overhaul are included in the carrying value of property, plant and equipment, if relevant recognition criteria are fulfilled.

### **10.3. Tangible Assets under Construction**

Investments in progress are valued at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance expenses, less impairment losses, if any. Investments in progress are not depreciated until completed and placed in service.

Investments in progress comprise tangible assets which are under construction or assembly and are recognised at cost.

Finance expenses capitalised in tangible assets under construction include costs of servicing the debt incurred to finance the assets.

### **10.4. Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership onto the lessee. All other types of leases are treated as operating leases.

#### **The Company as a Lessor**

Finance leases are disclosed in the statement of financial position as receivables, at amounts equal to the net investment in the lease less the principal component of lease payments for the given reporting period calculated based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Finance income from interest on a finance lease is disclosed in the relevant reporting periods based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Income from operating leases is recognised in the statement of financial position on a straight-line basis over the lease term.

#### **The Company as a Lessee**

Assets used under a finance lease are recognised as assets of the Company and at initial recognition are measured at fair value or, if lower, the present value of the minimum lease payments. The resultant obligation towards the lessor is presented in the statement of financial position under finance lease liabilities. Lease payments are broken down into the interest component and the principal component so as to produce a constant rate of interest on the remaining balance of the liability. Finance expense is charged to statement of comprehensive income.

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term.



### **10.5. Shares in Subsidiary and Associated Undertakings**

Shares in subsidiary and associated undertakings are disclosed at historical cost less impairment losses.

### **10.6. Impairment Losses on Non-Financial Assets**

As at each balance-sheet date, the Company assesses whether there is any evidence of impairment of any of its assets. If the Company finds that there is such evidence, or if the Company is required to perform annual impairment tests, the Company estimates the recoverable value of the given asset.

The recoverable value of an asset is equal to the higher of the fair value of the asset or cash generating unit, less the transaction costs, or its value in use. The recoverable value is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying value of an asset is higher than its recoverable value, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at each balance-sheet date, the Company assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset is no longer necessary or should be reduced. If there is such evidence, the Company estimates the recoverable value of the given asset. The recognised impairment loss is reversed only when following the recognition of the last impairment loss there has been a change in the estimates used to determine the recoverable value of the asset. In such a case, the carrying value of the asset is increased up to its recoverable value.

The increased value may not exceed the carrying value of the asset that would have been determined (net of accumulated amortisation/depreciation) if the impairment loss related to that asset had not been recognised in the previous years. Reversal of an asset impairment loss is immediately recognised as income in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the reversal of an impairment loss is treated as an increase in the revaluation capital reserve. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to the given asset is adjusted so that over the remaining useful life of that asset its verified carrying value, less its residual value, can be regularly written off.

### **10.7. Inventories**

Inventories are stated at the lower of cost or net realisable value.

Costs incurred in order to bring each inventory item to its present location and conditions are accounted for in the following manner:

- materials and goods for resale – acquisition cost calculated on weighted average basis,
- finished goods and work-in-progress – the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity.

Net realisable value is the selling price estimated as at the balance sheet date net of VAT, excise duties and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

### **10.8. Trade and Other Receivables**

Trade receivables, which typically mature in 7 to 60 days, are valued and recognised at amounts initially invoiced, less any impairment losses on doubtful receivables. An impairment loss on a receivable is calculated when the

collection of the full amount of the receivable is no longer probable. Uncollectible receivables are written off through the statement of comprehensive income when recognised as unrecoverable accounts.

If the effect of time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as finance income.

### 10.9. Foreign Currency Transactions

Transactions denominated in foreign currencies are disclosed in the functional currency of the Company (Polish zloty) as at the transaction date, using the following exchange rates:

- 1) buy or sell rate of the bank at which the transaction is effected – in the case of sale and purchase of currencies and payment of receivables and payables; or
- 2) mid-exchange rate quoted for the given currency by the National Bank of Poland as at that date unless a different exchange rate is specified in another document binding on a given undertaking.

Monetary assets and liabilities denominated in foreign currencies as at the balance-sheet date are translated into the zloty at relevant zloty mid-exchange rates quoted by the National Bank of Poland as at that date. The resulting foreign exchange gains and losses are carried as finance income/(expenses) or cost of sales, except for foreign exchange gains and losses which are considered a part of borrowing costs and are capitalised under non-current assets. Non-monetary assets and liabilities recognised at historic cost expressed in a foreign currency are recognised at the historic exchange rate effective as at the date of the transaction. Non-monetary assets and liabilities disclosed at fair value expressed in a foreign currency are translated as at the balance-sheet date at the exchange rate effective as at the date of determining the fair value.

Exchange rates applied for the balance-sheet valuation purposes:

<b>Mid-exchange rate quoted by the National Bank of Poland</b>	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
USD	2.8503	2.9618
EUR	4.1082	4.1724

### 10.10. Cash and Cash Equivalents

Cash in hand and at banks, as well as non-current deposits held to maturity are valued at face value.

Cash and cash equivalents as disclosed in the statement of cash flows comprise cash in hand and cash at banks, overdraft facilities as well as those bank deposits maturing within three months which are not classified as placements.

### 10.11. Accruals and Deferrals

The Company discloses prepayments if they relate to future reporting periods.

Accrued expenses are disclosed at probable values of current-period liabilities.

The Company's employees are entitled to holidays in accordance with the rules set forth in the Polish Labour Code. The Company recognises the cost of employee holidays on an accrual basis using the liability method. The amount of the provision for unused holidays is calculated on the basis of the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time.

### 10.12. Equity

Equity is disclosed in the accounting records by categories, in accordance with the rules set forth in applicable laws and in the Articles of Association.

The share capital of Grupa LOTOS S.A. is the share capital of the Company and is disclosed at its par value, in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register.

### **10.13. Provisions**

Provisions are created when the Company has a liability (legal or following from commercial practice) resulting from past events and when it is probable that the discharge of this liability would cause an outflow of funds representing economic benefits, and the amount of the liability may be reliably estimated. If the Company anticipates that cost covered by provisions will be reimbursed, e.g. under an insurance agreement, reimbursement of such funds is disclosed as a separate item of assets, but only when such reimbursement is practically certain to occur; cost related to a given provision is disclosed in the statement of comprehensive income net of any received reimbursements. If the effect of time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to present value at gross discount rates reflecting the current market estimates of the time value of money and risks, if any, related to a given liability. If the discount method is applied, an increase in provisions as a result of lapse of time is disclosed as finance expenses.

### **10.14. Retirement Severance Pays and Length-of-Service Awards**

In accordance with the company remuneration systems, the Company's employees are entitled to length-of-service awards and severance pays upon retirement due to old age or disability. Length-of-service awards are paid out after a specific period of employment. Old-age and disability retirement severance pays are one-off and paid upon retirement. Amounts of severance pays and length-of-service awards depend on the length of employment and the average remuneration. The Company creates a provision for future liabilities under retirement severance pays and length-of-service awards in order to assign costs to the periods in which they are incurred. According to IAS 19 *Employee Benefits*, length-of-service awards are classified as other long-term employee benefits, while retirement severance pays – as defined post-employment benefit plans. The present value of the obligations as at each balance-sheet date is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account the employment turnover, and relate to the period ending at the given balance-sheet date. Information concerning demographics and employment turnover is sourced from historical data. Actuarial gains and losses are recognised in the statement of comprehensive income.

### **10.15. Interest-Bearing Bank Loans, Borrowings, and Debt Securities**

All bank loans, borrowings, and debt securities are initially recognised at cost equal to the fair value of funds received, less cost of obtaining the loan or borrowing.

Following initial recognition, interest-bearing loans, borrowings, and debt securities are valued at amortised cost, using the effective interest rate method. Amortised cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability. Gains or losses are charged to the statement of comprehensive income upon removal of the liability from the statement of financial position or recognition of value impairment.

### **10.16. Borrowing Costs**

Borrowing costs are disclosed as the costs of the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed, which costs are capitalised as a part of the cost of such an asset.

To the extent that the funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of borrowing costs which may be capitalised as part of such asset is determined as the difference between the actual borrowing costs incurred in connection with a given loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that the funds are borrowed without a specific purpose and are later allocated for the acquisition of an asset being completed, the amount of borrowing costs which may be capitalised is determined by applying the capitalisation rate to the capital expenditure on that asset.

**10.17. Government Subsidies**

If there is reasonable certainty that the subsidy will be received and that all related conditions will be fulfilled, government subsidies are recognised at fair value.

If a subsidy concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. If it concerns an asset, its fair value is recognised as deferred income, and then it is written off annually in equal parts through the statement of comprehensive income over the estimated useful life of the asset.

**10.18. Carbon Dioxide (CO<sub>2</sub>) Emission Allowances**

The Company recognises carbon dioxide (CO<sub>2</sub>) emission allowances in its financial statements based on the net liability method – the Company recognises only those liabilities that result from exceeding the emissions limit granted to it, and the liability is recognised only after the Company actually exceeds the limit. Income from the sale of unused emission allowances is recognised in the statement of comprehensive income at the time of sale.

**10.19. Income Tax**

Mandatory decrease of profit/(increase of loss) comprises: current income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) established for tax purposes differs from the net profit (loss) established for financial reporting purposes due to the exclusion of the income which is taxable and the costs which are deductible in future years and the expenses and income which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

For the purposes of financial reporting, the Company creates deferred tax liabilities using the balance-sheet liability method in relation to all temporary differences existing as at the balance-sheet date between the tax base of assets and liabilities and their carrying value as disclosed in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except to the extent that deferred tax liabilities arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are disclosed in relation to all deductible temporary differences, unused tax credits, and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences, assets and losses to be used:

- except to the extent that deferred tax assets related to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying value of deferred tax assets is verified as at each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of the deferred tax assets would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or release of particular provision, based on tax rates (and tax legislation) effective as at the balance-sheet date or tax rates (and tax legislation) certain to be effective as at the balance-sheet date in the future.

Income tax related to items posted directly to equity is disclosed under equity rather than in the statement of comprehensive income.

The Company offsets deferred tax assets against deferred tax liabilities only if it holds an enforceable legal right to offset current tax receivables against current tax payables, and the deferred income tax is related to the same taxpayer and the same tax authority.

## **10.20. Financial Instruments**

At the time of their initial recognition, financial instruments are valued at cost (price), equal to the fair value of the payment made for them. The transaction costs are included in the initial value of the financial instruments. Following the initial recognition, financial instruments are classified under one of the following categories and are measured accordingly:

- Financial instruments at fair value through profit or loss;
- Financial instruments held to maturity, which are recognised at amortised cost using the effective interest rate;
- Loans and receivables, which are recognised at amortised cost using the effective interest rate; the related gains and losses are disclosed in the statement of comprehensive income. Receivables which mature in a short term and do not have a specified interest rate are recognised at amounts due;
- Financial instruments available for sale, which are recognised at fair value; the revaluation gains/losses are charged to the revaluation capital reserve until the investment is sold or its value is reduced. Then, the cumulative revaluation gain/loss is charged to the statement of comprehensive income.

The fair value of financial instruments for which a ready market exists is determined in relation to the prices quoted on that market as at the relevant balance-sheet date. If there is no quoted market price, the fair value is estimated using appropriate valuation techniques.

Financial liabilities other than under financial instruments at fair value through profit or loss are recognised at amortised cost using the effective interest rate.

Financial instruments are derecognised from the statement of financial position when the Company loses control over contractual rights comprising particular financial instruments; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

## **10.21. Derivative Financial Instruments**

Derivatives used by the Company to hedge its currency risk include in particular FX forwards. In addition, the Company relies on full barrel swaps and commodity swaps to hedge its exposure to raw material and petroleum product prices, uses futures contracts to manage its exposure to carbon credit prices, and enters into IRSs and FRAs to hedge its interest rate exposure. Derivative financial instruments of this type are measured at fair value. Fair value of FX forwards is established by reference to the forward rates of contracts with similar maturity prevailing at a given time. Fair value of interest rate swaps is established by reference to the market value of similar instruments. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative. Gains or losses resulting from changes in the fair value of a derivative which does not qualify for hedge accounting are charged directly to the net profit or loss for the financial year.

In the statement of financial position, financial instruments are presented as current or non-current, depending on the expected holding period of assets and liabilities classified as held for trading.

## **10.22. Impairment of Financial Assets**

As at each balance-sheet date the Company determines whether there is objective evidence of impairment of a financial asset or a group of financial assets.

### ***Assets Carried at Amortised Cost***

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying value of a financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying value of an asset is reduced directly or by creating relevant provisions. The amount of loss is recognised in the statement of comprehensive income. First the Company determines whether there exists objective evidence of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the

analysis shows that there exists no objective evidence of impairment of an individually tested asset, regardless of whether it is material or not, the Company includes the asset into the group of financial assets with similar credit risk profile and tests it for impairment together with the other assets from this group. Assets which are tested for impairment individually, and with respect to which an impairment loss has been recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.

If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost as at the reversal date.

**Financial Assets Carried at Cost**

If there exists objective evidence of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, the amount of impairment loss is established as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

**Financial Assets Available for Sale**

If there exists objective evidence of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal payments and depreciation/amortisation charges) and its current fair value, reduced by any impairment losses previously recognised in the statement of comprehensive income, is derecognised from equity and transferred to the statement of comprehensive income. Reversal of an impairment loss concerning equity instruments qualified as available for sale may not be recognised in the statement of comprehensive income. If the fair value of a debt instrument available for sale increases in the next period, and the increase may be objectively associated with an event that occurred subsequent to the impairment loss recognition in the statement of comprehensive income, the amount of the reversed impairment loss is recognised in the statement of comprehensive income.

**10.23. Recognition of Revenue**

Revenue is recognised in the amount of probable economic benefits to be derived by the Company in connection with a given transaction and when the amount of revenue may be reliably estimated.

**10.24. Sales of Products, Goods for Resale and Services**

Sales revenue is disclosed at the fair value of payments received or due, and it represents the accounts receivable for the products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (excise duty, fuel charge). The sales of products and goods for resale are recognised at the moment of delivery, when material risk and benefits resulting from the ownership of the products and goods have been transferred to the purchaser.

**10.25. Interest**

Interest income is recognised as the interest accrues (using the effective interest rate), unless the receipt of the interest is doubtful.

**10.26. Dividends**

Dividend is recognised as finance income as of the date on which the appropriate governing body of the Company adopts a resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

### **10.27. Management's Estimates**

The preparation of financial statements in accordance with the International Financial Reporting Standards requires a number of judgments and estimates which affect the value of items disclosed in the financial statements and in the notes thereto. Although the judgments and estimates are based on the Management Board's best knowledge of the current and future events and actions, the actual results might differ from the estimates. The areas in which the Management Board prepared estimates include provisions, property, plant and equipment, as well as intangible assets and financial assets. The material assumptions used in the estimates are described in the relevant notes.

#### *Valuation of Provisions*

Provisions for employee benefits were estimated with actuarial methods.

#### *Depreciation/Amortisation Rates*

Depreciation/amortisation rates are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates.

#### *Fair Value of Financial Instruments*

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate methods and assumptions, the Company relies on professional judgment.

#### *Deferred Tax Assets*

The Company recognises deferred tax assets if it is expected that taxable profit will be generated in the future against which the assets can be used. If the taxable profit deteriorates in the future, this assumption may prove invalid.

#### *Impairment of cash-generating units and individual items of property, plant and equipment, and intangible assets*

The main assumptions used to determine recoverable value relate to evidence of potential impairment, models, discount rates, and growth rates.

### **10.28. Net Earnings/ (Loss) per Share**

Earnings/ (loss) per share for each period are calculated by dividing the net profit/(loss) for a given period by the weighted average number of shares in this reporting period. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue, or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively. If such changes occur after the balance sheet date but before the financial statements are authorised for issue, the earnings per share calculations for those and any prior period financial statements presented are based on the new number of shares.

The Company does not disclose the diluted earnings/(loss) per share, since there are no dilutive instruments outstanding.

### **10.29. Contingent Liabilities and Receivables**

A contingent liability is understood as a duty to discharge an obligation which is conditional upon the occurrence of certain circumstances. Contingent liabilities are not recognised in the statement of financial position, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of funds embodying economic benefits is negligible. Contingent receivables are not recognised in the statement of financial position, however information on them is disclosed if the inflow of funds embodying economic benefits is likely to occur.



**11. Property, Plant and Equipment and Prepayments for Tangible Assets under Construction**

PLN '000	Dec 31 2009	Dec 31 2008
Land	14,720	14,636
Buildings and structures	941,634	924,456
Plant and equipment	480,634	434,054
Vehicles and other tangible assets	64,253	36,515
Tangible assets under construction	5,105,343	1,992,024
- including capitalised financing costs	182,030	153,719
	=====	=====
<b>Total property, land and equipment</b>	<b>6,606,584</b>	<b>3,401,685</b>
	=====	=====
Prepayments for tangible assets under construction	150,699	1,194,489
- including capitalised financing costs	4,626	37,612
	=====	=====
<b>Total</b>	<b>6,757,283</b>	<b>4,596,174</b>
	=====	=====



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

PLN '000	Land	Buildings and structures	Plant and equipment	Vehicles and other	Tangible assets under construction	Prepayments for tangible assets under construction	Total
<b>Gross book value as at Jan 1 2008</b>	<b>14,538</b>	<b>1,169,271</b>	<b>912,890</b>	<b>90,701</b>	<b>405,519</b>	<b>766,004</b>	<b>3,358,923</b>
Increase, including:	228	26,107	32,106	14,974	1,610,663	773,027	2,457,105
- purchase	-	-	-	12,072	1,528,196	742,368	2,282,636
- transfer from investments	228	26,107	32,110	2,898	(68,415)	-	(7,072)
- transfers	-	-	(4)	4	-	-	-
- borrowing costs	-	-	-	-	150,882	30,659	181,541
Decrease, including:	-	(14)	(2,341)	(2,931)	-	(344,542)	(349,828)
- sale	-	-	(199)	(1,218)	-	-	(1,417)
- liquidation	-	(14)	(2,142)	(1,713)	-	-	(3,869)
- other	-	-	-	-	-	(344,542)	(344,542)
<b>Gross book value as at Dec 31 2008</b>	<b>14,766</b>	<b>1,195,364</b>	<b>942,655</b>	<b>102,744</b>	<b>2,016,182</b>	<b>1,194,489</b>	<b>5,466,200</b>
<b>Gross book value as at Jan 1 2009</b>	<b>14,766</b>	<b>1,195,364</b>	<b>942,655</b>	<b>102,744</b>	<b>2,016,182</b>	<b>1,194,489</b>	<b>5,466,200</b>
Increase, including:	186	78,767	101,705	43,676	3,146,944	220,403	3,591,681
- purchase	-	-	-	42,336	3,298,252	253,389	3,593,977
- transfer from investments	186	78,813	101,698	1,300	(186,754)	-	(4,757)
- transfers	-	(46)	6	40	-	-	-
- borrowing costs	-	-	-	-	35,446	(32,986)	2,460
- other	-	-	1	-	-	-	1
Decrease, including:	-	(94)	(1,764)	(1,081)	(37)	(1,264,193)	(1,267,169)
- sale	-	-	(16)	(277)	(29)	-	(322)
- liquidation	-	(94)	(1,748)	(804)	-	-	(2,646)
- other	-	-	-	-	(8)	(1,264,193)	(1,264,201)
<b>Gross book value as at Dec 31 2009</b>	<b>14,952</b>	<b>1,274,037</b>	<b>1,042,596</b>	<b>145,339</b>	<b>5,163,089</b>	<b>150,699</b>	<b>7,790,712</b>
<b>Accumulated depreciation as at Jan 1 2008</b>	<b>29</b>	<b>209,589</b>	<b>409,839</b>	<b>59,061</b>	<b>-</b>	<b>-</b>	<b>678,518</b>
Increase, including:	101	61,327	100,037	10,073	-	-	171,538
- depreciation	101	61,327	100,039	10,071	-	-	171,538
- transfers	-	-	(2)	2	-	-	-
Decrease	-	(8)	(1,275)	(2,905)	-	-	(4,188)
<b>Accumulated depreciation as at Dec 31 2008</b>	<b>130</b>	<b>270,908</b>	<b>508,601</b>	<b>66,229</b>	<b>-</b>	<b>-</b>	<b>845,868</b>

**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

PLN '000	Land	Buildings and structures	Plant and equipment	Vehicles and other	Tangible assets under construction	Prepayments for tangible assets under construction	Total
<b>Accumulated depreciation as at Jan 1 2009</b>	<b>130</b>	<b>270,908</b>	<b>508,601</b>	<b>66,229</b>	-	-	<b>845,868</b>
Increase, including:	102	61,541	55,033	15,928	-	-	132,604
- depreciation	102	61,549	55,031	15,922	-	-	132,604
- transfers	-	(8)	2	6	-	-	-
Decrease	-	(46)	(1,672)	(1,071)	-	-	(2,789)
<b>Accumulated depreciation as at Dec 31 2009</b>	<b>232</b>	<b>332,403</b>	<b>561,962</b>	<b>81,086</b>	-	-	<b>975,683</b>
<b>Impairment losses as at Jan 1 2008</b>	-	-	-	-	<b>24,158</b>	-	<b>24,158</b>
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
<b>Impairment losses as at Dec 31 2008</b>	-	-	-	-	<b>24,158</b>	-	<b>24,158</b>
<b>Impairment losses as at Jan 1 2009</b>	-	-	-	-	<b>24,158</b>	-	<b>24,158</b>
Increase	-	-	-	-	33,588	-	33,588
Decrease	-	-	-	-	-	-	-
<b>Impairment losses as at Dec 31 2009</b>	-	-	-	-	<b>57,746</b>	-	<b>57,746</b>
<b>Net book value as at Jan 1 2008</b>	<b>14,509</b>	<b>959,682</b>	<b>503,051</b>	<b>31,640</b>	<b>381,361</b>	<b>766,004</b>	<b>2,656,247</b>
<b>Net book value as at Dec 31 2008</b>	<b>14,636</b>	<b>924,456</b>	<b>434,054</b>	<b>36,515</b>	<b>1,992,024</b>	<b>1,194,489</b>	<b>4,596,174</b>
<b>Net book value as at Dec 31 2009</b>	<b>14,720</b>	<b>941,634</b>	<b>480,634</b>	<b>64,253</b>	<b>5,105,343</b>	<b>150,699</b>	<b>6,757,283</b>

The capitalised cost of servicing the liabilities incurred to finance tangible assets under construction and prepayments for tangible assets under construction in the year ended December 31st 2009 amounted to PLN 114,343 thousand (as at December 31st 2008: PLN 181,541 thousand).

As at December 31st 2009, the value of property, plant and equipment securing the Company's liabilities amounted to PLN 1,383,162 thousand (as at December 31st 2008: PLN 1,331,735 thousand).

As at December 31st 2009 and December 31st 2008, the fair value of perpetual usufruct rights to land obtained by virtue of the administrative decisions and disclosed off the balance sheet was PLN 163,446 thousand.

As at December 31st 2009 and December 31st 2008, the value of perpetual usufruct rights to land (disclosed as off-balance-sheet items) over which a mortgage has been created as security for the Company's liabilities was PLN 163,379 thousand.

***The 10+ Programme (Comprehensive Technical Upgrade Programme)***

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

Following the completion of the preparatory phase, the Programme's implementation commenced. The implementation of the 10+ Programme proceeds as scheduled, and reached 94% at the end of 2009. By the end of 2009, the following units reached the Ready For Start Up phase:

- hydrodesulphurisation unit (HDS),
- crude distillation unit (CDU/VDU),
- hydrogen generation unit (HGU),
- amine sulphur recovery unit (ASR).

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

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

At present, Grupa LOTOS S.A. is making preparations to launch in 2012-2015 the second phase of the 10+ Programme, which will focus on the management of heavy residue. As at December 31st 2009, capitalised expenditure on the IGCC project, including reduction of capacity of production lines and a different method of processing of gases, was PLN 20.468 thousand (as at December 31st 2008: PLN 45,853 thousand). The Company's Management Board expects that the financial benefits to be derived from the project will be no less than the expenditure incurred.

**12. Intangible Assets**

PLN '000	Dec 31 2009	Dec 31 2008
Goodwill	1,862	1,862
Software	1,618	2,115
Patents, trademarks and licences	40,248	42,224
Other	200	181
	=====	=====
<b>Total</b>	<b>43,928</b>	<b>46,382</b>
	=====	=====

**Changes in Intangible Assets**

PLN '000	Development expense	Goodwill	Software	Patents, trademarks and licences	Other	Total
<b>Gross book value as at Jan 1 2008</b>	<b>306</b>	<b>1,862</b>	<b>4,537</b>	<b>75,360</b>	<b>225</b>	<b>82,290</b>
Increase	-	-	563	5,235	1,274	7,072
- transfer from investments	-	-	563	6,408	101	7,072
- transfer	-	-	-	(1,173)	1,173	-
Decrease	-	-	(68)	(2,262)	-	(2,330)
- sale	-	-	-	(1,933)	-	(1,933)
- liquidation	-	-	(68)	(329)	-	(397)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Dec 31 2008</b>	<b>306</b>	<b>1,862</b>	<b>5,032</b>	<b>78,333</b>	<b>1,499</b>	<b>87,032</b>
<b>Gross book value as at Jan 1 2009</b>	<b>306</b>	<b>1,862</b>	<b>5,032</b>	<b>78,333</b>	<b>1,499</b>	<b>87,032</b>
Increase	-	-	-	4,643	114	4,757
- transfer from investments	-	-	-	4,643	114	4,757
Decrease	-	-	(6)	(712)	-	(718)
- liquidation	-	-	-	(712)	-	(712)
- other	-	-	(6)	-	-	(6)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Dec 31 2009</b>	<b>306</b>	<b>1,862</b>	<b>5,026</b>	<b>82,264</b>	<b>1,613</b>	<b>91,071</b>
<b>Accumulated amortisation as at Jan 1 2008</b>	<b>204</b>	<b>-</b>	<b>1,890</b>	<b>27,274</b>	<b>180</b>	<b>29,548</b>
Increase	102	-	1,095	9,996	1,138	12,331
- amortisation	102	-	1,095	10,971	163	12,331
- transfer	-	-	-	(975)	975	-
Decrease	-	-	(68)	(1,161)	-	(1,229)
	-----	-----	-----	-----	-----	-----
<b>Accumulated amortisation as at Dec 31 2008</b>	<b>306</b>	<b>-</b>	<b>2,917</b>	<b>36,109</b>	<b>1,318</b>	<b>40,650</b>

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Notes to the financial statements for the year ended December 31st 2009

PLN '000	Development expense	Goodwill	Software	Patents, trademarks and licences	Other	Total
<b>Accumulated amortisation as at Jan 1 2009</b>	<b>306</b>	-	<b>2,917</b>	<b>36,109</b>	<b>1,318</b>	<b>40,650</b>
Increase	-	-	491	6,306	95	6,892
- amortisation	-	-	491	6,306	95	6,892
Decrease	-	-	-	(399)	-	(399)
	-----	-----	-----	-----	-----	-----
<b>Accumulated amortisation as at Dec 31 2009</b>	<b>306</b>	-	<b>3,408</b>	<b>42,016</b>	<b>1,413</b>	<b>47,143</b>
<b>Impairment losses as at Jan 1 2008</b>	-	-	-	-	-	-
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Impairment losses as at Dec 31 2008</b>	-	-	-	-	-	-
<b>Impairment losses as at Jan 1 2009</b>	-	-	-	-	-	-
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Impairment losses as at Dec 31 2009</b>	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====
<b>Net book value as at Jan 1 2008</b>	<b>102</b>	<b>1,862</b>	<b>2,647</b>	<b>48,086</b>	<b>45</b>	<b>52,742</b>
	=====	=====	=====	=====	=====	=====
<b>Net book value as at Dec 31 2008</b>	-	<b>1,862</b>	<b>2,115</b>	<b>42,224</b>	<b>181</b>	<b>46,382</b>
	=====	=====	=====	=====	=====	=====
<b>Net book value as at Dec 31 2009</b>	-	<b>1,862</b>	<b>1,618</b>	<b>40,248</b>	<b>200</b>	<b>43,928</b>
	=====	=====	=====	=====	=====	=====

**13. Non-Current Financial Assets**

PLN '000	Dec 31 2009	Dec 31 2008
	(comparable data)	
Shares in subsidiary undertakings, including:	1,016,969	662,669
- additional contributions to equity	247,081	247,081
Shares in other undertakings	6,317	6,317
Positive valuation of derivative financial instruments:		
- IRS	54,862	22,848
- futures (CO <sub>2</sub> emissions)	54,767	22,848
	95	-
	=====	=====
<b>Total</b>	<b>1,078,148</b>	<b>691,834</b>
	=====	=====

**Undertakings in which the Company Holds Shares in the Share Capital or in the Total Vote in the Undertaking's Constitutive Body**

As at December 31st 2009 and December 31st 2008, the Company's shares in the total vote in its subsidiary undertakings were equal to its shares in the share capitals of these undertakings, except in the case of LOTOS Park Technologiczny Sp. z o.o.

Name	Registered office	Business profile	Percentage of share capital held by the Company		Carrying value of shares (PLN '000)*	
			Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	100.00%	100.00%	352,406	352,406
LOTOS Gaz S.A. <sup>(1)</sup>	Mława	Production, and wholesale and retail sale of LPG, the company does not conduct operations at the moment	100.00%	100.00%	-	-
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sale of base oils	100.00%	100.00%	505	505
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%	78	78
LOTOS Ekoenergia S.A.	Gdańsk	The company has not commenced operations	100.00%	100.00%	507	507
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%	4,514	4,514
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	100.00%	100.00%	4,020	4,020
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	100.00%	100.00%	50	50
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	100.00%	100.00%	3,906	3,906
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	100.00%	100.00%	353	353
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	100.00%	100.00%	25,943	25,943
LOTOS Tank Sp. z o.o.	Gdańsk <sup>(2)</sup>	Wholesale of petroleum products	100.00%	100.00%	7,245	7,245
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice - Dziedzice	Storage and distribution of fuels	85.04% <sup>(3)</sup>	80.04%	16,637	13,918

**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

Name	Registered office	Business profile	Percentage of share capital held by the Company		Carrying value of shares (PLN '000)*	
			Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
LOTOS Jasło S.A. (parent undertaking of another group)	Jasło	Services related to distribution of petroleum products, storage of fuels, building and maintenance of fuel stocks; production and processing of refined petroleum products and their wholesale and retail sale	85.01% <sup>(3)</sup>	80.01%	1,335	-
Petrobaltic S.A. <sup>(4)</sup> (parent undertaking of another group)	Gdańsk	Acquisition of crude oil and natural gas reserves and their exploitation	99.32% <sup>(3)</sup>	69.00%	598,823	245,931
UAB LOTOS Baltija	Lithuania	Wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia; from January 2009 – business and legal advisory services	100.00%	100.00%	626 <sup>(5)</sup>	1,158
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Business and management consultancy services/ the company does not conduct operations at the moment	0.29% <sup>(6)</sup>	27.45%	21	2,135
<b>Total shares in subsidiary undertakings</b>					<b>1,016,969</b>	<b>662,669</b>

\* Including additional contributions to equity.

<sup>(1)</sup> Until July 23rd 2009 LOTOS Gaz S.A. controlled KRAK-GAZ Sp. z o.o., a subsidiary. 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.

<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. (currently LOTOS Petrobaltic S.A.), 5% of shares in LOTOS Czechowice S.A. and 5% of shares in LOTOS Jasło S.A. (see Note 21 to these financial statements).

<sup>(4)</sup> On March 31st 2010, change in the name of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic Spółka Akcyjna to LOTOS Petrobaltic Spółka Akcyjna (abbreviated name: LOTOS Petrobaltic S.A.) was entered in the National Court Register.

<sup>(5)</sup> On September 21st 2009, the reduction of the share capital of UAB LOTOS Baltija from LTL 720.2 thousand to LTL 381.9 thousand was registered. Following the reduction, the Company's share capital is divided into 5,876 ordinary registered shares with a par value of LTL 65 per share.

<sup>(6)</sup> On November 20th 2009, the then-shareholders of LOTOS Park Technologiczny Sp. z o.o. sold their shares to LOTOS Park Technologiczny Sp. z o.o.:

- Grupa LOTOS S.A. – 9,400 shares out of the total of 9,500 shares held,
- LOTOS Czechowice S.A. – the entire stake of 12,314 shares,
- LOTOS Jasło S.A. – the entire stake of 9,866 shares,
- LOTOS Serwis Sp. z o.o. – the entire stake of 2,834 shares,
- Partner Holding Management Sp. z o.o. - the entire stake of 100 shares.

LOTOS Park Technologiczny Sp. z o.o. acquired its own shares with a view to their voluntary retirement by way of reduction of the share capital. Following the transaction, the shareholder structure of LOTOS Park Technologiczny Sp. z o.o. is as follows:

LOTOS Park Technologiczny Sp. z o.o. – 99.71%,  
Grupa LOTOS S.A. – 0.29%.

Grupa LOTOS S.A. exercises control over LOTOS Park Technologiczny Sp. z o.o. given the GM powers vested in Grupa LOTOS S.A. as the only shareholder entitled to exercise rights attached to the shares held.

On March 31st 2010, reduction in the share capital of LOTOS Park Technologiczny Sp. z o.o. to PLN 50 thousand was registered. The share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 100 shares.

Following registration of the changes in the National Court Register, Grupa LOTOS S.A. holds a 100% stake in LOTOS Park Technologiczny Sp. z o.o.

**Changes in the Number of Shares Held by the Company in Subsidiary and Other Undertakings**

PLN '000	Shares in subsidiary undertakings	other undertakings
<b>Book value as at Jan 1 2008</b>	<b>674,944</b>	<b>3,033</b>
Shares acquired, including shares in:	7,945 <sup>(1)</sup>	-
- LOTOS Tank Sp. z o.o.	6,445	-
- LOTOS Serwis Sp. z o.o.	1,500	-
Shares sold, including shares in:	(3,887) <sup>(2)</sup>	(83)
- LOTOS Exploration and Production Norge AS	(3,887)	-
Revaluation:	(16,284)	-
- assets invested in LOTOS Gaz S.A.	(16,284)	-
Transfers	2	3,367
Other:	(51)	-
- cancellation of shares in LOTOS Hydrokompleks Sp. z o.o. in liquidation	(51) <sup>(3)</sup>	-
	=====	=====
<b>Book value as at Dec 31 2008</b>	<b>662,669</b>	<b>6,317</b>
	=====	=====
<b>Book value as at Jan 1 2009</b>	<b>662,669</b>	<b>6,317</b>
Shares acquired:	356,946	-
- in-kind contribution comprising shares in Petrobaltic S.A. (currently LOTOS Petrobaltic S.A.), LOTOS Jasło S.A., LOTOS Czechowice S.A.	356,946	-
Shares sold:	(5,234)	-
- sale of shares in LOTOS Park Technologiczny Sp. z o.o.	(4,702)	-
- reduction in the share capital of UAB LOTOS Baltija	(532)	-
Revaluation	2,588	-
	=====	=====
<b>Book value as at Dec 31 2009</b>	<b>1,016,969</b>	<b>6,317</b>
	=====	=====

<sup>(1)</sup> On July 24th 2008, Grupa LOTOS S.A. signed a declaration on acquisition of shares in the increased share capital of LOTOS Tank Sp. z o.o. The shares were fully paid up with cash. The share capital of LOTOS Tank Sp. z o.o. was increased from PLN 500 thousand to PLN 6,945 thousand, i.e. by PLN 6,445 thousand; the share capital increase was effected by increasing the par value of the 1,000 existing shares from PLN 500 to PLN 6,945 per share. On July 31st 2008, Grupa LOTOS S.A. paid the price for the shares in the amount of PLN 6,445 thousand. On August 5th 2008, Grupa LOTOS S.A. acquired shares in the increased share capital of LOTOS Serwis Sp. z o.o. Grupa LOTOS S.A. acquired the shares at a price equal to their par value; the shares were fully paid up with cash. The share capital of LOTOS Serwis Sp. z o.o. was increased from PLN 2,500 thousand to PLN 4,000 thousand, i.e. by PLN 1,500 thousand, through the creation of 3,000 new shares with the par value of PLN 500 per share. On August 8th 2008, Grupa LOTOS S.A. paid the price for the shares, in the amount of PLN 1,500 thousand.

<sup>(2)</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. 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. Under the agreement, Grupa LOTOS S.A. sold 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 (see Note 20 to these financial statements).

On May 19th 2008, the Management Board of Petrobaltic S.A. (currently LOTOS 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. 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



## GRUPA LOTOS S.A.

### Notes to the financial statements for the year ended December 31st 2009

the company's share capital, with a total value of NOK 8m (the equivalent of PLN 3,376 thousand, as translated at the NOK mid-exchange rate quoted by the National Bank of Poland for June 12th 2008). The carrying value in Grupa LOTOS S.A.'s accounting books of LOTOS Exploration and Production Norge AS's assets sold under the agreement was PLN 3,887 thousand. <sup>(3)</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.

On December 14th 2009, an Extraordinary General Shareholders Meeting of LOTOS Gaz S.A. was held, during which the company's share capital was increased from PLN 3,680 thousand to PLN 10,080 thousand, i.e. by PLN 6,400 thousand, by way of raising the par value of the existing 160,000 shares from PLN 23 to PLN 63 per share. Grupa LOTOS S.A. will acquire the increased par value of the shares in exchange for cash. Payment for the shares was made in full before the registration of the share capital increase at LOTOS Gaz S.A. As at the date of approval of these financial statements, the increase in the share capital of LOTOS Gaz S.A. has not been registered.

In 2008 - 2009, the subsidiary undertakings of the LOTOS Group showed limited ability to transfer funds to the Parent Undertaking in the form of dividends.

The agreement concluded on December 16th 2004 between subsidiary undertaking LOTOS Paliwa Sp. z o.o. and Bank Pekao S.A. and PKO BP S.A., which provides for financing of the reorganisation and development of the LOTOS service station network, including the purchase of organised parts of business from ExxonMobile Poland and Slovnaft Polska, imposes restrictions on the value of excess liquidity generated by LOTOS Paliwa Sp. z o.o. in the financial year which may be allocated to dividend payment, and sets specific ratios, which must be met.

#### 14. Inventories

PLN '000	Dec 31 2009	Dec 31 2008
Finished products	664,886	613,036
Semi-finished products and work in progress	309,164	221,097
Goods for resale	176,082	114,312
Materials	1,744,104	1,325,000
	=====	=====
<b>Net inventories</b>	<b>2,894,236</b>	<b>2,273,445</b>
	=====	=====

As at December 31st 2009, the value of inventories serving as collateral for the financial liabilities of Grupa LOTOS S.A. under the credit facility referred to in Note 24 to these financial statements, amounted to PLN 2,713,999 thousand (as at December 31st 2008: PLN 2,096,703 thousand).

As at December 31st 2009, the Company measured its inventories at cost. As at December 31st 2009, the carrying value of inventories measured at cost stood at PLN 2,894,236 thousand (as at December 31st 2008: PLN 1,546,097 thousand). As at December 31st 2008, the value of inventories measured at net realisable value was PLN 727,348 thousand.

**Impairment Losses on Inventories**

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
Finished products	-	116,950
Semi-finished products and work in progress	-	12,034
Goods for resale	-	41,362
Materials	5,160	56,026
	=====	=====
<b>Total impairment losses on inventories</b>	<b>5,160</b>	<b>226,372</b>
	=====	=====

During the year ended December 31st 2009, the Company recognised impairment losses on inventories in the amount of PLN 595 thousand (as at December 31st 2008: PLN 221,807 thousand) and reversed impairment losses on inventories in the amount of PLN 221,807 thousand (as at December 31st 2008: PLN 9,233 thousand).

**Mandatory Stocks of Liquid Fuels**

In 2008 – 2009, Grupa LOTOS S.A. complied with the new regulations applicable to mandatory stocks which were introduced by virtue of the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, as well as on the Rules to be Followed in the Event of a Threat to National Fuel Security or a Disruption on the Petroleum Market, dated February 16th 2007 (Dz.U. of 2007, No. 52, item 343, dated March 23rd 2007), as amended. The new regulations became effective on April 7th 2007.

The mandatory stocks include crude oil, petroleum products (liquid fuels) and LPG. The Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, as well as on the Rules to be Followed in the Event of a Threat to National Fuel Security or a Disruption on the Petroleum Market, dated February 16th 2007 (Dz.U. of 2007, No. 52, item 343, dated March 23rd 2007), as amended, has defined the basis for calculation of the required amount of mandatory stocks as well as for identification of the entities subject to the requirement to increase mandatory stocks to 73 days in 2007 and to 76 days from 2008 onwards (does not apply to LPG).

Detailed rules are set forth in the following regulations of the Minister of Economy, effective as of May 25th 2007:

- Regulation concerning the detailed list of commodities and petroleum products included in the intervention stocks, dated April 24th 2007 (Dz. U. No. 81 item 546), as amended,
- Regulation concerning the detailed procedure for creation and maintenance of mandatory stocks of crude oil or fuels and determining their amount, dated April 24th 2007 (Dz. U. No. 81 item 547), as amended,
- Regulation concerning the register of producers and traders obliged to create and maintain mandatory stocks of crude oil or fuels, dated April 24th 2007 (Dz. U. No. 81 item 548),
- Regulation concerning the detailed procedure for the reduction of the amount of mandatory stocks of crude oil or fuels, dated April 24th 2007 (Dz. U. No. 81 item 549).

The gross value of mandatory stocks created on the basis of the above regulations is as follows:

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
Mandatory stocks	2,192,785	1,678,291
	=====	=====

**15. Trade and Other Receivables**

PLN '000	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Trade receivables, including:	1,414,781	1,181,046
- from related undertakings	986,552	802,338
Amounts receivable under settlement of derivative financial instruments	-	3,167
Other receivables, including:	13,885	13,239
- from related undertakings	273	37
	=====	=====
<b>Net receivables</b>	<b>1,428,666</b>	<b>1,197,452</b>
Impairment losses on receivables	83,912	75,665
	=====	=====
<b>Gross receivables</b>	<b>1,512,578</b>	<b>1,273,117</b>
	=====	=====

As at December 31st 2009, the Company's trade receivables subject to assignment by way of security for the Company's liabilities under the credit facility described in Note 24 amounted to PLN 978,210 thousand (December 31st 2008: PLN 785,025 thousand).

Information on transactions with related parties is presented in Note 42.

The payment period for trade receivables in the regular course of business is 14 - 50 days.

**Impairment Losses on Receivables**

PLN '000	<u>Year ended Dec 31 2009</u>	<u>Year ended Dec 31 2008</u>
<b>Beginning of period</b>	<b>75,665</b>	<b>77,475</b>
Increase	9,712	504
Reversal	(216)	(515)
Use	(1,249)	(1,799)
	=====	=====
<b>End of period</b>	<b>83,912</b>	<b>75,665</b>
	=====	=====

The table below presents the aged analysis of past due receivables not covered by recognised impairment losses, as at December 31st 2009 and December 31st 2008:

PLN '000	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Up to 1 month	1,390	15,728
From 1 to 3 months	70	42
From 3 to 6 months	41	101
From 6 months to 1 year	-	562
More than 1 year	-	57
	=====	=====
<b>Total</b>	<b>1,501</b>	<b>16,490</b>
	=====	=====

In the Company's opinion, there is no significant concentration of credit risk regarding trade receivables. As at the balance-sheet date, the Company's maximum exposure to credit risk is best represented by the carrying amounts of these instruments.

**16. Prepayments and Accrued Income**

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
Property and other insurance	14,044	17,897
Commissions on revolving credit facilities, amortised over time	4,041	-
Other	946	241
	=====	=====
<b>Total</b>	<b>19,031</b>	<b>18,138</b>
	=====	=====
Non-current	3,676	-
Current	15,355	18,138

**17. Current Financial Assets**

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
	<b>(comparable data)</b>	
Positive valuation of derivative financial instruments:		
- commodity swaps (raw materials and petroleum products)	47,017	279,402
- futures (CO <sub>2</sub> emissions)	-	113,334
- currency forward and spot contracts	442	15
- currency options	46,575	159,985
Loans advanced to related undertakings <sup>(1)</sup>	-	6,068
	38,033	-
	=====	=====
<b>Total</b>	<b>85,050</b>	<b>279,402</b>
	=====	=====

<sup>(1)</sup> includes loans advanced to LOTOS Exploration and Production Norge AS, discussed at greater length in Note 20.

As at December 31st 2009, positive valuation of financial instruments related to mandatory hedging agreements, over which an assignment was created as security for the credit facility referred to in Note 24, amounted to PLN 41,698 thousand (December 31st 2008: PLN 150,816 thousand).

**18. Cash and Cash Equivalents**

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
Cash at bank	18,196	152,689
Cash in hand	24	25
	=====	=====
<b>Total</b>	<b>18,220</b>	<b>152,714</b>
	=====	=====

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**Notes to the financial statements for the year ended December 31st 2009**

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

As at December 31st 2009, the amount of undrawn funds available to the Company under working capital loans, including loans granted by Bank Consortium (4), (see Note 24) in respect of which all conditions precedent had been fulfilled was PLN 211,822 thousand (as at December 31st 2008: PLN 743,274 thousand).

As at December 31st 2009, restricted cash amounted to PLN 17,070 thousand (as at December 31st 2008: PLN 82,070 thousand) and included mainly:

- a deposit of PLN 5,819 thousand, serving as security for the repayment of interest on the loan for financing of the inventories,
- a security deposit (margin) of PLN 1,205 thousand, which was transferred to Grupa LOTOS S.A.'s account held with brokerage firm Marex Financial in connection with transactions made on the ICE Futures Internet platform,
- funds of PLN 9,929 thousand, held in the Company's account dedicated to repayments of principal amounts of and interest on the loans/credit facilities contracted to finance the implementation of the 10+ Programme.

As at December 31st 2009, cash in bank accounts on which a registered pledge was established to secure the repayment of Grupa LOTOS S.A.'s liabilities under loan/credit facilities, amounted to PLN 540 thousand (as at December 31st 2008: PLN 36,080 thousand).

**19. Cash Structure in the Statement of Cash Flows**

PLN '000	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
Cash at banks	18,196	152,689
Cash in hand	24	25
Overdraft facilities	(462,018)	(287,017)
	=====	=====
<b>Total cash and cash equivalents</b>	<b>(443,798)</b>	<b>(134,303)</b>
	=====	=====

**Breakdown of the Company's Activities as Disclosed in the Statement of Cash Flows**

Operating activities include transactions and events related to the core business of an undertaking and other activities which are not included in investing or financing activities.

Investing activities include transactions and events which consist in the purchase or sale of property, plant and equipment (tangible assets, tangible assets under construction, prepayments for tangible assets under construction), intangible assets, non-current investments and current financial assets (excluding cash and cash equivalents), as well as related monetary costs and benefits, excluding those related to income tax.

Financing activities include transactions and events which consist in the raising and repayment of funds from sources other than operating activities, as well as related monetary costs and benefits, excluding those related to income tax. The occurrence of cash flows in the financing activities gives rise to changes in the amount of equity and financial indebtedness and the proportion between them.

**Causes of Differences between the Balance-Sheet Changes in Certain Items and Changes Disclosed in the Statement of Cash Flows**

Receivables PLN '000	<u>Year ended Dec 31 2009</u>	<u>Year ended Dec 31 2008</u>
Balance-sheet change in net non-current and current receivables	(125,584)	230,499
Change in income tax receivable	(105,630)	177,252
Change in receivables under settlement of derivative financial instruments	(3,167)	3,167
Other	-	(3,367)
	-----	-----
Change in receivables as disclosed in the statement of cash flows	(234,381)	407,551

**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

<b>Liabilities</b>	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
PLN '000		
Balance-sheet change in non-current and current liabilities and accruals and deferred income	1,960,143	2,597,097
Change in non-current and current loans and borrowings	(1,721,616)	(2,548,010)
Change in income tax payable	-	5,430
Change in investment liabilities	194,826	(239,547)
Change in liabilities related to negative valuation of derivative financial instruments	(20,312)	(209,124)
Change in finance lease liabilities	188	(7)
Value of subsidies capitalised in the value of tangible assets under construction	(5,908)	-
Set-off of corporate income tax receivable against VAT payable	177,252	-
	-----	-----
Change in liabilities and accruals and deferred income as disclosed in the statement of cash flows	584,573	(394,161)
	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
PLN '000		
Balance-sheet change in provisions	(2,876)	(110,844)
Change in deferred tax liabilities	(30,874)	122,431
	-----	-----
Change in provisions as disclosed in the statement of cash flows	(33,750)	11,587
	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
PLN '000		
Balance-sheet change in inventories	(620,791)	196,385
Other	-	(56)
	-----	-----
Change in inventories as disclosed in the statement of cash flows	(620,791)	196,329
	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
PLN '000		
Balance-sheet change in prepayments and accrued income	57,334	(62,306)
Change in deferred tax assets	(58,227)	58,227
Change in commissions on revolving credit facilities, amortised over time	4,041	-
	-----	-----
Change in prepayments and accrued income as disclosed in the statement of cash flows	3,148	(4,079)

**GRUPA LOTOS S.A.****Notes to the financial statements for the year ended December 31st 2009**

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<b>Cash</b>	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
PLN '000		
Balance-sheet change in cash	(134,494)	48,270
Change in interest-bearing overdraft facilities	(175,001)	91,563
	-----	-----
Change in cash as disclosed in the statement of cash flows	(309,495)	139,833

## **20. Financial Instruments**

### **Description of Financial Instruments**

#### *Financial Assets and Liabilities Held for Trading*

The Company discloses derivative transactions with positive fair values under financial assets held for trading. Derivative transactions with negative fair values are disclosed under financial liabilities held for trading. Under financial assets and liabilities held for trading the Company discloses valuation of the following types of derivatives: swaps, futures, forwards, options, interest-rate swaps, forward rate agreement.

Fair value of commodity swaps is established by reference to future cash flows connected with the transactions, calculated on the basis of the difference between the average market price and the transaction price. The fair value has been established on the basis of prices quoted on active markets, as provided by an external consultancy (Level 2 in the fair value hierarchy).

Fair value of futures contracts for carbon dioxide (CO<sub>2</sub>) allowances (EUA, CER) is established by reference to the difference between the market price, quoted by the European Climate Exchange (ECX) for the valuation date, and the transaction price (Level 1 in the fair value hierarchy).

Fair value of spots and currency forwards is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated on the basis of the fixing rate quotations of the National Bank of Poland and the interest rate curve implied in fx swaps (Level 2 in the fair value hierarchy).

Apart from the parameters used in the valuation of currency forwards, implied volatility is additionally taken into account in calculating the value of currency options (Level 2 in the fair value hierarchy).

Fair value of FRAs is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated using the zero-coupon interest rate curve based on 6M or 3M LIBOR, depending on the type of transaction. In 2008, the forward rate was calculated on the basis of the zero-coupon interest rate curve based on 3M LIBOR, so the basis swaps between the 3M and the 6M LIBOR reference rate were not accounted for. This is considered Level 2 in the fair value hierarchy.

#### *Financial Assets Available for Sale*

Non-current financial assets available for sale measured at fair value as at December 31st 2009 and December 31st 2008 include mainly shares and equity interests for which there is no active market.

#### *Loans Advanced and Receivables*

##### *Loans Advanced to Rafineria Nafty GLIMAR S.A.*

On September 23rd 2003 and April 8th 2004, Grupa LOTOS S.A. signed with Rafineria Nafty GLIMAR S.A. loan agreements for the financing of operating and investing activities, including, in particular, the Glimar Hydrocomplex investment project, for an aggregate amount of PLN 90m. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty GLIMAR S.A. under these agreements. Additionally, in connection with the Letter of Comfort signed by Grupa LOTOS S.A. on February 12th 2004 for Bank Przemysłowo-Handlowy S.A., the Company undertook commitments relating to the co-financing of the Glimar Hydrocomplex investment project and maintaining of an appropriate financial standing of Rafineria Nafty GLIMAR S.A. In the opinion of the Company's Management Board, these commitments do not represent financial liabilities as at the balance-sheet date.



## GRUPA LOTOS S.A.

### Notes to the financial statements for the year ended December 31st 2009

As at December 31st 2009 and December 31st 2008, assets under the advanced loans were fully covered by a recognised impairment charge. As at December 31st 2009 and December 31st 2008, the Company had provisions of PLN 15,853 thousand for potential liabilities under these agreements; during the year ended December 31st 2009, Grupa LOTOS S.A. fully released these provisions (see Note 25).

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 for discontinuation of 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 pursuant to Art. 361.2 of the Bankruptcy and Recovery Law.

The decision issued by the District Court of Nowy Sącz, Commercial Court Division V, was appealed against to the Regional Court of Kraków, Appellate Commercial Division XII. On July 25th 2008, the Regional Court of Kraków, Appellate Commercial Division XII, issued a decision (court docket No. XII Gz 242/08) dismissing the appeals. Accordingly, the decision of the District Court of Nowy Sącz, Commercial Court Division V on discontinuation of the bankruptcy proceedings became final.

On December 1st 2008, Grupa LOTOS S.A. concluded an agreement with Podkarpacki Holding Budowy Dróg Drogbud Sp. z o.o. of Strzyżów concerning disposal of its shares in Rafineria Nafty GLIMAR S.A. Under the agreement, Grupa LOTOS S.A. sold 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.

#### *Loans Advanced to LOTOS Exploration and Production Norge AS*

On April 30th 2009, Grupa LOTOS S.A. signed an agreement to grant a loan in the amount of USD 13,000 thousand (the equivalent of PLN 42,717 thousand, translated at the USD exchange rate quoted by the National Bank of Poland for April 30th 2009) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of 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. Recently, the loan repayment date was extended further until December 30th 2010. The loan bears interest at a floating annual interest rate based on 3M LIBOR plus margin.

On October 14th 2009, Grupa LOTOS S.A. 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 exchange rate quoted by the National Bank of Poland for October 14th 2009) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of the expenditure related to the YME Production Project. The loan principal and interest were repaid on November 16th 2009 in view of the terms of the notes issued by LOTOS Exploration and Production Norge AS. Under the agreement, the loan principal and interest were to be repaid by July 30th 2010. The loan bore interest at a floating annual interest rate based on 6M LIBOR plus margin.

LOTOS Exploration and Production Norge AS created for the benefit of Grupa LOTOS S.A. security in the form of a blank promissory notes with a "protest waived" clause and a promissory note declaration in order to secure the repayment of the loans (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 agreements) (see items 9 and 11 of Note 36).

#### *Financial Liabilities Valued at Amortised Cost*

Financial liabilities valued at amortised cost include loans, overdraft facilities, and liabilities under finance lease.

None of the following economic events or situations requiring disclosure occurred at the Company during the reporting periods ended December 31st 2009 and December 31st 2008:

- The Company did not reclassify any financial assets (IFRS 7, Par. 12.),
- No collateral was established for the benefit of the Company on any class of assets, which would result in credit enhancements (IFRS 7, Par. 15.),
- The Company did not issue any instrument that contains both a liability and an equity component (IFRS 7, Par. 17.),
- The Company met all contractual provisions (IFRS 7, Par. 18.),
- Interest income in connection with impaired financial assets was recognised by the Company as immaterial (IFRS 7, Par. 20.d.),

**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

- Due to non-compliance with formal requirements, the Company does not apply hedge accounting; accordingly, changes in fair value of derivative instruments are charged to the statement of comprehensive income (IFRS 7, Par. 22.)
- The Company did not acquire any financial assets at a price different from their fair value (IFRS 7, Par.28.)
- The Company did not obtain any assets by taking possession of collateral held as security (IFRS 7, Par. 38.).

**20.1. Carrying Value of Financial Instruments**

Dec 31 2009 (PLN '000)	Note	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares:		-	-	6,317	-	-	6,317
- non-current	13	-	-	6,317	-	-	6,317
- current		-	-	-	-	-	-
Loans:		-	38,033	-	-	-	38,033
- non-current	20	-	-	-	-	-	-
- current	17,20	-	38,033	-	-	-	38,033
Financial assets - derivative financial instruments:		101,879	-	-	-	-	101,879
- non-current	13	54,862	-	-	-	-	54,862
- current	17	47,017	-	-	-	-	47,017
Trade and other receivables	15	-	1,428,666	-	-	-	1,428,666
Cash and cash equivalents	18	-	18,220	-	-	-	18,220
Trade and other payables	26	-	-	-	-	(944,254)	(944,254)
Loans:	24	-	-	-	-	(5,134,585)	(5,134,585)
- non-current		-	-	-	-	(4,662,659)	(4,662,659)
- current		-	-	-	-	(471,926)	(471,926)
Financial liabilities:	27	-	-	-	(233,193)	(314)	(233,507)
Lease liabilities:	27	-	-	-	-	(314)	(314)
- non-current		-	-	-	-	(145)	(145)
- current		-	-	-	-	(169)	(169)
Derivative financial instruments:	27	-	-	-	(233,193)	-	(233,193)
- non-current		-	-	-	(220,085)	-	(220,085)
- current		-	-	-	(13,108)	-	(13,108)
<b>Total</b>		=====	=====	=====	=====	=====	=====
		<b>101,879</b>	<b>1,484,919</b>	<b>6,317</b>	<b>(233,193)</b>	<b>(6,079,153)</b>	<b>(4,719,231)</b>
		=====	=====	=====	=====	=====	=====

As at December 31st 2009, the Company did not carry any financial assets or liabilities measured at fair value through profit or loss whose components would be designated as measured at fair value through profit or loss on initial recognition (fair value option).

As at December 31st 2009, the Company did not carry any financial assets held to maturity.

As at December 31st 2009, the carrying value of the above classes of financial instruments corresponded to their fair value.

**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

As at December 31st 2009, the carrying value of cash and cash equivalents, current receivables and payables and financial liabilities measured at amortised cost approximated their fair value. Loans bear interest at floating rates, with interest payable in a short term.

As at December 31st 2009, financial assets available for sale measured at fair value comprised mainly shares for which there was no active market.

As at December 31st 2009, the Company held no financial assets whose terms would be renegotiated due to the possibility of default or impairment.

The methods and assumptions used to measure the fair value of financial instruments held by the Company are described in Note 10 and Note 20.

Dec 31 2008 (comparable data) (PLN '000)	Note	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares		-	-	6,317	-	-	6,317
- non-current	13	-	-	6,317	-	-	6,317
- current		-	-	-	-	-	-
Loans:		-	-	-	-	-	-
- non-current	20	-	-	-	-	-	-
- current		-	-	-	-	-	-
Financial assets - derivative financial instruments:		302,250	-	-	-	-	302,250
- non-current	13	22,848	-	-	-	-	22,848
- current	17	279,402	-	-	-	-	279,402
Trade and other receivables	15	-	1,197,452	-	-	-	1,197,452
Cash and cash equivalents	18	-	152,714	-	-	-	152,714
Trade and other payables	26	-	-	-	-	(891,921)	(891,921)
Loans:	24	-	-	-	-	(3,412,969)	(3,412,969)
- non-current		-	-	-	-	(3,098,491)	(3,098,491)
- current		-	-	-	-	(314,478)	(314,478)
Financial liabilities:	27	-	-	-	(212,881)	(502)	(213,383)
Lease liabilities:	27	-	-	-	-	(502)	(502)
- non-current		-	-	-	-	(359)	(359)
- current		-	-	-	-	(143)	(143)
Derivative financial instruments:	27	-	-	-	(212,881)	-	(212,881)
- non-current		-	-	-	(175,533)	-	(175,533)
- current		-	-	-	(37,348)	-	(37,348)
<b>Total</b>		=====	=====	=====	=====	=====	=====
		<b>302,250</b>	<b>1,350,166</b>	<b>6,317</b>	<b>(212,881)</b>	<b>(4,305,392)</b>	<b>(2,859,540)</b>
		=====	=====	=====	=====	=====	=====

As at December 31st 2008, the Company did not carry any financial assets or liabilities measured at fair value through profit or loss whose components would be designated as measured at fair value through profit or loss on initial recognition (fair value option).

As at December 31st 2008, the Company did not carry any financial assets held to maturity.

As at December 31st 2008, the carrying value of the above classes of financial instruments corresponded to their fair value.

As at December 31st 2008, the carrying value of cash and cash equivalents, current receivables and payables and financial liabilities measured at amortised cost approximated their fair value. Long-term bank loans bear interest at floating rates, with interest payable in a short term.

As at December 31st 2008, financial assets available for sale measured at fair value comprised mainly shares for which there was no active market.

As at December 31st 2008, the Company held no financial assets whose terms would be renegotiated due to the possibility of default or impairment.

## 20.2. Items of Income, Expenses, Gains and Losses Disclosed in the Statement of Comprehensive Income by Categories of Financial Instruments

Year ended Dec 31 2009 (PLN '000)	Note	Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
Interest income / (expense)		-	5,790	-	(22,747)	(16,957)
Foreign exchange gains/ (losses)		-	(24,110)	-	424,195	400,085
Reversal/ (recognition) of impairment losses	31,32	-	(9,022)	-	-	(9,022)
Gains/ (losses) on realisation	33	219,085	-	-	-	219,085
Gains/ (losses) on fair value measurement	34	(217,007)	-	-	-	(217,007)
Gains/ (losses) on disposal	34	-	-	(151)	-	(151)
		=====	=====	=====	=====	=====
<b>Total</b>		<b>2,078</b>	<b>(27,342)</b>	<b>(151)</b>	<b>401,448</b>	<b>376,033</b>
		=====	=====	=====	=====	=====

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**Notes to the financial statements for the year ended December 31st 2009**

<b>Year ended Dec 31 2008</b> (PLN '000)	<b>Note</b>	<b>Financial assets/ liabilities at fair value through profit or loss – held for trading</b>	<b>Loans and receivables</b>	<b>Financial assets available for sale</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
Interest income / (expense)		-	3,372	-	(16,674)	(13,302)
Foreign exchange gains/ (losses)		-	(78,425)	-	(377,491)	(455,916)
Reversal/ (recognition) of impairment losses	31,32	-	499	-	-	499
Gains/ (losses) on realisation	34	(234,999)	-	-	-	(234,999)
Gains/ (losses) on fair value measurement	34	(6,649)	-	-	-	(6,649)
Gains/ (losses) on disposal	33	-	-	492	-	492
<b>Total</b>		=====	=====	=====	=====	=====
		<b>(241,648)</b>	<b>(74,554)</b>	<b>492</b>	<b>(394,165)</b>	<b>(709,875)</b>
		=====	=====	=====	=====	=====

### **20.3. Financial Risk Management**

The Company is exposed to financial risk, including chiefly:

- market risk (risk related to the prices of raw materials and petroleum products, risk related to prices of CO<sub>2</sub> emission allowances, currency risk, interest rate risk)
- liquidity risk
- credit risk related to financial and trade transactions.

The Financial Risk Management Committee ("FRMC") operating within the Company is responsible for the supervision and coordination of the financial risk management process at Grupa LOTOS S.A. In order to ensure the efficiency and operational security of this process, the following areas have been distinguished: financial transaction area (front-office), risk analysis and control area (middle-office), and transaction documentation and settlement area (back-office).

The key objectives sought to be achieved through financial risk management are as follows:

- limiting volatility of cash flows,
- increasing the probability that budget and strategic objectives will be met,
- ensuring short-term financial liquidity,
- maximising the result on market risk management, at the assumed risk level.

In order to achieve these objectives, documents have been prepared at Grupa LOTOS S.A. and approved at appropriate decision-making levels of the Company. These documents specify the necessary framework for effective and secure functioning of the financial risk management process, including principally:

- methodology for quantifying exposures to particular risks (risk mapping),
- acceptable financial instruments,
- method of assessing financial risk management,
- limits within risk management,
- reporting method,
- credit limits for counterparties in financial transactions.

Grupa LOTOS S.A. monitors all managed market risks on an ongoing basis. Opening a position with respect to risks which do not arise as part of the Company's core activity is prohibited. Grupa LOTOS S.A. uses liquid derivatives which it is able to value by applying commonly applied valuation models. The valuation of the underlying position and derivatives is performed based on market data received from reliable providers.

The Company does not apply hedging accounting; accordingly, any change in the fair value of derivatives is charged to the statement of comprehensive income.

#### **Risk Related to Prices of Raw Materials and Petroleum Products**

The Company regards management of the risk related to prices of raw materials and petroleum products, as well as the currency risk, as an issue of utmost importance.

The concept for the management of risk related to prices of raw materials and petroleum products covers the period until the end of 2010, by which time also the 10+ Programme is to have been completed. The main objective of the management concept is to increase the probability of generating cash flows guaranteeing safe financing of investment projects under the 10+ Programme.

The risk management concept provides for maximum hedge ratios for the underlying position, decreasing each year relative to a current budget year. Within the framework of accepted limits and guidelines, the Financial Risk Management Committee adopts decisions defining the limits and volumes of hedging transactions.

The basic risk map is created by converting the map of price indices used in trade contracts into the map of indices for which there exist liquid markets of derivatives. Such conversion takes into account relevant statistical relations between base indices and market indices. The converted map serves a basis for defining the model of the refining margin. The margin is defined as the difference between the value of indices representing products sold, weighted by the share of particular indices in a barrel, and the index representing raw materials purchased.

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**Notes to the financial statements for the year ended December 31st 2009**

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As at December 31st 2009, the underlying refining margin position stood at (in barrels):

<b>Period</b>	<b>Underlying position</b>
Q1 2010	10,117,129
Q2 2010	10,752,077
Q3 2010	11,203,544
Q4 2010	11,817,957

As at December 31st 2008, the underlying refining margin position stood at (in barrels):

<b>Period</b>	<b>Underlying position</b>
Q1 2009	9,930,140
Q2 2009	6,720,316
Q3 2009	9,894,993
Q4 2009	9,452,383
Q1 2010	11,805,410
Q2 2010	15,699,834
Q3 2010	15,569,563
Q4 2010	14,712,155

The last transactions hedging refining margin expired on September 30th 2009. Due to adverse market conditions, the LOTOS Group resolved not to enter into hedging transactions until margins improve to levels which are satisfactory to the Company.

There were no open refining margin transactions as at December 31st 2009.

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Open refining margin transactions as at December 31st 2008:

Company	Type of transaction	Transaction execution date	Beginning of the valuation period	End of the valuation period	Number of barrels	Price (USD/barrel)	Fair value as at Dec 31 2008 (PLN '000) <sup>(1)</sup>
Grupa LOTOS S.A.	Commodity swap	Mar 4 2008	Jan 1 2009	Mar 31 2009	(500,001)	8	1,773
Grupa LOTOS S.A.	Commodity swap	Mar 7 2008	Jan 1 2009	Mar 31 2009	(999,999)	8	4,110
Grupa LOTOS S.A.	Commodity swap	May 30 2008	Apr 1 2009	Jun 30 2009	(501,000)	12	7,881
Grupa LOTOS S.A.	Commodity swap	May 30 2008	Jan 1 2009	Mar 31 2009	(999,999)	10	11,366
Grupa LOTOS S.A.	Commodity swap	Jun 2 2008	Jan 1 2009	Mar 31 2009	(501,000)	10	5,472
Grupa LOTOS S.A.	Commodity swap	Jun 2 2008	Jul 1 2009	Sep 30 2009	(501,000)	14	9,601
Grupa LOTOS S.A.	Commodity swap	Jun 6 2008	Jul 1 2009	Sep 30 2009	(999,999)	14	17,504
Grupa LOTOS S.A.	Commodity swap	Jun 17 2008	Apr 1 2009	Jun 30 2009	(500,001)	10	5,570
Grupa LOTOS S.A.	Commodity swap	Jun 19 2008	Jul 1 2009	Sep 30 2009	(500,001)	13	7,716
Grupa LOTOS S.A.	Commodity swap	Jun 20 2008	Jul 1 2009	Sep 30 2009	(499,998)	13	7,715
Grupa LOTOS S.A.	Commodity swap	Sep 25 2008	Jul 1 2009	Sep 30 2009	(500,001)	12	8,338
Grupa LOTOS S.A.	Commodity swap	Oct 2 2008	Apr 1 2009	Jun 30 2009	(500,001)	11	7,687
Grupa LOTOS S.A.	Commodity swap	Oct 6 2008	Apr 1 2009	Jun 30 2009	(500,001)	10	6,206
Grupa LOTOS S.A.	Commodity swap	Oct 7 2008	Apr 1 2009	Jun 30 2009	(500,001)	10	6,354
					(8,503,002)	<b>TOTAL, including</b>	<b>107,293</b>
						<b>positive</b>	<b>107,293</b>
						<b>negative</b>	<b>-</b>

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



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Open transactions adjusting the structure, as at December 31st 2008:

Company	Type of transaction	Transaction execution date	Beginning of the valuation period	End of the valuation period	Number of barrels	Price (USD/barrel)	Fair value as at Dec 31 2008 (PLN '000) <sup>1)</sup>
Grupa LOTOS S.A.	Commodity swap	Oct 8 2008	Jan 1 2009	Mar 31 2009	230,001	(2)	(275)
Grupa LOTOS S.A.	Commodity swap	Oct 9 2008	Jan 1 2009	Mar 31 2009	90,000	(2)	(107)
Grupa LOTOS S.A.	Commodity swap	Oct 13 2008	Jan 1 2009	Mar 31 2009	(120,000)	(18)	(1,040)
Grupa LOTOS S.A.	Commodity swap	Oct 29 2008	Jan 1 2009	Mar 31 2009	70,023	93	(6,488)
Grupa LOTOS S.A.	Commodity swap	Oct 29 2008	Jan 1 2009	Mar 31 2009	(70,023)	91	6,041
					200,001	<b>TOTAL, including</b>	<b>(1,869)</b>
						<b>positive</b>	<b>6,041</b>
						<b>negative</b>	<b>(7,910)</b>

As at December 31st 2008, positive fair value of commodity swaps was PLN 113,334 thousand.

As at December 31st 2008, negative fair value of commodity swaps was PLN (7.910) thousand.

<sup>1)</sup> Fair value of commodity swaps is established by reference to future cash flows connected with the executed transactions, calculated on the basis of the difference between the average market price and the transaction price. The fair value has been established on the basis of prices quoted on active markets, as provided by an external consultancy (Level 2 in the fair value hierarchy).

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Total refining margin position as at December 31st 2009 (in barrels):

Period	Underlying position	Transaction position	Total position	Hedge ratio
Q1 2010	10,117,129	-	10,117,129	0%
Q2 2010	10,752,077	-	10,752,077	0%
Q3 2010	11,203,544	-	11,203,544	0%
Q4 2010	11,817,957	-	11,817,957	0%
2010	43,890,707	-	43,890,707	0%

Total refining margin position as at December 31st 2008 (in barrels):

Period	Underlying position	Transaction position	Total position	Hedge ratio
Q1 2009	9,930,140	(3,000,999)	6,929,141	30%
Q2 2009	6,720,316	(2,501,004)	4,219,312	37%
Q3 2009	9,894,993	(3,000,999)	6,893,994	30%
Q4 2009	9,452,383	-	9,452,383	0%
Q1 2010	11,805,410	-	11,805,410	0%
Q2 2010	15,699,834	-	15,699,834	0%
Q3 2010	15,569,563	-	15,569,563	0%
Q4 2010	14,712,155	-	14,712,155	0%
2009	35,997,832	(8,503,002)	27,494,830	24%
2010	57,786,962	-	57,786,962	0%

#### Risk Related to Prices of Carbon (CO<sub>2</sub>) Allowances

The risk related to prices of carbon dioxide (CO<sub>2</sub>) allowances is managed in line with the assumptions set forth in *The Strategy for Managing the Risk Related to Prices of carbon dioxide (CO<sub>2</sub>) Allowances by Grupa LOTOS S.A.* The period covered by the management is determined by the individual phases of the Kyoto protocol; currently, it is the period until the end of 2012.

A position limit is defined based on the number of allowances granted for a given phase. The position in a given phase comprises the aggregate of positions for individual years within the phase. The maximum loss limit is defined based on the Company's equity.

Depending on the market situation and allowances granted, the Company maintains an appropriate position in carbon allowances by entering into financial transactions or changing the underlying position.

The basic risk map takes into account the allowances granted and the carbon dioxide (CO<sub>2</sub>) emissions planned for a given phase, which can be reliably determined both with respect to the existing installations and the installations which are planned to be constructed.

Underlying CO<sub>2</sub> allowances position as at December 31st 2009:

Period	EUA	CER	TOTAL
Phase II (2008-2012)	(122,789)	82,010	(40,779)

Underlying CO<sub>2</sub> allowances position as at December 31st 2008:

Period	EUA	CER	TOTAL
Phase II (2008-2012)	40,238	114,000	154,238

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In connection with concerns that the prices of CO<sub>2</sub> emission allowances might decline in the short-term perspective, the Company maintained a short position in the allowances. Additionally, due to uncertainty as to the number of allowances to be granted for the units constructed under the 10+ Programme, the Company sought to minimise the size of its open position in the CO<sub>2</sub> emission allowances. In 2009, the Company entered into EUA/CER swap transactions, as that was justified by the spread between these two types of emission allowances.

Open CO<sub>2</sub> allowances transactions as at December 31st 2009:

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of CO <sub>2</sub> allowances	Price (EUR/tonne)	Fair value as at Dec 31 2009 (PLN '000) <sup>2</sup>
Grupa LOTOS S.A.	EUA Futures	Nov 2 2009	Dec 20 2012	(1,000)	16	9
Grupa LOTOS S.A.	CER Futures	Nov 2 2009	Dec 20 2012	1,000	14	(9)
Grupa LOTOS S.A.	EUA Futures	Nov 5 2009	Dec 23 2010	(27,000)	15	237
Grupa LOTOS S.A.	EUA Futures	Nov 5 2009	Dec 23 2010	(1,000)	15	9
Grupa LOTOS S.A.	EUA Futures	Nov 5 2009	Dec 23 2010	(3,000)	15	27
Grupa LOTOS S.A.	EUA Futures	Nov 5 2009	Dec 23 2010	(9,000)	15	80
Grupa LOTOS S.A.	EUA Futures	Nov 5 2009	Dec 23 2010	(10,000)	15	89
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 23 2010	10,000	13	(73)
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 23 2010	22,000	13	(162)
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 23 2010	10,000	13	(75)
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 20 2012	5,000	13	(35)
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 20 2012	25,000	13	(178)
Grupa LOTOS S.A.	CER Futures	Dec 10 2009	Dec 20 2012	20,000	13	(143)
Grupa LOTOS S.A.	EUA Futures	Dec 16 2009	Dec 22 2011	(1,000)	15	8
Grupa LOTOS S.A.	EUA Futures	Dec 16 2009	Dec 22 2011	(1,000)	15	8
Grupa LOTOS S.A.	EUA Futures	Dec 16 2009	Dec 22 2011	(1,000)	15	8
Grupa LOTOS S.A.	EUA Futures	Dec 16 2009	Dec 22 2011	(8,000)	15	62
				31,000	<b>TOTAL, including:</b>	<b>(138)</b>
					<b>positive</b>	<b>537</b>
					<b>negative</b>	<b>(675)</b>

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 Open CO<sub>2</sub> allowances transactions as at December 31st 2008:

Company	Type of transaction	Transaction execution date	Transaction settlement date	No. of CO <sub>2</sub> allowances	Price (EUR/tonne)	Fair value as at Dec 31 2008 (PLN '000) <sup>2</sup>
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	(0)
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	3,000	16	(1)
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	1
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	1
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	4,000	16	2
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	20,000	16	5
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	2,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	5,000	16	1
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	30,000	16	4
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	10,000	16	1
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	1,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	2,000	16	-
Grupa LOTOS S.A.	EUA Futures	Dec 3 2008	Dec 17 2009	4,000	16	-
				88,000	<b>TOTAL, including:</b>	<b>14</b>
					<b>positive</b>	<b>15</b>
					<b>negative</b>	<b>(1)</b>

<sup>2)</sup> Fair value of futures contracts for carbon dioxide (CO<sub>2</sub>) allowances (EUA, CER) is established by reference to the difference between the market price, quoted by the European Climate Exchange (ECX) for the valuation date, and the transaction price (Level 1 in the fair value hierarchy).

 Total CO<sub>2</sub> allowances position as at December 31st 2009:

Period	EUA position			CER position		
	Underlying	Transaction	Total	Underlying	Transaction	Total
Phase II (2008-2012)	(122,789)	(62,000)	(184,789)	82,010	93,000	175,010

 Total CO<sub>2</sub> allowances position as at December 31st 2008:

Period	EUA position			CER position		
	Underlying	Transaction	Total	Underlying	Transaction	Total
Phase II (2008-2012)	40,238	88,000	128,238	114,000	-	114,000

**Currency Risk**

Currency risk is managed in line with the assumptions stipulated in *The Strategy of Currency Risk Management at Grupa LOTOS S.A.* The exposure management horizon is connected with the introduction of a budget roll over into four quarters in advance as a permanent component of planning activities at the Company. The four quarter period is treated as the basis for determining the exposure management time horizon. The base map of currency positions takes into account principally the volumes and price formulae for purchases of raw materials and sales of products, investments, loans denominated in foreign currencies, as well as valuation of derivatives, and may be adjusted for a ratio reflecting the volatility in the prices of raw materials and petroleum products. The strategy provides for the calculation of the following limits:

- transaction position limit (open currency transactions must not increase the Company's underlying position);
- maximum loss and liquidity limits are expressed as a percentage of the Company's equity (the liquidity limit is calculated in order to reduce the risk of excessive accumulation of financial transactions over a limited period of time, the settlement of which could result in liquidity and operating problems);
- gross total and global currency position limits applicable for the entire management period as well as for sub-periods.

For the purpose of the limits calculation, equity is remeasured on a quarterly basis. Moreover, when a loss on risk management exceeds a defined threshold, limits are immediately revised in order to prevent any significant exceeding of the maximum loss limit set by the Management Board of Grupa LOTOS S.A. The strategy allows for the possibility of consolidated risk management at the Group level.

The natural currency of Grupa LOTOS S.A.'s operating market is USD. This currency is used in market price quotations for crude oil and petroleum products. Consequently, Grupa LOTOS S.A. has a structurally long position in USD on its operating activity. For this reason it has been decided that USD is the most appropriate currency for contracting and repaying long-term loans to finance the 10+ Programme, as such an approach contributes to reducing the structurally long position, and consequently to reducing the strategic currency risk.

Under the agreement on the financing of the 10+ Programme, Grupa LOTOS S.A. has the obligation to maintain a specified level of the hedge ratio for the currency risk (EUR/USD and USD/PLN) which arises in connection with the fact that the currency in which the investment projects are financed is different from the currencies in which project execution contracts are denominated. This obligation remains binding only with respect to payments under the 10+ Programme projects execution contracts to be made by mid-2011.

Underlying currency position as at December 31st 2009:

<b>Period</b>	<b>USD</b>	<b>EUR</b>
2010	406,436,729	(287,449,821)

Underlying currency position as at December 31st 2008:

<b>Period</b>	<b>USD</b>	<b>EUR</b>
2009	596,635,901	(368,983,750)

Grupa LOTOS S.A. actively manages its currency position and changes it depending on the expected market developments. The Company's currency position at the end of 2009 was in line with the market expectations as to appreciation of the US dollar against the euro. Grupa LOTOS S.A. resolved to hedge a part of its currency position at lower prices in 2010, bearing in mind that the maximum loss caused by the absence of full hedging may not exceed the loss limit set by the Management Board, representing a small fraction of the equity.

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Open currency transactions as at December 31st 2009:

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2009 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	May 27 2009	Jan 8 2010	USD/PLN	(15,000,000)	3.2	48,297,000	5,532
Grupa LOTOS S.A.	Currency forward	May 27 2009	Jan 14 2010	USD/PLN	(15,000,000)	3.2	48,394,500	5,610
Grupa LOTOS S.A.	Currency forward	May 27 2009	Jan 28 2010	USD/PLN	(18,000,000)	3.2	58,024,800	6,627
Grupa LOTOS S.A.	Currency forward	May 27 2009	Feb 19 2010	USD/PLN	(15,000,000)	3.2	48,637,500	5,732
Grupa LOTOS S.A.	Currency forward	May 27 2009	Mar 11 2010	USD/PLN	(15,000,000)	3.2	48,547,500	5,576
Grupa LOTOS S.A.	Currency forward	May 27 2009	Mar 18 2010	USD/PLN	(14,000,000)	3.3	45,592,400	5,465
Grupa LOTOS S.A.	Currency forward	May 27 2009	Apr 8 2010	USD/PLN	(4,000,000)	3.2	12,960,000	1,479
Grupa LOTOS S.A.	Currency forward	Aug 20 2009	Jan 28 2010	USD/PLN	7,700,000	3.0	(22,730,400)	(748)
Grupa LOTOS S.A.	Currency forward	Aug 20 2009	Feb 19 2010	USD/PLN	15,000,000	3.0	(44,332,500)	(1,444)
Grupa LOTOS S.A.	Currency forward	Aug 20 2009	Mar 11 2010	USD/PLN	10,000,000	3.0	(29,579,000)	(947)
Grupa LOTOS S.A.	Currency forward	Aug 20 2009	Mar 18 2010	USD/PLN	19,000,000	3.0	(56,215,300)	(1,790)
Grupa LOTOS S.A.	Currency forward	Aug 20 2009	Apr 8 2010	USD/PLN	4,000,000	3.0	(11,858,000)	(385)
Grupa LOTOS S.A.	Currency forward	Sep 21 2009	Jan 8 2010	USD/PLN	15,000,000	2.9	(42,817,500)	(55)
Grupa LOTOS S.A.	Currency forward	Sep 21 2009	Jan 14 2010	USD/PLN	15,000,000	2.9	(42,835,500)	(56)
Grupa LOTOS S.A.	Currency forward	Sep 21 2009	Jan 28 2010	USD/PLN	10,300,000	2.9	(29,435,855)	(33)
Grupa LOTOS S.A.	Currency forward	Oct 14 2009	Apr 16 2010	USD/PLN	(7,000,000)	2.9	20,064,800	(19)
Grupa LOTOS S.A.	Currency forward	Oct 16 2009	Jan 21 2010	USD/PLN	(2,000,000)	2.8	5,687,200	(19)
Grupa LOTOS S.A.	Currency forward	Oct 30 2009	Jan 25 2010	USD/PLN		2.9	56,181,450	527
Grupa LOTOS S.A.	Currency forward	Oct 30 2009	Jan 29 2010	USD/PLN	(6,000,000)	2.9	17,206,800	78
Grupa LOTOS S.A.	Currency forward	Oct 30 2009	Jan 14 2010	USD/PLN	12,000,000	2.9	(34,563,600)	(340)
Grupa LOTOS S.A.	Currency forward	Oct 30 2009	Apr 8 2010	USD/PLN	7,000,000	2.9	(20,279,000)	(204)
Grupa LOTOS S.A.	Currency forward	Nov 17 2009	Jan 15 2010	USD/PLN	(1,800,000)	2.8	4,969,800	(164)
Grupa LOTOS S.A.	Currency forward	Dec 16 2009	Jan 4 2010	USD/PLN	(1,500,000)	2.9	4,301,400	26
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Jan 15 2010	EUR/USD	6,000,000	1.4	(8,618,850)	83
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Jan 20 2010	USD/PLN	(40,000,000)	2.9	116,888,000	2,761
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Jan 21 2010	EUR/USD	10,000,000	1.4	(14,328,500)	241
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Feb 11 2010	EUR/USD	10,000,000	1.4	(14,327,850)	241

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**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2009 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Mar 15 2010	EUR/USD	10,000,000	1.4	(14,309,000)	292
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Mar 17 2010	EUR/USD	10,000,000	1.4	(14,341,400)	200
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Apr 15 2010	EUR/USD	10,000,000	1.4	(14,307,500)	294
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	May 20 2010	EUR/USD	10,000,000	1.4	(14,338,300)	200
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Jul 15 2010	EUR/USD	10,000,000	1.4	(14,332,850)	203
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Jul 22 2010	EUR/USD	10,000,000	1.4	(14,295,500)	308
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Sep 15 2010	EUR/USD	10,000,000	1.4	(14,325,650)	205
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Sep 22 2010	EUR/USD	10,000,000	1.4	(14,288,250)	309
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Oct 21 2010	EUR/USD	10,000,000	1.4	(14,340,500)	153
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Nov 22 2010	EUR/USD	10,000,000	1.4	(14,316,000)	214
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Dec 9 2010	EUR/USD	10,000,000	1.4	(14,332,000)	164
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Feb 18 2010	EUR/PLN	10,000,000	4.2	(42,025,000)	(821)
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Feb 23. 2010	EUR/PLN	10,000,000	4.2	(42,052,000)	(834)
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Feb 24 2010	EUR/PLN	10,000,000	4.2	(42,045,000)	(825)
Grupa LOTOS S.A.	Currency forward	Dec 21 2009	Feb 25 2010	EUR/PLN	5,000,000	4.2	(21,024,000)	(413)
Grupa LOTOS S.A.	Currency forward	Dec 22 2009	Jun 17 2010	USD/PLN	10,000,000	3.0	(29,583,500)	(761)
Grupa LOTOS S.A.	Currency forward	Dec 23 2009	Jan 8 2010	EUR/USD	25,000,000	1.4	(35,625,750)	1,160
Grupa LOTOS S.A.	Currency forward	Dec 23 2009	Jan 13 2010	EUR/USD	20,000,000	1.4	(28,500,400)	929
Grupa LOTOS S.A.	Currency forward	Dec 23 2009	Jan 8 2010	EUR/USD	(40,000,000)	1.4	57,020,000	(1,803)
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Jan 14 2010	USD/PLN	(15,000,000)	2.9	43,390,500	610
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Jan 15 2010	USD/PLN	(10,000,000)	2.9	28,927,000	405
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Feb 4 2010	EUR/USD	(16,700,000)	1.4	24,081,400	35
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Mar 16 2010	USD/PLN	(20,000,000)	2.9	58,069,000	793
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Apr 15 2010	EUR/USD	10,000,000	1.4	(14,400,000)	31
Grupa LOTOS S.A.	Currency forward	Dec 28 2009	Aug 30 2010	EUR/USD	10,000,000	1.4	(14,380,000)	57
Grupa LOTOS S.A.	Currency forward	Dec 29 2009	Jan 6 2010	USD/PLN	5,000,000	2.9	(14,393,500)	(141)
Grupa LOTOS S.A.	Currency forward	Dec 29 2009	Feb 19 2010	EUR/PLN	10,900,000	4.2	(45,283,505)	(370)
Grupa LOTOS S.A.	Currency spot	Dec 30 2009	Jan 4 2010	USD/PLN	6,000,000	2.9	(17,275,800)	(175)
Grupa LOTOS S.A.	Currency spot	Dec 30 2009	Jan 4 2010	USD/PLN	6,800,000	2.9	(19,530,280)	(149)
Grupa LOTOS S.A.	Currency spot	Dec 30 2009	Jan 4 2010	USD/PLN	3,000,000	2.9	(8,628,000)	(78)
Grupa LOTOS S.A.	Currency forward	Dec 30 2009	Jan 6 2010	USD/PLN	5,000,000	2.9	(14,402,400)	(150)
Grupa LOTOS S.A.	Currency forward	Dec 31 2009	Jan 21 2010	EUR/USD	12,000,000	1.4	(17,283,480)	35

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**GRUPA LOTOS S.A.**  
Notes to the financial statements for the year ended December 31st 2009

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2009 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	Dec 31 2009	Jan 6 2010	USD/PLN	9,000,000	2.9	(25,728,480)	(74)
							<b>TOTAL, including:</b>	<b>33,777</b>
							<b>positive</b>	<b>46,575</b>
							<b>negative</b>	<b>(12,798)</b>

Open currency transactions as at December 31st 2008:

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2008 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	Oct 1 2008	Feb 10 2009	EUR/USD	(18,800,000)	1.4	26,647,120	623
Grupa LOTOS S.A.	Currency forward	Oct 1 2008	Mar 5 2009	EUR/USD	(8,000,000)	1.4	11,335,200	254
Grupa LOTOS S.A.	Currency forward	Oct 3 2008	Mar 5 2009	EUR/USD	7,000,000	1.4	(9,708,300)	397
Grupa LOTOS S.A.	Currency forward	Oct 6 2008	Mar 5 2009	EUR/USD	3,500,000	1.4	(4,755,170)	491
Grupa LOTOS S.A.	Currency forward	Oct 7 2008	Mar 5 2009	EUR/USD	10,000,000	1.4	(13,580,000)	1,421
Grupa LOTOS S.A.	Currency forward	Oct 8 2008	Feb 13 2009	EUR/USD	(7,000,000)	1.4	9,608,200	(694)
Grupa LOTOS S.A.	Currency forward	Oct 9 2008	Feb 13 2009	EUR/USD	(3,000,000)	1.4	4,134,000	(249)
Grupa LOTOS S.A.	Currency forward	Oct 14 2008	Feb 2 2009	EUR/USD	7,000,000	1.4	(9,637,600)	617
Grupa LOTOS S.A.	Currency forward	Oct 15 2008	Feb 2 2009	USD/PLN	(10,000,000)	2.6	25,735,500	(3,973)
Grupa LOTOS S.A.	Currency forward	Oct 20 2008	Feb 11 2009	USD/PLN	(4,000,000)	2.7	10,620,000	(1,275)
Grupa LOTOS S.A.	Currency forward	Oct 27 2008	Feb 13 2009	EUR/USD	450,000	1.2	(560,835)	213
Grupa LOTOS S.A.	Currency forward	Oct 29 2008	Apr 30 2009	USD/PLN	(22,000,000)	2.9	62,733,000	(3,155)
Grupa LOTOS S.A.	Currency forward	Oct 30 2008	Feb 11 2009	EUR/PLN	3,000,000	3.5	(10,513,800)	2,026
Grupa LOTOS S.A.	Currency forward	Oct 30 2008	Apr 30 2009	USD/PLN	10,000,000	2.7	(26,800,000)	3,118
Grupa LOTOS S.A.	Currency forward	Oct 30 2008	Apr 30 2009	USD/PLN	5,000,000	2.7	(13,402,500)	1,556
Grupa LOTOS S.A.	Currency forward	Nov 3 2008	Feb 4 2009	USD/PLN	(1,300,000)	2.8	3,612,635	(252)
Grupa LOTOS S.A.	Currency forward	Nov 3 2008	Jan 16 2009	EUR/USD	25,000,000	1.3	(31,455,250)	11,081
Grupa LOTOS S.A.	Currency forward	Nov 3 2008	Feb 4 2009	EUR/PLN	1,100,000	3.6	(3,928,705)	668
Grupa LOTOS S.A.	Currency forward	Nov 4 2008	Jan 14 2009	EUR/USD	25,000,000	1.3	(31,456,250)	11,089

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**GRUPA LOTOS S.A.**  
Notes to the financial statements for the year ended December 31st 2009

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2008 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	Nov 4 2008	Feb 12 2009	EUR/USD	20,000,000	1.3	(25,526,000)	7,679
Grupa LOTOS S.A.	Currency forward	Nov 4 2008	Feb 12 2009	EUR/USD	6,000,000	1.3	(7,657,800)	2,304
Grupa LOTOS S.A.	Currency forward	Nov 4 2008	Mar 16 2009	EUR/USD	25,000,000	1.3	(31,409,250)	11,009
Grupa LOTOS S.A.	Currency forward	Nov 4 2008	Mar 17 2009	EUR/USD	25,000,000	1.3	(31,408,000)	11,009
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	Apr 15 2009	EUR/USD	30,000,000	1.2	(37,425,000)	13,857
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	Apr 20 2009	USD/PLN	(20,000,000)	3.0	60,524,000	623
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	May 15 2009	EUR/USD	30,000,000	1.2	(37,416,300)	13,759
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	May 20 2009	USD/PLN	(15,000,000)	3.0	45,474,000	411
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	Jun 15 2009	EUR/USD	30,000,000	1.3	(37,789,500)	12,544
Grupa LOTOS S.A.	Currency forward	Nov 12 2008	Jun 19 2009	USD/PLN	(15,000,000)	3.0	45,480,000	284
Grupa LOTOS S.A.	Currency forward	Nov 19 2008	Feb 11 2009	USD/PLN	(17,000,000)	3.1	52,450,100	1,853
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Jul 16 2009	EUR/USD	5,000,000	1.2	(6,246,250)	2,226
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Jul 16 2009	EUR/USD	10,000,000	1.2	(12,492,500)	4,453
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Jul 17 2009	USD/PLN	(15,000,000)	3.1	46,605,000	1,260
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Aug 12 2009	USD/PLN	(15,000,000)	3.1	46,627,500	1,181
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Aug 13 2009	EUR/USD	25,000,000	1.2	(31,238,750)	11,058
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Sep 11 2009	USD/PLN	(5,000,000)	3.1	15,550,000	364
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Sep 16 2009	EUR/USD	20,000,000	1.2	(24,997,000)	8,791
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Oct 9 2009	USD/PLN	(5,000,000)	3.1	15,557,500	339
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Oct 16 2009	EUR/USD	15,000,000	1.3	(18,772,500)	6,490
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Nov 16 2009	EUR/USD	10,000,000	1.3	(12,516,500)	4,285
Grupa LOTOS S.A.	Currency forward	Nov 20 2008	Dec 16 2009	EUR/USD	25,000,000	1.3	(31,292,500)	10,618
Grupa LOTOS S.A.	Currency forward	Dec 9 2008	Dec 11 2009	USD/PLN	23,500,000	3.1	(72,885,250)	(966)
Grupa LOTOS S.A.	Currency forward	Dec 9 2008	Dec 11 2009	EUR/USD	(2,500,000)	1.3	3,195,000	(873)
Grupa LOTOS S.A.	Currency forward	Dec 18 2008	Jan 7 2009	USD/PLN	(35,000,000)	2.8	99,455,300	(4,230)
Grupa LOTOS S.A.	Currency forward	Dec 18 2008	Jan 8 2009	USD/PLN	(30,000,000)	2.8	85,244,400	(3,640)
Grupa LOTOS S.A.	Currency forward	Dec 18 2008	Jan 9 2009	USD/PLN	(25,000,000)	2.8	71,092,000	(2,988)
Grupa LOTOS S.A.	Currency forward	Dec 29 2008	Jan 15 2009	EUR/USD	50,000,000	1.4	(71,345,150)	(2,789)
Grupa LOTOS S.A.	Currency spot	Dec 31 2008	Jan 5 2009	USD/PLN	2,000,000	3.0	(5,942,720)	(19)
Grupa LOTOS S.A.	Currency spot	Dec 31 2008	Jan 5 2009	EUR/USD	(1,000,000)	1.4	1,403,780	(15)
Grupa LOTOS S.A.	Currency forward	Dec 31 2008	Jan 14 2009	USD/PLN	11,100,000	3.0	(33,029,160)	(114)
Grupa LOTOS S.A.	Currency forward	Dec 31 2008	Jan 14 2009	EUR/PLN	3,800,000	4.2	(15,903,000)	(36)

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**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Fair value as at Dec 31 2008 (PLN '000) <sup>3</sup>
Grupa LOTOS S.A.	Currency forward	Dec 31 2008	Jan 15 2009	USD/PLN	22,000,000	3.0	(65,250,900)	(6)
Grupa LOTOS S.A.	Currency forward	Dec 31 2008	Jan 15 2009	USD/PLN	7,000,000	3.0	(20,778,100)	(19)
Grupa LOTOS S.A.	Currency forward	Dec 31 2008	Mar 16 2009	USD/PLN	21,400,000	3.0	(63,868,300)	(20)
Grupa LOTOS S.A.	Currency spot	Dec 31 2008	Jan 2 2009	USD/PLN	(2,000,000)	3.0	5,940,000	19
Grupa LOTOS S.A.	Currency spot	Dec 31 2008	Jan 2 2009	EUR/USD	1,000,000	1.4	(1,404,000)	15
							<b>TOTAL, including:</b>	<b>134,672</b>
							<b>positive</b>	<b>159,985</b>
							<b>negative</b>	<b>(25,313)</b>

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**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Company	Type of transaction	Transaction execution date	Transaction settlement date	Currency pair	Amount in base currency	Rate	Amount in quote currency	Premium settlement date	Premium (PLN'000)	Fair value as at Dec 31 2008 (PLN '000) <sup>4</sup>
Grupa LOTOS S.A.	Call option	Aug 8 2008	Feb 12 2009	EUR/USD	50,000,000	1.6	(79,500,000)	Aug 12 2008	(1,563)	384
Grupa LOTOS S.A.	Call option	Aug 11 2008	Feb 13 2009	EUR/USD	100,000,000	1.6	(159,000,000)	Aug 13 2008	(2,900)	815
Grupa LOTOS S.A.	Call option	Aug 11 2008	Mar 5 2009	EUR/USD	60,000,000	1.6	(95,400,000)	Sep 9 2008	(666)	1,192
Grupa LOTOS S.A.	Call option	Oct 20 2008	Mar 9 2009	EUR/USD	(60,000,000)	1.6	95,400,000	Oct 22 2008	438	(1,192)
Grupa LOTOS S.A.	Call option	Oct 27 2008	Feb 13 2009	EUR/USD	(15,000,000)	1.6	23,850,000	Oct 29 2008	85	(122)
Grupa LOTOS S.A.	Call option	Nov 4 2008	Feb 12 2009	EUR/USD	(50,000,000)	1.6	79,500,000	Nov 7 2008	329	(385)
Grupa LOTOS S.A.	Call option	Nov 4 2008	Feb 13 2009	EUR/USD	(85,000,000)	1.6	135,150,000	Nov 7 2008	600	(692)
<b>TOTAL, including:</b>									<b>(3,677)<sup>(5)</sup></b>	<b>-</b>
<b>positive</b>									<b>1,452</b>	<b>2,391</b>
<b>negative</b>									<b>(5,129)</b>	<b>(2,391)</b>

<sup>3)</sup> Fair value of currency spots and forwards is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated on the basis of the fixing rate quotations of the National Bank of Poland and the interest rate curve implied in fx swaps (Level 2 in the fair value hierarchy).

<sup>4)</sup> Apart from the parameters used in the valuation of currency forwards, implied volatility is additionally taken into account in calculating the value of currency options (Level 2 in the fair value hierarchy).

<sup>5)</sup> As at December 31st 2008, the option premium was presented at net value under "derivative financial instruments" (see Note 17).

**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

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Total currency position as at December 31st 2009:

Period	USD/PLN position			EUR/PLN position		
	Underlying	Transaction	Total	Underlying	Transaction	Total
2010	406,436,729	(282,890,380)	123,546,349	(287,449,821)	202,200,000	(85,249,821)

Total currency position as at December 31st 2008:

Period	USD/PLN position			EUR/PLN position		
	Underlying	Transaction	Total	Underlying	Transaction	Total
2009	596,635,901	(598,067,105)	(1,431,204)	(368,983,750)	372,550,000	3,566,250

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**Interest Rate Risk**

The base map of interest rate positions reflects the planned schedule of drawdowns and repayments under the loan extended to finance inventories and the implementation of the 10+ Programme. The interest rate risk is connected with the interest calculated on the basis of a floating rate (LIBOR USD). The structure of limits is based on the underlying's nominal value hedge ratio. In a long-term perspective, a partial risk mitigation effect was achieved through the choice of a fixed interest rate for the SACE sub-tranche under the investment loan granted to finance the 10+ Programme described in Note 24.

The agreement on the financing of the 10+ Programme provides for the obligation to maintain a specified hedge ratio for the interest rate risk, i.e. the risk connected with the LIBOR USD floating interest rate on the loan to finance the 10+ Programme in the period until mid-2011.

As at December 31st 2009, the underlying interest rate position stood at (USD '000):

Period	Underlying position
2010	(1,782,231)
2011	(1,820,792)
2012	(1,388,528)
2013	(1,302,032)
2014	(1,201,506)
2015	(1,083,753)
2016	(959,280)
2017	(830,913)
2018	(690,720)
2019	(533,154)
2020	(374,596)

As at December 31st 2008, the underlying interest rate position stood at (USD '000):

Period	Underlying position
2009	(1,465,047)
2010	(1,733,870)
2011	(1,752,352)
2012	(1,323,175)
2013	(1,240,750)
2014	(1,144,955)
2015	(1,032,745)
2016	(914,130)
2017	(791,805)
2018	(658,210)
2019	(508,060)
2020	(356,965)

In connection with its obligation to maintain the hedge ratio prescribed in the loan agreement and given its intention to partly mitigate the interest rate risk which is not covered by mandatory hedges, the Company executed hedging transactions. Taking advantage of the favourable market conditions prevailing at the long end of the USD interest rate curve, the Company hedged a part of its exposure in a time horizon of up to ten years.

**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Open interest rate transactions as at December 31st 2009:

Company	Type of transaction	Transaction execution date	Beginning of period	End of period	Nominal value (USD)	Company pays	Company receives	Fair value as at Dec 31 2009 (PLN '000) <sup>5</sup>
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 9 2008	Oct 15 2008	Jun 30 2011	50,000,000	3.4%	6M LIBOR	(9,058)
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 13 2008	Oct 15 2008	Jun 30 2011	50,000,000	3.6%	6M LIBOR	(9,473)
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 16 2008	Oct 15 2008	Jun 30 2011	100,000,000	3.7%	6M LIBOR	(19,598)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Jul 15 2009	Jun 30 2011	122,000,000	4.1%	6M LIBOR	(20,420)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Oct 15 2008	Jun 30 2011	208,000,000	3.8%	6M LIBOR	(42,633)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 26 2008	Jan 15 2009	Jun 30 2011	100,000,000	4.3%	6M LIBOR	(23,991)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 27 2008	Jul 15 2009	Jun 30 2011	150,000,000	4.3%	6M LIBOR	(27,254)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 5 2008	Oct 15 2008	Jan 15 2013	100,000,000	3.8%	6M LIBOR	(23,222)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 16 2008	Jan 15 2009	Jan 15 2013	100,000,000	3.5%	6M LIBOR	(20,125)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 19 2008	Jan 15 2009	Jan 15 2013	(100,000,000)	6M LIBOR	4.0%	25,194
Grupa LOTOS S.A.	Interest rate swap (IRS)	Oct 7 2008	Jan 15 2009	Jan 15 2013	100,000,000	3.5%	6M LIBOR	(19,787)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Oct 8 2008	Jul 15 2011	Jan 15 2013	100,000,000	4.2%	6M LIBOR	(4,159)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Mar 19 2009	Jul 15 2011	Jan 15 2018	100,000,000	3.3%	6M LIBOR	18,070
Grupa LOTOS S.A.	Interest rate swap (IRS)	Apr 15 2009	Jul 15 2011	Jan 15 2018	50,000,000	3.5%	6M LIBOR	7,914
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 8 2009	Jul 15 2011	Jan 15 2018	50,000,000	4.0%	6M LIBOR	3,589
							<b>TOTAL, including:</b>	<b>(164,953)</b>
							<b>positive</b>	<b>54,767</b>
							<b>negative</b>	<b>(219,720)</b>

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**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

Open interest rate transactions as at December 31st 2008:

Company	Type of transaction	Transaction execution date	Beginning of period	End of period	Nominal value (USD)	Company pays	Company receives	Fair value as at Dec 31 2008 (PLN'000) <sup>5</sup>
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 9 2008	Oct 15 2008	Jun 30 2011	50,000,000	3.4%	6M LIBOR	(5,912)
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 13 2008	Oct 15 2008	Jun 30 2011	50,000,000	3.6%	6M LIBOR	(6,515)
Grupa LOTOS S.A.	Interest rate swap (IRS)	May 16 2008	Oct 15 2008	Jun 30 2011	100,000,000	3.7%	6M LIBOR	(13,494)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Jul 15 2009	Jun 30 2011	122,000,000	4.1%	6M LIBOR	(16,271)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 4 2008	Oct 15 2008	Jun 30 2011	208,000,000	3.8%	6M LIBOR	(30,172)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 26 2008	Jan 15 2009	Jun 30 2011	100,000,000	4.3%	6M LIBOR	(18,803)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Jun 27 2008	Jul 15 2009	Jun 30 2011	150,000,000	4.3%	6M LIBOR	(22,190)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 5 2008	Oct 15 2008	Jan 15 2013	100,000,000	3.8%	6M LIBOR	(20,121)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 16 2008	Jan 15 2009	Jan 15 2013	100,000,000	3.5%	6M LIBOR	(17,678)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Sep 19 2008	Jan 15 2009	Jan 15 2013	(100,000,000)	6M LIBOR	4.0%	22,848
Grupa LOTOS S.A.	Interest rate swap (IRS)	Oct 7 2008	Jan 15 2009	Jan 15 2013	100,000,000	3.5%	6M LIBOR	(17,333)
Grupa LOTOS S.A.	Interest rate swap (IRS)	Oct 8 2008	Jul 15 2011	Jan 15 2013	100,000,000	4.2%	6M LIBOR	(7,044)
							<b>TOTAL, including:</b>	<b>(152,685)</b>
							<b>positive</b>	<b>22,848</b>
							<b>negative</b>	<b>(175,533)</b>

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**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Company	Type of transaction	Transaction execution date	Beginning of period	End of period	Nominal value (USD)	Company pays	Company receives	Fair value as at Dec 31 2008 (PLN'000) <sup>5</sup>
Grupa LOTOS S.A.	Forward rate agreement (FRA)	Oct 7 2008	Jan 15 2009	Jul 15 2009	100,000,000	2.5%	6M LIBOR	(1,733)
							<b>TOTAL</b>	<b>(1,733)</b>

<sup>5)</sup> Fair value of FRAs is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated using the zero-coupon interest rate curve based on 6M or 3M LIBOR, depending on the type of transaction. In 2008, the forward rate was calculated using the zero-coupon interest rate curve based on 3M LIBOR, so the basis swaps between the 3M and the 6M LIBOR reference rate were not accounted for. This is considered Level 2 in the fair value hierarchy.



**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Total interest rate position as at December 31st 2009:

Period	Underlying position	Fixed interest rate loans	Transaction position	Total position	Hedge ratio
2010	(1,782,230,827)	357,329,116	980,000,000	(444,901,710)	75%
2011	(1,820,792,177)	420,654,375	740,000,000	(660,137,802)	64%
2012	(1,388,528,072)	401,678,125	500,000,000	(486,849,947)	65%
2013	(1,302,032,010)	376,656,250	200,000,000	(725,375,760)	44%
2014	(1,201,505,590)	347,575,625	200,000,000	(653,929,965)	46%
2015	(1,083,753,414)	313,511,875	200,000,000	(570,241,539)	47%
2016	(959,279,889)	277,503,750	200,000,000	(481,776,139)	50%
2017	(830,913,122)	240,369,375	200,000,000	(390,543,747)	53%
2018	(690,719,718)	199,813,750	-	(490,905,968)	29%
2019	(533,153,644)	154,232,500	-	(378,921,144)	29%
2020	(374,595,895)	108,364,375	-	(266,231,520)	29%

Total interest rate position as at December 31st 2008:

Period	Underlying position	Fixed interest rate loans	Transaction position	Total position	Hedge ratio
2009	(1,465,046,833)	307,798,312	894,000,000	(263,248,521)	82%
2010	(1,733,870,372)	401,860,932	980,000,000	(352,009,440)	80%
2011	(1,752,351,666)	420,654,375	640,000,000	(691,697,291)	61%
2012	(1,323,175,000)	401,678,125	300,000,000	(621,496,875)	53%
2013	(1,240,750,000)	376,656,250	-	(864,093,750)	30%
2014	(1,144,955,000)	347,575,625	-	(797,379,375)	30%
2015	(1,032,745,000)	313,511,875	-	(719,233,125)	30%
2016	(914,130,000)	277,503,750	-	(636,626,250)	30%
2017	(791,805,000)	240,369,375	-	(551,435,625)	30%
2018	(658,210,000)	199,813,750	-	(458,396,250)	30%
2019	(508,060,000)	154,232,500	-	(353,827,500)	30%
2020	(356,965,000)	108,364,375	-	(248,600,625)	30%

To optimise the interest balance, the cashpooling service for the LOTOS Group members is used. The service consists in the application of favourable interest rates for debit and credit balances, which are subject to offsetting as at the end of each business day.

### Liquidity Risk

The liquidity risk management process at Grupa LOTOS S.A. consists in monitoring the forecast cash flows, matching maturities of assets and liabilities, analysing working capital and maintaining access to various financing sources.

In the period covered by the budget, liquidity is monitored on an ongoing basis across the Group as part of the financial risk management. In the mid and long term, it is monitored as part of the planning process, which helps create a long-term financial strategy.

In the area of financial risk, in addition to an active management of market risk, the Company follows the following rules with respect to liquidity management:

- employs no margins with respect to trade in derivatives on the over-the-counter market,
- limits the possibility of an early termination of financial transactions,
- establishes limits for spot financial instruments of low liquidity,
- establishes credit limits for counterparties in financial transactions,
- ensures adequate quality of the available credit lines,
- implements internal control processes and ensures organisational efficiency, which facilitates prompt reaction in case of emergencies.

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**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Maturity structure of derivative financial instruments as at December 31st 2009:

Beginning of period	End of period	Period	Net cash flows (EUR'000)	Net cash flows (USD'000)	Net cash flows (PLN'000)
Jan 1 2010	Jan 31 2010	Up to 1 month	33,000	(123,874)	159,927
Feb 1 2010	Mar 31 2010	1–3 months	59,200	(38,897)	(121,710)
Apr 1 2010	Dec 31 2010	3–12 months	110,032	(145,458)	(28,696)
Jan 1 2011	Dec 31 2015	1–5 years	(66)	(35,826)	-
Jan 1 2016	Dec 31 2030	Over 5 years	-	4,801	-

Note 18 presents additional free cash remaining at the Company's disposal. Note 20.5 contains information on the contractual maturities of financial liabilities as at December 31st 2009 and December 31st 2008.

### Credit Risk

Management of credit risk relating to counterparties in financial transactions consists in ongoing monitoring of credit exposure in relation to the limits granted. The counterparties must have an appropriate credit rating assigned by leading rating agencies or hold guarantees granted by institutions meeting the minimum rating requirement. The Company enters into financial transactions with well-established firms with good credit standing. As at December 31st 2009, the concentration of credit risk with respect to a single counterparty in financial transactions did not exceed 0.2% of the Company's balance-sheet total.

As regards management of credit risk relating to counterparties in trade transactions, all customers requesting trade credit undergo verification of their financial reliability, whose results determine the level of credit limits to be granted. Furthermore, due to the fact that the Company's receivables are monitored on an ongoing basis, the risk of it holding uncollectible receivables is low.

**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Carrying values of financial assets represent the maximum credit risk exposure. The maximum credit risk exposure as at the balance-sheet date stood at:

PLN '000	Note	Dec 31 2009	Dec 31 2008 (comparable data)
Shares:		6,317	6,317
- non-current portion	13	6,317	6,317
- current portion		-	-
Derivative financial instruments:		101,879	302,250
- non-current portion	13	54,862	22,848
- current portion	17	47,017	279,402
Loans		38,033	-
- non-current portion	20	-	-
- current portion	17, 20	38,033	-
Trade and other receivables	15	1,428,666	1,197,452
Cash and cash equivalents	18	18,220	152,714
		=====	=====
<b>Total</b>		<b>1,593,115</b>	<b>1,658,733</b>
		=====	=====

The age analysis of past due financial assets as at December 31st 2009 and December 31st 2008 is shown in Note 15.

**20.4. Sensitivity Analysis with Respect to Market Risk Related to Fluctuations in FX Rates, Interest Rates, Prices of Carbon Dioxide (CO<sub>2</sub>) Emission Allowances and Prices of Raw Materials and Petroleum Products**

Below is presented an analysis of sensitivity to currency risk as at December 31st 2009, along with the effect of such a risk on the financial performance, assuming a 4% increase or decrease in the USD/PLN and EUR/PLN currency exchange rates and constant levels of all other variables:

Dec 31 2009 (PLN '000)	Note	Carrying value in a foreign currency, translated into PLN as at the balance- sheet date	4% increase in exchange rate, effect on year's result		4% decrease in exchange rate, effect on year's result	
			USD	EUR	USD	EUR
Trade and other receivables	15	34,738	1,379	10	(1,379)	(10)
Financial assets – derivative financial instruments	13,17	101,879	(53,432)	32,158	53,432	(32,158)
Cash and cash equivalents	18	17,849	632	82	(632)	(82)
Trade and other payables	26	(748,948)	(27,225)	(2,733)	27,225	2,733
Loans	24	(4,853,755)	(198,195)	(1)	198,195	1
Financial liabilities – derivative financial instruments	27	(233,193)	14,685	938	(14,685)	(938)
<b>Total</b>		=====	=====	=====	=====	=====
		<b>(5,681,430)</b>	<b>(262,156)</b>	<b>30,454</b>	<b>262,156</b>	<b>(30,454)</b>
		=====	=====	=====	=====	=====

As at December 31st 2009 the Company held futures for the purchase of carbon dioxide (CO<sub>2</sub>) EU emission allowances (EUA), measured at fair value as at the balance-sheet date.

As at December 31st 2009, the financial assets related to positive valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances amounted to PLN 537 thousand.

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**GRUPA LOTOS S.A.**
**Notes to the financial statements for the year ended December 31st 2009**

As at December 31st 2009, the financial liabilities related to negative valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances were PLN 675 thousand.

A change in the price of the carbon dioxide (CO<sub>2</sub>) emission allowances up or down by 10% could potentially lead to a change in the fair value of financial assets and liabilities related to the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances of PLN 107 (107) thousand.

Below is presented an analysis of sensitivity to currency risk as at December 31st 2008, along with the effect of such a risk on the financial performance, assuming a 4% increase or decrease in the USD/PLN and EUR/PLN currency exchange rates and constant levels of all other variables:

Dec 31 2008 (PLN '000)	Note	Carrying value in a foreign currency, translated into PLN as at the balance-sheet date	4% increase in exchange rate, effect on year's result		4% decrease in exchange rate, effect on year's result	
			USD	EUR	USD	EUR
Trade and other receivables	15	71,127	2,645	200	(2,645)	(200)
Financial assets – derivative financial instruments	13, 17	302,250	(53,808)	54,806	53,808	(54,806)
Cash and cash equivalents	18	83,265	2,663	668	(2,663)	(668)
Trade and other payables	26	(616,078)	(18,216)	(6,427)	18,216	6,427
Loans	24	(3,166,579)	(126,413)	(324)	126,413	324
Financial liabilities – derivative financial instruments	27	(212,881)	(18,506)	6,733	18,506	(6,733)
<b>Total</b>		=====	=====	=====	=====	=====
		<b>(3,538,896)</b>	<b>(211,635)</b>	<b>55,656</b>	<b>211,635</b>	<b>(56,656)</b>
		=====	=====	=====	=====	=====

As at December 31st 2008, the Company held futures for the purchase of carbon dioxide (CO<sub>2</sub>) EU emission allowances (EUA), measured at fair value as at the balance-sheet date.

As at December 31st 2008, the financial assets related to positive valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances amounted to PLN 15 thousand.

As at December 31st 2008, the financial liabilities related to negative valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances were PLN 1 thousand.

A change in the price of the carbon dioxide (CO<sub>2</sub>) emission allowances up or down by 10% could potentially lead to a change in the fair value of financial assets and liabilities related to the futures for the purchase of CO<sub>2</sub> emission allowances of PLN 584 (584) thousand.

As at December 31st 2008 the Company held OTC full barrel swaps, measured at fair value as at the balance-sheet date.

As at December 31st 2008, the financial assets related to positive valuation of the full barrel swap amounted to PLN 113,334 thousand.

As at December 31st 2008, the financial liabilities related to negative valuation of the full barrel swap were PLN 7,910 thousand. A change in the values of the indices included in the full barrel swap up or down by 10% could potentially lead to a change in the valuation of the fair value of financial assets and liabilities related to the full barrel swap of PLN 16,655 (16,655) thousand.

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**Notes to the financial statements for the year ended December 31st 2009**

Below is presented an analysis of the Company's sensitivity to interest rate risk as at December 31st 2009, assuming a 0.2% increase or decrease in the interest rate:

Dec 31 2009 PLN '000	Note	Carrying value	Change	
			0.2% increase	0.2% decrease
Loans (advanced)	17	38,033	76	(76)
Cash and cash equivalents	18	18,220	36	(36)
Financial assets – derivative financial instruments <sup>(1)</sup>	13	54,767	4,120	(4,225)
Loans (contracted)	24	(5,134,585)	(10,471)	10,471
Finance lease liabilities	27	(314)	(1)	1
Financial liabilities – derivative financial instruments <sup>(1)</sup>	27	(219,720)	12,426	(12,508)
<b>Total</b>		=====	=====	=====
		<b>(5,243,599)</b>	<b>6,186</b>	<b>(6,373)</b>
		=====	=====	=====

<sup>(1)</sup> Including interest rate swap (IRS).

As at December 31st 2009, the carrying value of financial assets and liabilities (loans advanced, cash and cash equivalents, derivative financial instruments and liabilities under loans, finance leases and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (5,243,599) thousand net.

A change in interest rates up or down by 0.2% could potentially lead to a change in the value of financial assets and liabilities as at December 31st 2009 of PLN 6,186 (6,373) thousand net.

Below is presented an analysis of the Company's sensitivity to interest rate risk as at December 31st 2008, assuming a 0.2% increase or decrease in the interest rate.

Dec 31 2008 PLN '000	Note	Carrying value	Change	
			0.2% increase	0.2% decrease
Loans (advanced)	17	-	-	-
Cash and cash equivalents	18	152,714	305	(305)
Financial assets – derivative financial instruments <sup>(1)</sup>	13	22,848	(2,355)	2,378
Loans (contracted)	24	(3,412,969)	(6,830)	6,830
Finance lease liabilities	27	(502)	(1)	1
Financial liabilities – derivative financial instruments <sup>(1)</sup>	27	(177,266)	18,742	(18,901)
<b>Total</b>		=====	=====	=====
		<b>(3,415,175)</b>	<b>9,861</b>	<b>(9,997)</b>
		=====	=====	=====

<sup>(1)</sup> Including interest rate swap (IRS) and/or forward rate agreements (FRAs).

As at December 31st 2008, the carrying value of financial assets and liabilities (loans advanced, cash and cash equivalents, derivative financial instruments and liabilities under loans, finance lease agreements and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (3,415,175) thousand net.

A change in interest rates up or down by 0.2% could potentially lead to a change in the value of financial assets and liabilities as at December 31st 2008 of PLN 9,861 (9,997) thousand net.

## 20.5. Maturity Structure of Financial Liabilities and Derivative Financial Instruments

Maturity structure of financial liabilities as at December 31st 2009:

PLN '000	Note	Carrying value	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank loans (other than overdraft facilities)	24	4,672,567	4,773,707	18,675	-	1,231,938	690,087	2,833,007
Overdraft facilities	24	462,018	462,018	462,018	-	-	-	-
Finance lease liabilities	27	314	314	-	169	145	-	-
Trade and other payables	26	944,254	944,254	944,254	-	-	-	-
<b>Total</b>		<b>6,079,153</b>	<b>6,180,293</b>	<b>1,424,947</b>	<b>169</b>	<b>1,232,083</b>	<b>690,087</b>	<b>2,833,007</b>

Maturity structure of financial liabilities as at December 31st 2008:

PLN '000	Note	Carrying value	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank loans (other than overdraft facilities)	24	3,125,425	3,127,249	28,758	-	-	1,449,778	1,648,713
Overdraft facilities	24	287,544	287,544	287,544	-	-	-	-
Finance lease liabilities	27	502	502	-	143	359	-	-
Trade and other payables	26	891,921	891,921	891,921	-	-	-	-
<b>Total</b>		<b>4,305,392</b>	<b>4,307,216</b>	<b>1,208,223</b>	<b>143</b>	<b>359</b>	<b>1,449,778</b>	<b>1,648,713</b>

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**Notes to the financial statements for the year ended December 31st 2009**

Maturity structure of derivative financial instruments as at December 31st 2009:

PLN '000	Note	Carrying value*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Futures (CO <sub>2</sub> emissions)	13, 17 20.3, 27	(138)	(138)	-	132	86	(356)	-
Currency forward and spot contracts	17 20.3, 27	33,777	33,777	32,165	1,612	-	-	-
Interest rate swap (IRS)	13, 20.3, 27	(164,953)	(164,953)	-	-	(152,428)	(42,098)	29,573
<b>Total</b>		<b>(131,314)</b>	<b>(131,314)</b>	<b>32,165</b>	<b>1,744</b>	<b>(152,342)</b>	<b>(42,454)</b>	<b>29,573</b>

\*Carrying value (positive valuation of derivative financial instruments less negative valuation of derivative financial instruments) represents the fair value of derivative financial instruments.

Maturity structure of derivative financial instruments as at December 31st 2008:

PLN '000	Note	Carrying value*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Commodity swap	17, 20.3, 27	105,424	105,424	54,550	50,874	-	-	-
Futures (CO <sub>2</sub> emissions)		14	14	(1)	15	-	-	-
Currency forward and spot contracts		134,672	134,672	85,448	49,224	-	-	-
Currency options		3,677	3,677	3,677	-	-	-	-
Forward rate agreements (FRAs)		(1,733)	(1,733)	(1,733)	-	-	-	-
Interest rate swap (IRS)	13, 20.3, 27	(152,685)	(152,685)	-	-	-	(152,685)	-
<b>Total</b>		<b>89,369</b>	<b>89,369</b>	<b>141,941</b>	<b>100,113</b>	<b>-</b>	<b>(152,685)</b>	<b>-</b>

\*Carrying value (positive valuation of derivative financial instruments less negative valuation of derivative financial instruments) represents the fair value of derivative financial instruments.

## 21. Share Capital

The structure of Grupa LOTOS S.A.'s share capital as at December 31st 2008 was as follows:

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

As at December 31st 2008, the share capital comprised 113,700,000 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share conferred the right to one vote at the General Shareholders Meeting and carried the right to dividend.

The table below presents 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 Shareholders Meeting, which took place in the period from January 1st 2009 until the approval date of these financial statements.

The structure of Grupa LOTOS S.A.'s share capital as at December 31st 2009 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%
ING OFE	6,524,479	6,524,479	6,524,479	5.02%
Other shareholders	40,272,491	40,272,491	40,272,491	31.01%
<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.

As at December 31st 2009, the share capital comprised 129,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share conferred the right to one vote at the General Shareholders Meeting and carried the right to dividend.

### 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

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transferred to Grupa LOTOS S.A. non-cash contributions in the form of 2,801,400 shares in Petrobaltic S.A. (currently LOTOS Petrobaltic S.A.), 375,000 shares in LOTOS Czechowice S.A. and 300,000 shares in LOTOS Jasło S.A. The value of the non-cash contributions in the form of 30.32% of Petrobaltic S.A. (currently LOTOS Petrobaltic S.A.) shares, 5% of LOTOS Czechowice S.A. shares and 5% LOTOS Jasło S.A. shares totalled PLN 356,946 thousand. The par value of the Series C shares amounted to PLN 16,173 thousand. The share premium was PLN 340,773 thousand. The costs of issue of Series C shares, including income tax, amounted to PLN (376) thousand.

#### **Transfer of Grupa LOTOS S.A. 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, as at December 31st 2009 the State Treasury held shares representing 63.97% of Grupa LOTOS S.A.'s share capital.

#### **Change in the Number of Grupa LOTOS S.A. Shares Held by ING Otwarty Fundusz Emerytalny**

As a result of acquisition of Grupa LOTOS S.A. shares in transactions on the Warsaw Stock Exchange, settled on November 19th 2009, ING Otwarty Fundusz Emerytalny ("the Fund") came to hold Company shares in a number conferring the right to more than 5% of the total vote at the Company's General Shareholders Meeting.

Prior to the acquisition, the Fund held 6,464,479 shares in Grupa LOTOS S.A., representing 4.98% of the Company's share capital, and was entitled to 6,464,479 votes, or 4.98% of the total vote, at the Company's General Shareholders Meeting.

Following the acquisition, the Fund holds 6,524,479 shares in Grupa LOTOS S.A., representing 5.02% of the Company's share capital and conferring the rights to 6,524,479 votes, or 5.02% of the total vote, at the Company's General Shareholders Meeting.

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

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

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

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

According to the information received by the Company, the State Treasury is not currently aware of any Grupa Lotos S.A. shares being held by its subsidiaries.

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

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

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

## GRUPA LOTOS S.A.

### Notes to the financial statements for the year ended December 31st 2009

55,635,609 ordinary bearer shares in Grupa LOTOS S.A. (code No. PLLOTOS00025). The assimilated shares were assigned code No. PLLOTOS00025.

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

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

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

As of April 12th 2010, 113,630,889 shares in Grupa LOTOS S.A. have been marked with code No. PLLOTOS00025, and 69,111 shares in Grupa LOTOS S.A. have been marked with code No. PLLOTOS00033.

As at the date of approval of these financial statements, 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>(1,2)</sup>
State Treasury	69,076,392	69,076,392	69,076,392	53.19%
ING OFE	6,524,479	6,524,479	6,524,479	5.02%
Other shareholders	54,272,491	54,272,491	54,272,491	41.79%
<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,

<sup>(2)</sup> Percentage of share capital as at January 22nd 2010. By the date of release of these financial statements, the Company had not received any information on any changes with respect to its shareholders holding 5% or more of the total vote at the General Shareholders Meeting.

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.

## 22. 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 675,704 thousand, is to be covered using the Company's statutory reserve funds.

As at the date of publication of these financial statements, the Management Board of the Company has not yet adopted a resolution on distribution of the profit for 2009.

### 23. Earnings/(Loss) per Share

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

	<b>Year ended Dec 31 2009</b>	<b>Year ended Dec 31 2008</b>
Net profit/(loss) from continuing operations (PLN '000) (A)	591,327	(675,704)
Weighted average number of shares (in thousands) (B) <sup>(1)</sup>	121,144 =====	121,144 =====
Earnings/(loss) per share (PLN) (A/B)	4.88 =====	(5.58) =====

<sup>(1)</sup> Earnings per share were computed on the basis of the weighted average number of shares in the period January 1st – December 31st 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 21). The loss per share for the year ended December 31st 2008 was calculated taking into account the new issue of Series C shares of 2009.

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

### 24. Interest-Bearing Loans

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
Bank loans	5,134,585 =====	3,412,969 =====
<b>Total</b>	<b>5,134,585</b> =====	<b>3,412,969</b> =====
Non-current portion	4,662,659	3,098,491
Current portion	471,926	314,478

**Loans by Lender**

PLN '000	<u>Dec 31 2009</u>	<u>Dec 31 2008</u>
<b>Non-current portion</b>		
Bank consortium (1)*	1,139,513	1,184,720
Bank consortium (2)**	2,750,485	1,434,195
Bank consortium (3)***	772,661	479,576
	-----	-----
<b>Total non-current portion</b>	<b>4,662,659</b>	<b>3,098,491</b>
<b>Current portion</b>		
Pekao S.A.	2,263	-
ING Bank Śląski S.A.	-	82
PKO BP S.A.	-	215
Bank consortium (1)*	1,670	11,557
Bank consortium (2)**	6,477	11,629
Bank consortium (3)***	1,760	3,748
Bank consortium (4)****	459,756	287,247
	-----	-----
<b>Total current portion</b>	<b>471,926</b>	<b>314,478</b>
	=====	=====
<b>Total</b>	<b>5,134,585</b>	<b>3,412,969</b>
	=====	=====

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

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

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

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

As at December 31st 2009, the average effective interest rate for the loans was approx. 3.06% (2.99% as at December 31st 2008).

**Execution of a Loan Agreement between Grupa LOTOS S.A. and a Bank Consortium and Execution of Pledge Agreements to Secure the Loan Agreement (Bank Consortium (1))**

On December 20th 2007, Grupa LOTOS S.A. and a consortium of four banks, comprising Bank Polska Kasa Opieki S.A. of Warsaw, PKO BP S.A. of Warsaw, BRE BANK S.A. of Warsaw and RABOBANK Polska S.A. of Warsaw, executed a loan agreement.

The agreement provides for a four-year revolving loan for a total amount of USD 400,000 thousand (PLN 1,004,600 thousand, translated at the mid-exchange rates quoted by the National Bank of Poland for December 19th 2007), for refinancing and financing the inventories of Grupa LOTOS S.A. The agreement was the first element of the financing strategy for the operations of Grupa LOTOS S.A. in the coming years, related to the execution of the 10+ Programme. The lending term under the agreement may be extended by the parties by one year. The basic security for the loan is an agreement on registered pledge over Grupa LOTOS S.A.'s inventories (along with the assignment of rights under agreements on storage of inventories and under insurance contracts) and agreement on pledge over cash receivables under an agreement for keeping bank accounts of Grupa LOTOS S.A. concluded in relation to the loan agreement (together with power of attorney to these accounts). The other provisions of the agreement, including those pertaining to contractual penalties, do not differ from provisions commonly applied in agreements of such type.

On December 20th 2007, Grupa LOTOS S.A. entered into two registered pledge agreements in order to secure liabilities incurred by Grupa LOTOS S.A. Pursuant to the agreements, the registered pledge created for the benefit of the lenders covers the inventories of Grupa LOTOS S.A. and cash receivables under an agreement for keeping Grupa LOTOS S.A.'s bank accounts related to the loan agreement.

As at December 31st 2009, the Company's liability under the aforementioned loan agreement totalled USD 400m.

**Execution of the Common Terms Agreement and the Related Security Agreements between Grupa LOTOS S.A. and a Group of Financial Institutions (Bank Consortia (2), (3), (4))**

On June 27th 2008, Grupa LOTOS S.A. and the following institutions: Banco Bilbao Vizcaya Argentaria S.A., Banco Bilbao Vizcaya Argentaria S.A., London Branch, Banco Bilbao Vizcaya Argentaria S.A., Milan Branch, Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., BNP Paribas S.A., Caja de Ahorros y Monte de Piedad de Madrid, Caja de Ahorros y Monte de Piedad de Madrid, Zweigniederlassung Wien, Calyon, DnB Nor Bank ASA, Fortis Bank S.A./N.V., Fortis Bank S.A./N.V., - Succursale in Italia, ING Bank N.V. / ING Bank Śląski S.A., KBC Bank N.V., Dublin Branch / Kredyt Bank S.A, Nordea Bank Finland Plc, Nordea Bank Polska S.A. / Nordea Bank AB (Publ), Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Rabobank Polska S.A. / Bank Gospodarki Żywnościowej S.A., SACE S.p.A. - Servizi Assicurativi del Commercio Estero, Société Générale S.A. (the Polish branch), Société Générale S.A., Sumitomo Mitsui Banking Corporation Europe Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and The Royal Bank of Scotland Plc, executed a credit facility agreement to finance the implementation of the 10+ Programme and the working capital of Grupa LOTOS S.A. Bank Calyon was appointed the Senior Facility Agent, while Société Générale S.A. (the Polish branch) was assigned the role of the Senior Security Agent.

Concurrently, Grupa LOTOS S.A. executed a sub-agreement under the credit facility agreement, concerning a credit facility tranche guaranteed by SACE S.p.A. - Servizi Assicurativi del Commercio Estero, to which the following are parties: BNP Paribas S.A., Fortis Bank S.A./N.V., - Succursale in Italia, Banco Bilbao Vizcaya Argentaria S.A., Milan and SACE S.p.A. - Servizi Assicurativi del Commercio Estero.

The credit facility agreement along with the loan agreement for refinancing and financing of the inventories of Grupa LOTOS S.A. of December 20th 2007, described above, secure funds sufficient to meet the Company's total requirement for external financing.

The agreement concerns a long-term credit facility for the total amount of USD 1,750,000 thousand (PLN 3,739,050 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008), comprising an term loan facility of USD 975,000 thousand (PLN 2,083,185 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008) (Bank Consortium (2)), a redrawable working capital loan facility of USD 200,000 thousand (PLN 427,320 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008) (Bank Consortium (4)), an investment loan of USD 425,000 thousand guaranteed by SACE S.p.A. - Servizi Assicurativi del Commercio Estero (PLN 908,055 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008) (Bank Consortium (3)) and a contingent term loan facility of USD 150,000 thousand (PLN 320,490 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008) (Bank Consortium (2)). The long-term credit facility must be repaid not later than 12.5 years after the first interest payment date. The other terms and conditions of the credit facility agreement, including those pertaining to the security, do not differ from the standard terms and conditions used in agreements of such type.

The credit facility is secured principally with:

1) a mortgage with the highest ranking over Grupa LOTOS S.A.'s ownership title or perpetual usufruct right to the real property required for the conduct of operations by the existing and expanded Gdańsk refinery;

2) agreement creating a registered pledge over sets of existing and future (acquired over the period of implementation of the 10+ Programme) movables, owned by Grupa LOTOS S.A. and forming a part of or closely related with the Gdańsk refinery or financed under the aforementioned credit facility, used in production, storage and distribution of petroleum products and crude oil, along with the infrastructure and necessary auxiliary equipment, and in particular on the movables comprising the basic production installations, auxiliary production installations, equipment used to blend products, loading facilities, transport pipelines, storage tanks, CHP plants, wastewater treatment plants, water intakes, and water, electricity, process steam and compressed air systems;

3) agreement creating financial and registered pledges over Grupa LOTOS S.A.'s claims under bank account agreements executed in connection with the financing of the 10+ Programme (the agreement creating the pledges does not cover claims under other bank account agreements concluded by Grupa LOTOS S.A.);

4) agreements for the assignment of the rights and debt claims of Grupa LOTOS S.A. arising under the agreements related to the implementation of the 10+ Programme, the agreements for the management of the 10+ Programme, hedging agreements, license agreements, insurance documents (related to the Gdańsk refinery and the 10+ Programme) as well as under sales contracts concluded by Grupa LOTOS S.A. with its subsidiaries, if the contracts' annual value exceeds PLN 10,000 thousand.

The documents constituting the security for the benefit of Société Générale S.A., the Polish branch (the Senior Security Agent), were executed concurrently with the credit facility agreement.

There are no links between Grupa LOTOS S.A. or its management staff and the banks for the benefit of which the pledges have been created or their management staff.

The value of the assets of Grupa LOTOS S.A. which have been encumbered with the pledges and the mortgage specified above does not exceed PLN 2,195,551 thousand, based on the book value as at May 31st 2008 and the maximum amount to be secured with the pledges and the mortgage specified above is USD 2,625,000 thousand (PLN 5,608,575 thousand at the mid-exchange rate quoted by the National Bank of Poland for June 27th 2008).

On July 3rd 2008, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (operating under the name of Rabobank Nederlands) acceded to the agreement between Grupa LOTOS S.A. and a group of financial institutions and to the credit facility agreement to finance the implementation of the 10+ Programme and the working capital of Grupa LOTOS S.A. and the related security agreements.

On September 1st 2008, Bank DnB NORD Polska S.A. acceded to the credit facility agreement.

On September 5th 2008, the competent District Court entered into the register of pledges a registered pledge over Grupa LOTOS S.A.'s assets (i.e. over sets of existing and future – acquired over the period of implementation of the 10+ Programme – movables, owned by Grupa LOTOS S.A. and forming a part of or closely related with the Gdańsk refinery or financed under the credit facility agreement providing for the financing of the 10+ Programme, used in production, storage and distribution of petroleum products and crude oil, along with the infrastructure and necessary auxiliary equipment, and in particular on the movables comprising the basic production installations, auxiliary production installations, equipment used to blend products, loading facilities, transport pipelines, storage tanks, CHP plants, wastewater treatment plants, water intakes, and water, electricity, process steam and compressed air systems).

On November 25th 2008, a contractual blanket security (deposit) mortgage (*umowna łączna hipoteka kaucyjna*) over Grupa LOTOS S.A.'s ownership title or perpetual usufruct right to the real property required for the conduct of operations by the existing and expanded Gdańsk refinery, was registered in the Grupa LOTOS S.A.'s Land and Mortgage Register entry.

As at December 31st 2009, the Company had drawn under the term loan facility USD 1,268,257 thousand (in nominal terms) (the equivalent of PLN 3,614,913 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for December 31st 2009). The amount does not include letters of credit, as all of them expired (see Note 36 to these financial statements, items 2, 3, 4 and 6). The working capital loan was made available to Grupa LOTOS S.A. in the form of overdraft facilities which are used by the Company on an as-needed basis. By the date of these financial statements, funds drawn under the facility were used by Grupa LOTOS S.A. according to its needs.

**Bank Loans as at December 31st 2009, by Currency and by Maturity**

PLN '000	EUR loans and borrowings	USD loans and borrowings	PLN loans and borrowings	Total
2010	26	191,070	280,830	471,926
2011	-	1,222,231	-	1,222,231
2012	-	193,696	-	193,696
2013	-	196,949	-	196,949
2014	-	272,139	-	272,139
beyond 2014	-	2,777,644	-	2,777,644
	=====	=====	=====	=====
<b>Total</b>	<b>26</b>	<b>4,853,729</b>	<b>280,830</b>	<b>5,134,585</b>
	=====	=====	=====	=====

The above table presents loans by maturity date.



**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Loans as at December 31st 2009:

Bank name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	Current portion	Non-current portion		
Pekao S.A.	Warsaw	100,000	-	2,263	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank Consortium (1)	-	-	USD 400,000	1,670	USD 549	1,139,513	USD 399,751	Mar 15 2010	Dec 20 2011	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, submission to enforcement
Bank Consortium (2)	-	-	USD 1,125,000	6,477	USD 2,016	2,750,485	USD 962,395	Mar 15 2010	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement
Bank Consortium (3)	-	-	USD 425,000	1,760	USD 680	772,661	USD 271,852	Mar 15 2010	Jan 15 2021	fixed interest rate	
Bank Consortium (4)	-	USD 200,000 or equivalent		278,567	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				26	EUR 6	-	-			3M EURIBOR + bank's margin	
				181,163	USD 63,559	-	-			3M LIBOR USD + bank's margin	
		<b>Total</b>		<b>280,830</b>	-	-	-				
				<b>191,070</b>	<b>USD 66,804</b>	<b>4,662,659</b>	<b>USD 1,633,998</b>				
				<b>26</b>	<b>EUR 6</b>	-	-				
				<b>471,926</b>	-	<b>4,662,659</b>	-				

The banks' margins on the contracted loans are in the range of 0.65pp – 1.80pp.

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



**GRUPA LOTOS S.A.**  
**Notes to the financial statements for the year ended December 31st 2009**

Loans as at December 31st 2008:

Bank name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion)		Outstanding loan amount (non-current portion)		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	PLN (in '000)	Foreign currency (in '000)	Current portion	Non-current portion		
PKO BP S.A.	Warsaw	133,941	-	215	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
ING Bank Śląski S.A.	Warsaw	USD 40,000 or equivalent		82	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	submission to enforcement
Bank Consortium (1)	-	-	USD 400,000	11,557	USD 3,768	1,184,720	USD 400,000	Mar 15 2009	Dec 20 2011	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, submission to enforcement
Bank Consortium (2)	-	-	USD 1,125,000	11,629	USD 3,926	1,434,195	USD 484,231	Mar 15 2009	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement
Bank Consortium (3)	-	-	USD 425,000	3,748	USD 1,266	479,576	USD 161,920	Mar 15 2009	Jan 15 2021	fixed interest rate	
Bank Consortium (4)	-	USD 200,000 or equivalent	246,093	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin		
			8,096	USD 1,940	-	-			3M EURIBOR + bank's margin		
			33,058	USD 11,161	-	-			3M LIBOR USD + bank's margin		
			<b>246,390</b>	-	-	-					
<b>Total</b>			<b>59,992</b>	<b>USD 20,121</b>	<b>3,098,491</b>	<b>USD 1,046,151</b>					
			<b>8,096</b>	<b>EUR 1,940</b>	-	-					
			<b>314,478</b>	-	<b>3,098,491</b>	-					

The banks' margins on the contracted loans are in the range of 0.13pp – 1.35pp.

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

## 25. Provisions

PLN '000	Dec 31 2009	Dec 31 2008
<b>Non-current provisions</b>		
Length-of-service awards and retirement severance pays	28,820	27,612
Other provisions	-	1,053
	=====	=====
<b>Total non-current provisions</b>	<b>28,820</b>	<b>28,665</b>
	=====	=====
<b>Current provisions</b>		
Length-of-service awards and retirement severance pays	4,348	3,666
Other provisions <sup>(1)</sup>	3,364	37,951
	=====	=====
<b>Total current provisions</b>	<b>7,712</b>	<b>41,617</b>
	=====	=====
<b>Total</b>	<b>36,532</b>	<b>70,282</b>
	=====	=====

<sup>(1)</sup> Grupa LOTOS S.A. and Rafineria Nafty Glimar S.A. signed loan agreements in the aggregate amount of PLN 90m, providing for the financing of Rafineria Nafty Glimar S.A.'s operating and investing activities, including in particular, the Glimar Hydrocomplex investment project. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under the agreements. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. As at December 31st 2009 and December 31st 2008, the assets under the advanced loans were fully covered by a recognised impairment charge. As at December 31st 2008, Grupa LOTOS S.A. carried a provision for other liabilities under these agreements in the amount of PLN 15,853 thousand, which was released in the year ended on December 31st 2009.

Computation of the provisions for employee benefits was based on the following assumptions:

- the long-term annual growth rate of remuneration is 5% (December 31st 2008: the long-term annual growth rate of remuneration of 5%),
- the discount rate for future payments of employee benefits is 6.2%(i.e. it equals the return on the safest long-term securities traded on the Polish capital market as at the valuation date) (December 31st 2008: 5.5%),
- the probability of employee attrition is based on the historical data on employee turnover at the Company and statistical data on employee attrition in the industry,
- the adopted mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2008, published by the Polish Central Statistics Office (GUS) and assume that the Company's employee population is representative of the average Polish population in terms of mortality (December 31st 2008: Life Expectancy Tables of Poland for 2007),
- it is assumed that the Group employees will retire according to the standard system, i.e. men – after reaching the age of 65, women – after reaching the age of 60, except for those employees who, based on the information provided by the Company, meet the conditions for early retirement.

**Change in provisions**

PLN '000	Length-of-service awards and retirement severance pays	Other provisions	Total
<b>As at Jan 1 2008</b>	<b>21,825</b> =====	<b>36,870</b> =====	<b>58,695</b> =====
Increase	9,453	2,500 <sup>(1)</sup>	11,953
Release	-	-	-
Use	-	(366)	(366)
<b>As at Dec 31 2008</b>	<b>31,278</b> =====	<b>39,004</b> =====	<b>70,282</b> =====
<b>As at Jan 1 2009</b>	<b>31,278</b> =====	<b>39,004</b> =====	<b>70,282</b> =====
Increase	2,017	642	2,659
Release	(127)	(22,063) <sup>(2)</sup>	(22,190)
Use	-	(14,219) <sup>(2)</sup>	(14,219)
<b>As at Dec 31 2009</b>	<b>33,168</b> =====	<b>3,364</b> =====	<b>36,532</b> =====

<sup>(1)</sup> On June 30th 2008, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the 2007 net profit. Under the resolution, a portion of the Company's net profit, in the amount of PLN 2,500 thousand, was transferred to the special account designated for financing corporate social responsibility (CSR) projects. The Company created a provision for the special account and charged it against other operating expenses (see Note 32). In the year ended December 31st 2009, the Company had used funds in the amount of PLN 671 thousand (in 2008: PLN 366 thousand).

<sup>(2)</sup> By December 31st 2009, the Company released business risk provisions for the total amount of PLN 22,063 thousand, including a provision for other liabilities under agreements with Rafineria Nafty GLIMAR S.A. in the amount of PLN 15,853 thousand. The released amounts were recognised under other operating income and finance income.

## 26. Trade Payables, Accruals and Deferred Income and Other Liabilities

PLN '000	Dec 31 2009	Dec 31 2008
Trade payables, including:	821,871	574,182
- to related undertakings	68,016	42,614
Public charges other than corporate income tax <sup>(1)</sup>	625,623	477,149
Special accounts	197	197
Salaries and wages payable	4,335	2,261
Accruals and deferred income	17,628	5,940
Deferred income under subsidies	25,276	19,368
Investment liabilities, including:	101,888	296,714
- to related undertakings	18,122	13,639
Other liabilities, including:	16,160	18,764
- to related undertakings	284	250
	=====	=====
<b>Total</b>	<b>1,612,978</b>	<b>1,394,575</b>
	=====	=====

<sup>(1)</sup> The value of public charges other than corporate income tax as at December 31st 2009 was presented net of fuel charge of PLN 22,644 thousand (as at December 31st 2008: PLN 20,087 thousand) incurred by the Company in relation to imported diesel oil and fuel sales. The Company applied to the relevant customs office for reimbursement of fuel charge which was wrongly paid on fuel sales in 2009 in the amount of PLN 2,556 thousand, and that amount was reimbursed to the Company in 2010. Furthermore, the Company applied for reimbursement of fuel charge incurred on imports of diesel oil in the amount of PLN 22,012 thousand, which in the Company's opinion is recoverable.

Transactions with related undertakings are described in Note 42.

Trade payables do not bear interest and are, as a rule, settled on a 14–45 day basis. Other liabilities do not bear interest, and their average payment period is one month. The amount resulting from the difference between VAT receivable and VAT payable is paid to the relevant tax authorities on a monthly basis. Interest payable is usually settled on a monthly basis during a financial year.

As at December 31st 2009, Grupa LOTOS S.A.'s excise duty liabilities arise under Art. 8.1 of the Excise Duty Act of December 6th 2008 (Dz.U. of 2009, No. 3, item 11, as amended), which provides that excise duty is levied in connection with the following:

- 1) production of excise goods,
- 2) receipt of excise goods into a tax warehouse,
- 3) importation of excise goods,
- 4) intra-Community acquisition of excise goods, other than intra-Community acquisition of excise goods into a tax warehouse,
- 5) release from a tax warehouse of excise goods not owned by the authorised warehousekeeper otherwise than under a duty suspension arrangement, except for excise goods which are subject to an excise duty exemption due to their intended use, by an entity that obtained a relevant release authorisation from the competent head of customs office.

Pursuant to Art. 8.3 of the Excise Duty Act of December 6th 2008, losses of excise goods are also subject to excise duty, in the Company's case up to the limit determined by the Head of the Customs Office of Gdańsk under Art. 85.1.1 of the Excise Duty Act.

Grupa LOTOS S.A.'s excise duty liabilities as at December 31st 2009 arise also in connected with Art. 45.1 of the Excise Duty Act of December 6th 2008, which stipulates that in the case of excise goods covered by a duty suspension arrangement, the obligation to pay excise duty arises on their release from the duty suspension arrangement, unless the Excise Duty Act provides otherwise.

Pursuant to the relevant authorisations issued by the Head of the Customs Office of Gdańsk, in connection with Art. 47 and Art. 48 of the Excise Duty Act of December 6th 2008, the Company operates the following tax warehouses:

- 1) in Gdańsk – the refinery site,
- 2) in Czechowice-Dziedzice – the site of the fuel terminal and the fuel blending plant (using biocomponents),
- 3) in Jasło – the site of the fuel terminal.

Business activity within the tax warehouses in the area of production, storage and distribution is conducted under a duty suspension arrangement.

Pursuant to the authorisation issued by the Head of the Customs Office of Gdańsk, in connection with Art. 57 of the Excise Duty Act of December 6th 2008, the Company operates as a registered consignee (within the meaning of the Excise Duty Act), using for this purpose a registered consignee's excise goods acceptance point in Kołbaskowo. The business activity conducted on the premises of the registered consignee's excise goods acceptance point consists in intra-Community acquisitions of excise goods moving under a duty suspension arrangement.

On the basis of release authorisations issued by the Head of the Customs Office of Gdańsk in connection with Art. 54 of the Excise Duty Act, the Company may release its own excise goods stored in third party tax warehouses otherwise than under a duty suspension arrangement.

## 27. Other Financial Liabilities

PLN '000	Dec 31 2009	Dec 31 2008 (comparable data)
Negative valuation of derivative financial instruments:	233,193	212,881
- commodity swaps (raw materials and petroleum products)	-	7,910
- futures (CO <sub>2</sub> emissions)	675	1
- currency forward and spot contracts	12,798	25,313
- currency options	-	2,391
- forward rate agreements (FRAs)	-	1,733
- interest rate swap (IRS)	219,720	175,533
Lease liabilities	314	502
	=====	=====
<b>Total</b>	<b>233,507</b>	<b>213,383</b>
	=====	=====
Non-current liabilities	220,230	175,892
Current liabilities	13,277	37,491

As at December 31st 2009, negative valuation of financial instruments related to mandatory hedging agreements over which an assignment was created as security for the credit facility referred to in Note 24 amounted to PLN 159,689 thousand (December 31st 2008: PLN 131,143 thousand).

**Finance lease liabilities**

PLN '000	Minimum lease payments		Present value of minimum lease payments	
	Dec 31 2009	Dec 31 2008	Dec 31 2009	Dec 31 2008
Up to 1 year	199	265	169	143
1 year to 5 years	173	383	145	359
More than 5 years	-	-	-	-
	=====	=====	=====	=====
<b>Total</b>	<b>372</b>	<b>648</b>	<b>314</b>	<b>502</b>
	=====	=====	=====	=====
Less future financial charges	(58)	(146)	-	-
	=====	=====	=====	=====
Present value of minimum lease payments	<b>314</b>	<b>502</b>	<b>314</b>	<b>502</b>
	=====	=====	=====	=====
Non-current portion			145	359
Current portion			169	143

**28. Assets for Social Purposes and Liabilities of the Company's Social Benefits Fund**

The Company offsets the Social Benefits Fund's assets against its liabilities towards the Fund, because the Fund's assets are not fully controlled by the Company.

The table below sets forth the Fund's assets and liabilities.

PLN '000	Dec 31 2009	Dec 31 2008
<b>Assets related to the Company's Social Benefits Fund</b>		
Cash in separate bank account of the Company's Social Benefits Fund	725	755
Receivables from employees under the Company's Social Benefits Fund	1,750	2,071
	=====	=====
<b>Total</b>	<b>2,475</b>	<b>2,826</b>
	=====	=====
<b>Liabilities related to the Company's Social Benefits Fund</b>		
Liabilities under the Company's Social Benefits Fund	2,475	2,826
	=====	=====
<b>Total</b>	<b>2,475</b>	<b>2,826</b>
	=====	=====

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

## 29. Sales Revenue

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Sales of products	17,417,169	19,982,108
Sales of services	82,637	91,886
	-----	-----
Total sales of products	17,499,806	20,073,994
	=====	=====
Sales of goods for resale	2,117,430	753,642
Sales of materials	4,328	106,247
	-----	-----
Total sales of goods for resale and materials	2,121,758	859,889
	=====	=====
<b>Total</b>	<b>19,621,564</b>	<b>20,933,883</b>
	-----	-----
- including sales to related undertakings	11,942,115	11,426,901
	-----	-----
Elimination of excise duty and fuel charge	(6,924,652)	(6,035,230)
	-----	-----
<b>Total</b>	<b>12,696,912</b>	<b>14,898,653</b>
	=====	=====

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Domestic sales of products	16,071,424	17,208,675
Export sales of products	1,428,382	2,865,319
	-----	-----
Total sales of products	17,499,806	20,073,994
	=====	=====
Domestic sales of goods for resale and materials	2,097,194	853,000
Export sales of goods for resale and materials	24,564	6,889
	-----	-----
Total sales of goods for resale and materials	2,121,758	859,889
	=====	=====
<b>Total</b>	<b>19,621,564</b>	<b>20,933,883</b>
	-----	-----
- including to related undertakings	11,942,115	11,426,901
	-----	-----
Elimination of excise duty and fuel charge	(6,924,652)	(6,035,230)
	-----	-----
<b>Total</b>	<b>12,696,912</b>	<b>14,898,653</b>
	=====	=====

Transactions with related undertakings are presented in Note 42.

### 30. Costs by Type

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Depreciation and amortisation	139,215	183,685
Raw materials and energy used	10,758,371	13,535,437
Contracted services	668,755	624,322
Taxes and charges	55,853	50,630
Salaries and wages	119,605	105,563
Social security and other benefits	31,326	28,556
Other costs by type	42,016	52,176
Goods for resale and materials sold	1,283,199	686,554
	=====	=====
<b>Total</b>	<b>13,098,340</b>	<b>15,266,923</b>
Adjustments:		
Change in products and adjustments in cost of sales	(407,429)	197,982
	=====	=====
<b>Total operating expenses:</b>	<b>12,690,911</b>	<b>15,464,905</b>
	=====	=====
Cost of sales	12,116,519	14,867,282
Selling costs	359,470	376,811
General and administrative expenses	214,922	220,812

### 31. Other Operating Income

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Gain on disposal of non-current non-financial assets	11,796	-
Provisions released	20,790 <sup>(1)</sup>	-
Reversal of impairment losses on receivables	216	515
Compensations/damages received	3,483	1,849
Other	2,396	4,216
	=====	=====
<b>Total</b>	<b>38,681</b>	<b>6,580</b>
	=====	=====

<sup>(1)</sup> Including the provisions referred to in Note 25.



### 32. Other Operating Expenses

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Loss on disposal non-current non-financial assets	-	7,706
Revaluation of non-financial assets:	42,826	16
- receivables	9,238	16
- tangible assets under construction	33,588	-
Other provisions	-	2,500 <sup>(1)</sup>
Other	1,748	3,562
	=====	=====
<b>Total</b>	<b>44,574</b>	<b>13,784</b>
	=====	=====

<sup>(1)</sup> Including the provisions referred to in Note 25.

### 33. Finance Income

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Dividend received:	145,784	130,333
- from related undertakings	145,784	129,270
- from other undertakings	-	1,063
Interest	6,398	3,373
Foreign exchange gains:	578,730	-
- on foreign-currency denominated loans	366,119	-
- realised foreign exchange differences on foreign-currency transactions in bank accounts	209,867	-
- other foreign exchange differences	2,744	-
Gains on disposal of investments	-	492
Settlement of derivative financial instruments	219,085	-
Other	-	14
	=====	=====
<b>Total</b>	<b>949,997</b>	<b>134,212</b>
	=====	=====

### 34. Finance Expenses

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Interest	127,114	61,497
Foreign exchange losses:	-	139,490
- on foreign-currency denominated loans	-	334,308
- realised foreign exchange differences on foreign-currency transactions in bank accounts	-	(216,129)
- other foreign exchange differences	-	21,311
Loss on disposal of investments	151	-
Revaluation of financial assets:	223,409	22,933
- financial derivatives	217,007	6,649
- other <sup>(1)</sup>	6,402	16,284
Settlement of derivative financial instruments	-	234,999
Other	11,903	2,628
Amounts recognised in costs of assets which qualify for capitalisation	(114,343)	(44,631)
	=====	=====
<b>Total</b>	<b>248,234</b>	<b>416,916</b>
	=====	=====

<sup>(1)</sup> Including revaluation of assets invested in subsidiary undertaking LOTOS Gaz S.A. (see Note 13 to these financial statements).

### 35. Corporate Income Tax

The main components of the Company's tax expense for the year ended December 31st 2009 and for the year ended December 31st 2008 are as follows:

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Corporate income tax	21,355	202
Deferred tax	89,189	(180,658)
	=====	=====
<b>Total tax</b>	<b>110,544</b>	<b>(180,456)</b>
	=====	=====
Tax expense recognised in the statement of comprehensive income	110,544	(180,456)
Tax expense recognised in the statement of changes in equity	-	-

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

The difference between the tax amount disclosed in the statement of comprehensive income and the amount calculated by applying the tax rate to pre-tax profit results from the following items:

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Profit from continuing operations	701,871	(856,160)
	=====	=====
Income tax expense at the rate of 19%	133,355	(162,670)
Tax effect of revenue/income not classified as revenue/income under tax regulations	(126,220)	(54,269)
Tax effect of expenses which are non-deductible under tax regulations	86,947	93,730
Tax effect of tax losses deducted in period	(62,343)	-
Tax effect of tax losses incurred in period	-	122,077
Other	(10,472)	1,132
	=====	=====
<b>Total</b>	<b>21,267</b>	<b>-</b>
Income tax disclosed in the statement of changes in equity	88	-
Tax on dividends	-	202
	=====	=====
Income tax expense disclosed in the statement of comprehensive income	21,355	202
	=====	=====

**Corporate income tax receivable and payable**

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
<b>Corporate income tax receivable</b>	<b>71,622</b>	<b>177,252</b>
Expected tax refund <sup>(1)</sup>	71,622	177,252
<b>Corporate income tax payable</b>	<b>-</b>	<b>-</b>
Income tax expected to be paid	-	-

<sup>(1)</sup> Following set-off of corporate income tax receivable against VAT payable in 2009 and 2010.

As at December 31st 2009 and December 31st 2008, the net deferred tax assets (liabilities) comprised the following items:

PLN '000	<b>Dec 31 2009</b>	<b>Dec 31 2008</b>
<b>Deferred tax assets:</b>		
Provision for employee benefits	6,643	6,793
Impairment losses on inventories	980	43,011
Difference between present tax and accounting value of property, plant and equipment and intangible assets	1,930	1,493
Impairment losses on receivables	10,268	8,872
Impairment losses on property, plant and equipment	10,971	4,580
Negative valuation of derivatives	41,875	29,339
Accrued tax loss carry-forward	62,343	124,511
Other	8,947	12,087
	-----	-----
<b>Total deferred tax assets</b>	<b>143,957</b>	<b>230,686</b>
<b>Deferred tax liabilities:</b>		
Difference between present tax and accounting value of property, plant and equipment and intangible assets	142,054	140,857
Positive valuation of derivatives	10,508	20,635
Capitalised borrowing costs	16,918	10,690
Other	5,351	277
	-----	-----
<b>Total deferred tax liabilities</b>	<b>174,831</b>	<b>172,459</b>
	=====	=====
<b>Net deferred tax assets/(liabilities)</b>	<b>(30,874)</b>	<b>58,227</b>
	=====	=====

As at December 31st 2009, asset related to accrued tax loss carry-forward in the amount of PLN 88 thousand was recognised in the statement of changes in equity.

### **36. Contingent Liabilities**

#### ***Surety Agreement of February 9th 2004 Concluded with the National Fund for Environmental Protection and Water Management***

Under the agreement, the Company issued an irrevocable surety to repay the loan contracted by LOTOS Jasło S.A. (formerly Rafineria Jasło S.A.) from the National Fund for Environmental Protection and Water Management under a loan agreement of December 10th 2003. The surety covers the loan amount of up to PLN 15,000 thousand. In connection with the surety agreement, on February 6th 2004 LOTOS Jasło S.A. and the Company signed an agreement on securing the Company's interest with respect to the surety.

As at the date of these financial statements, the security for the loan, subject to Annex of October 20th 2005, is a registered pledge created under the registered pledge agreement of February 18th 2004 on plastics processing units owned by LOTOS Jasło S.A.

Irrespectively of the above, the agreement states that LOTOS Jasło S.A. will seek to obtain a bank guarantee or surety to replace the surety issued by the Company. If LOTOS Jasło S.A. is in breach of the agreement, it will pay the Company a contractual penalty of 10% of the surety value, subject to the reservation that if the value of the damage is higher than the contractual penalty, the Company may seek compensation equal to the full value of the damage.

The surety expires on November 30th 2010. As at December 31st 2009, the value of the liability under the loan agreement with respect to which the surety was issued was PLN 3,300 thousand.

#### ***Security Granted to Customs Office***

1. The validity of the blank promissory note of March 16th 2006 for PLN 200,000 thousand, issued to secure Grupa LOTOS S.A.'s tax liability connected with the suspended excise duty collection procedure, was extended until July 8th 2010. The original validity term of the blank promissory note expired on March 16th 2007, but was subsequently extended until June 16th 2008 and until June 16th 2009.
2. The validity of the blank promissory note of July 5th 2005 for PLN 200,000 thousand, issued to secure the Grupa LOTOS S.A.'s tax liability connected with the suspended excise duty collection procedure, was extended until July 6th 2010. The original validity term of the blank promissory note, which expired on July 7th 2006, was extended until July 5th 2007 and then until July 7th 2008 and July 7th 2009.
3. On April 27th 2007, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a bank guarantee for the benefit of the Customs Chamber to secure liabilities under customs-duty debts, taxes and other customs-related charges for the amount of PLN 160,000 thousand. On May 5th 2008, the value of the guarantee rose to PLN 200,000 thousand. Then, on December 17th 2008, the value of the guarantee decreased to PLN 125,000 thousand. The guarantee expired on May 4th 2009, while the guarantor's liability continued until July 3rd 2009.
4. 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 duty collection procedure. The blank promissory note is valid through January 13th 2011.
5. 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. On November 20th 2009, the validity term of the bank guarantee was extended once again, until October 31st 2010. As the excise security expired, the original guarantee document was returned to the issuer and on February 26th 2010 the liability ceased to exist.
6. 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.

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7. 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 for the benefit of the Customs Office in Pruszków as excise security. The guarantee was to expire on September 30th 2010. As the excise security expired, the original guarantee document was returned to the issuer and on February 26th 2010 the liability ceased to exist.

**Other Contingent Liabilities**

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). From December 17th 2008, the letter of credit was financed under the term loan facility granted by the group of financial institutions (see Note 24 to these financial statements). On March 31st 2009, the letter of credit expired.
3. On April 30th 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a stand-by letter of credit for EUR 7,230 thousand (the equivalent of PLN 25,019 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2008) for the benefit of LURGI S.A., valid through July 31st 2008. The letter of credit was issued to secure the performance of the EPC contract for the crude and vacuum distillation units (CDU/VDU). On July 31st 2008, the validity period of the letter of credit was extended until October 31st 2008. The value of the stand-by letter of credit was increased to EUR 15,356 thousand (the equivalent of PLN 49,179 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for July 31st 2008). On November 1st 2008, the validity term of the letter of credit was extended until January 31st 2009. The value of the stand-by letter of credit was raised to EUR 20,175 thousand (the equivalent of PLN 71,752 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for November 3rd 2008). On February 1st 2009, the validity term of the letter of credit was extended until April 30th 2009 and its value decreased to EUR 15,647 thousand (the equivalent of PLN 69,419 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for February 2nd 2009). Since December 17th 2008, the letter of credit was financed under the term loan facility granted by the group of financial institutions (see Note 24 to these financial statements). On April 30th 2009, the validity term of the documentary letter of credit was extended until June 30th 2009 and its amount decreased to EUR 11,906 thousand (the equivalent of PLN 52,194 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for April 30th 2009). The letter of credit expired with the end of its validity period.
4. On June 2nd 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. issued a documentary letter of credit for EUR 19,034 thousand (the equivalent of PLN 64,403 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for June 2nd 2008) for the benefit of CB&I LUMMUS GmbH. The original validity term of the letter of credit expired on December 31st 2008. The letter of credit was issued to secure the performance of a contract related to a diesel hydrodesulphurisation unit (HDS). On January 1st 2009, the validity term of the letter of credit was extended, first until January 31st 2009, and then until March 31st 2009. The most recent extension of its validity term was made on May 29th 2009 – the validity term was then extended until June 30th 2009. The letter of credit expired with the end of its validity period.

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5. On October 22nd 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. opened a documentary letter of credit for EUR 19,034 thousand (the equivalent of PLN 70,690 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for October 22nd 2008) under the term loan facility granted by the group of financial institutions (see Note 24 to these financial statements). The letter of credit, issued for the benefit of CB&I LUMMUS GmbH, is valid through June 30th 2009. It was issued to secure the performance of a contract related to a diesel hydrodesulphurisation unit (HDS). The letter of credit expired with the end of its validity period.
6. On December 19th 2008, at the request of Grupa LOTOS S.A., Bank PKO BP S.A. opened a stand-by letter of credit for EUR 500 thousand (the equivalent of PLN 2,057 thousand, translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for December 19th 2008) under the term loan facility granted by the group of financial institutions (see Note 24 to these financial statements). The letter of credit, issued for the benefit of LURGI S.A., is valid through May 31st 2009. The letter of credit was issued to secure the performance of a contract related to modernisation of a condensate station and construction of a fuel gas terminal. The letter of credit expired with the end of its validity period.
7. 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). The guarantee expired with the end of its validity period.
8. 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. The Material Reserves Agency had returned four promissory notes for the amount of PLN 65,956 thousand, PLN 40,269 thousand, PLN 32,858 thousand and PLN 52,640 thousand, respectively. As at December 31st 2009, Grupa LOTOS S.A. had no liabilities under the above agreement.
9. 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 is intended for financing of 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. Thereafter, the loan repayment date was extended once again until December 30th 2010. The created security in the form of the blank promissory note with a "protest waived" clause and the promissory note declaration remains valid.
10. On July 21st 2009, at the request of Grupa LOTOS S.A., Bank Pekao S.A. issued a payment guarantee for USD 10,500 thousand (i.e. PLN 31,524 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for July 21st 2009) for the benefit of TOTAL DEUTSCHLAND GmbH in connection with gasoline and Diesel oil supplies. The guarantee was valid through January 31st 2010. The guarantee expired with the end of its validity period.
11. On October 14th 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 7,000 thousand (i.e. PLN 19,776 thousand, translated at the USD exchange rate quoted by the National Bank of Poland for October 14th 2009). The loan is intended for financing of the expenditure related to the YME Production Project. The loan principal and interest was repaid on November 16th 2009 in view of the terms and conditions of the notes issued by LOTOS Exploration and Production Norge AS. The agreement provided for repayment of the principal and interest by July 30th 2010. The security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration expired.



12. On December 10th 2009, at the request of Grupa LOTOS S.A., Deutsche Bank Polska S.A. issued a documentary letter of credit in the amount of PLN 7,150 thousand for the benefit of Gunvor International B.V. The documentary letter of credit constituted security under a contract for the supply of a light fuel oil component, and was valid until January 15th 2010. The letter of credit expired with the end of its validity period.
13. On December 31st 2009, at the request of Grupa LOTOS S.A., Bank Pekao S.A. issued a stand-by letter of credit in the amount of PLN 8,800 thousand for the benefit of Gunvor International B.V. The documentary letter of credit constituted security under a contract for the supply of a light fuel oil component, and was valid until February 15th 2010. The letter of credit expired with the end of its validity period.
14. As at December 31st 2009, the Company's liabilities under material agreements related to expenditure on property, plant and equipment (the 10+ Programme) amounted to PLN 590 million (as at December 31st 2008: PLN 3,199 million).

### **37. Carbon Dioxide (CO<sub>2</sub>) Emission Allowances**

As at December 31st 2009 and December 31st 2008, the Company reported an excess of the carbon dioxide (CO<sub>2</sub>) emission allowances it had been allocated over its actual carbon dioxide (CO<sub>2</sub>) emissions (see Note 20, item 3).

On July 1st 2008, the Council of Ministers adopted, by way of a regulation, the National Allocation Plan of Carbon Dioxide (CO<sub>2</sub>) Emission Allowances for 2008-2012, issued under the EU carbon dioxide (CO<sub>2</sub>) emission trading scheme to existing installations and installations undergoing modification (Dz.U. of November 14th 2008, No. 202, item 1248). In accordance with the current legislation, allowances for Phase II (the years 2008–2012) were given free of charge to all the installations covered by the emission trading scheme.

In 2009, the Company was allocated allowances for 1,138 thousand tonnes of carbon dioxide (CO<sub>2</sub>).

In the year ended December 31st 2009, the actual carbon dioxide (CO<sub>2</sub>) emissions were 1,052 thousand tonnes.

### **38. Material Court, Arbitration or Administrative Proceedings and Other Risks**

#### ***Material Proceedings Pending before Public Administration Authorities in Connection with the Company's Business***

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

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

Pursuant to the Court's Decision of April 18th 2007, Grupa LOTOS S.A.'s right of access to evidence in the anti-trust proceedings, namely to the materials obtained during inspections at PKN ORLEN S.A.'s offices, was restricted on the basis of a petition submitted by PKN ORLEN S.A. The restriction concerned the report on

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



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

On September 23rd 2008, the Regional Court of Warsaw – Competition and Consumer Protection Court sent a response by the President of the Competition and Consumer Protection Office to the appeal submitted by Grupa LOTOS S.A. against the President's decision. In response to Grupa LOTOS S.A.'s appeal, the President of the Competition and Consumer Protection Office stated that Grupa LOTOS S.A.'s objections both with reference to substantive and procedural laws were unfounded and requested that the complaint be dismissed in its entirety and that the President be awarded the costs of legal representation. A hearing was scheduled for April 27th 2010. As at the date of approval of these 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.

#### ***Proceedings Brought by PETROECCO JV Sp. z o.o. Seeking Compensation for Losses Incurred as a Result of Monopolistic Practices***

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

The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Competition and Consumer Protection Office of September 26th 1996, in which the Office ordered the Company to abandon such practices. The Company appealed against the decision. The Provincial Court of Warsaw – the Anti-Monopoly Court, changed, by virtue of its decision of October 22nd 1997, only the wording of the decision and ordered the Company to abandon monopolistic practices. The cassation complaint against this decision filed by the Company was dismissed by the Supreme Court by virtue of its decision of June 2nd 1999.

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

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

April 17th 2008, PETROECCO JV Sp. z o.o. lodged a cassation complaint against the ruling issued on December 20th 2007. The complaint was delivered to Grupa LOTOS S.A. on June 17th 2008. On June 30th 2008, Grupa LOTOS S.A. sent a response to the complaint. The case was referred to pre-trial proceedings scheduled for November 14th 2008. On January 14th 2009, the Supreme Court reversed the ruling appealed against and remanded the case for re-examination by the Court of Appeals in Gdańsk. On March 10th 2009, the case files were delivered to the Court of Appeals. On April 3rd 2009, the Court Enforcement Officer sent the decision on discontinuation of the enforcement proceedings. On May 14th 2009, the Court of Appeals referred the case to the Regional Court for re-examination. During a hearing held on November 3rd 2009, the Court obliged PETROECCO JV Sp. z o.o. to appoint an expert. The date for a next hearing will be set. As at the date of approval of these 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.

***Proceedings Brought by the Minister of State Treasury Seeking Invalidation of the Share Purchase Agreement Concerning Shares in Naftoport Sp. z o.o.***

On November 3rd 2005, Grupa LOTOS S.A. was served a nullity suit submitted by the Minister of State Treasury, concerning the agreement of August 18th 1998 between Grupa LOTOS S.A. and Polska Żegluga Morska, a state-owned company, providing for the sale of two shares in Naftoport Sp. z o.o., valued at PLN 3,340 thousand. On April 21st 2006, the Regional Court in Gdańsk, IX Commercial Division, issued a ruling dismissing the claim in its entirety. On June 8th 2006, the Minister of State Treasury appealed against the ruling of April 21st 2006 which dismissed the Minister's petition to declare invalidity of the agreement of August 18th 1998. On June 30th 2006, the Company filed its response to the appeal. On December 28th 2006, the Court of Appeals passed a ruling reversing the challenged decision of April 21st 2006 and declaring the agreement on the sale of two shares in Naftoport Sp. z o.o. as invalid. On April 6th 2007, the Company filed a cassation complaint and a request to stay enforcement of the decision of the second instance. By virtue of the ruling of the Court of Appeals of Szczecin dated April 20th 2007, the request to stay enforcement of the decision of the second instance was dismissed. On August 10th 2007, the Supreme Court issued a decision to accept the cassation complaint for consideration. On November 21st 2007, the Supreme Court issued a decision to remand the case back to the Court of Appeals in Szczecin. The hearing was held on May 7th 2008. The Court dismissed the claim in its entirety and decided that the costs of the proceedings in the amount of PLN 100 thousand would be returned to Grupa LOTOS S.A. The Court's decision became final with effect from May 7th 2008. On August 20th 2008, the State Treasury lodged a cassation complaint. On December 11th 2008, the case files arrived at the Supreme Court, Civil Chamber Division II. In a closed session held on March 6th 2009, the Court accepted the complaint for consideration. The date of the hearing was set for May 6th 2009; during the hearing, the Supreme Court remanded the case for re-examination by the Szczecin Court of Appeals. At the hearing held on September 30th 2009, the Court of Appeals dismissed the action and awarded reimbursement of the cost of court proceedings to Grupa LOTOS S.A. The State Treasury was called upon to reimburse Grupa LOTOS S.A. for the cost of court proceedings. On January 11th 2010, the State Treasury lodged a cassation complaint against the ruling to the Court of Appeals. As at the date of approval of these 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.

***Tax Settlements***

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within governmental authorities and between those authorities and businesses, leading to uncertainty and conflicts. Consequently, the tax-related risk in Poland is significantly higher than in countries where tax systems are better developed.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company.

### **39. Material Events Subsequent to the Balance-Sheet Date**

No material events occurred in the period from the balance-sheet date until the date of these financial statements except for the following:

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

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

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

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

Prior to the change, the State Treasury, represented by the Minister of State Treasury, held in aggregate 83,076,392 ordinary bearer shares in Grupa LOTOS S.A., representing 63.97% of the Company's share capital and conferring the rights to 83,076,392 votes, or 63.97% of the total vote in Grupa LOTOS S.A. After the change, the State Treasury, represented by the Minister of State Treasury, holds in aggregate 69,076,392 ordinary bearer shares in Grupa LOTOS S.A., representing in aggregate 53.19% of the Company's share capital and conferring the rights to 53.19% of the total vote in Grupa LOTOS S.A.

According to the information received by the Company, the State Treasury is not currently aware of any Grupa Lotos S.A. shares being held by its subsidiaries.

3. On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Jasło S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Jasło S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares as a donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 4.90 per share in the period from February 8th 2010 to March 8th 2010, and PLN 4.23 per share in the period from March 9th 2010 to March 22nd 2010. As at the date of approval of these consolidated financial statements, the process of buying of the shares, which commenced on March 9th 2010, is in progress.
4. On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Czechowice S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Czechowice S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares as a donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 7.98 per share in the period from February 8th 2010 to March 8th 2010, and PLN 6.89 per share in the period from March 9th 2010 to March 22nd 2010. As at the date of approval of these financial statements, the process of buying of the shares, which commenced on March 9th 2010, is in progress.
5. By virtue of Resolution No. 316/2010 of April 1st 2010, the Management Board of the Warsaw Stock Exchange decided to introduce to trading on the main market, on April 12th 2010, by way of the ordinary procedure, 8,250 Series A shares in Grupa LOTOS S.A., with a par value of PLN 1 per share, designated by the National Depository for Securities with code No. PLLOTOS00033. Under the provisions of the resolution, the shares are to be introduced to trading on April 12th 2010 on condition that the National Depository for Securities converts, on April 12th 2010, the aforementioned registered shares in Grupa LOTOS S.A. into ordinary bearer shares and assimilates them, on April 12th 2010, with the shares in Grupa LOTOS S.A. already traded on the stock-exchange under code No. PLLOTOS00025.

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

As of April 12th 2010, 113,630,889 shares in Grupa LOTOS S.A. have been marked with code No. PLLOTOS00025, and 69,111 shares in Grupa LOTOS S.A. have been marked with code No. PLLOTOS00033.

6. On March 31st 2010, reduction in the share capital of LOTOS Park Technologiczny Sp. z o.o. to PLN 50 thousand was registered. The share capital of LOTOS Park Technologiczny Sp. z o.o. is divided into 100 shares. Following registration of the changes in the National Court Register, Grupa LOTOS S.A. holds a 100% stake in LOTOS Park Technologiczny Sp. z o.o. (see Note 13).

#### **40. Remuneration of the Management the Supervisory Board Members and Information on Loans and Other Similar Benefits Granted to Members of the Company's Management and Supervisory Staff**

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

PLN '000	<u>Year ended Dec 31 2009</u>	<u>Year ended Dec 31 2008</u>
Management Board	713	606
Supervisory Board	233	261
Management Board – subsidiary undertakings <sup>(1)</sup>	278	441
	=====	=====
<b>Total</b> <sup>(2)</sup>	<b>1,224</b>	<b>1,308</b>
	=====	=====

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

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

As at December 31st 2009 and December 31st 2008, the Company did not grant any loans or similar benefits to members of its management and supervisory staff.

As at December 31st 2009, the value of post-employment benefits and of other non-current employee benefits calculated in line with IAS 19 *Employee Benefits*, due to members of the Management Board, amounted to PLN 221 thousand (as at December 31st 2008: PLN 117 thousand).

#### 41. Employment Structure

Average employment by category (FTE):

	Year ended Dec 31 2009	Year ended Dec 31 2008
Blue-collar jobs	487	407
White-collar jobs	792	755
	=====	=====
<b>Total</b>	<b>1,279</b>	<b>1,162</b>
	=====	=====

#### 42. Transactions with Related Undertakings

Transactions with related undertakings are executed on standard market terms.

(PLN '000)	Year ended Dec 31 2009		Dec 31 2009	
	Sales to related undertakings (incl. excise duty and fuel charge)	Purchases from related undertakings (incl. excise duty and fuel charge)	Net receivables from related undertakings	Payables to related undertakings
Consolidated undertakings	11,942,097	932,665	986,825	86,422
Non-consolidated undertakings	18	2,633	-	-
<b>Total</b>	<b>11,942,115</b>	<b>935,298</b>	<b>986,825</b>	<b>86,422</b>

In the period from January 1st to December 31st 2009, total revenue from sales of property, plant and equipment to related undertakings amounted to PLN 33 thousand.

In the period from January 1st to December 31st 2009, total value of purchases of property, plant and equipment and intangible assets from related undertakings amounted to PLN 144,078 thousand.

In the period from January 1st to December 31st 2009, total value of finance income from transactions with related undertakings amounted to PLN 148,566 thousand (including dividend income of PLN 145,784 thousand, interest on advanced loans of PLN 1,051 thousand, realised other interest of PLN 1,731 thousand and accrued other interest (fully covered by a recognised impairment loss) of PLN 466 thousand).

In the period from January 1st to December 31st 2009, total value of finance expenses related to transactions with related undertakings amounted to PLN 290 thousand (including other interest of PLN 139 thousand and PLN 151 thousand in connection with disposal of shares in a subsidiary undertaking with view to their voluntary retirement).

In the period from January 1st to December 31st 2009, total value of other operating income from transactions with related undertakings amounted to PLN 14 thousand ("other operating income").



In the period from January 1st to December 31st 2009, total value of other operating expenses connected with transactions with related undertakings amounted to PLN 1,362 thousand (loss on disposal of non-financial non-current assets, which reduced the gain on disposal of non-financial non-current assets).

In the period from January 1st to December 31st 2009, the Company recognised impairment losses on receivables from related undertakings in the amount of PLN 9,029 thousand.

In the period from January 1st to December 31st 2009, the Company made a prepayment of PLN 6,400 thousand for shares, in connection with a share capital increase of a subsidiary undertaking.

In the period from January 1st to December 31st 2009, the Company advanced a loan to a related undertaking in the amount of PLN 62,521 thousand (USD 20,000 thousand).

As at December 31st 2009, the value of loans advanced to a related undertaking amounted to PLN 38,033 thousand (USD 13,000 thousand).

In the period from January 1st to December 31st 2009, the total value of security created by a related undertaking for the benefit of the Company amounted to USD 20,000 thousand (the equivalent of PLN 62,493 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for the transaction date).

As at December 31st 2009, the total value of security created by a related undertaking for the benefit of the Company amounted to USD 13,000 thousand (the equivalent of PLN 37,054 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for December 31st 2009).

In the period from January 1st to December 31st 2009, the Company did not issue any sureties for the benefit of its related undertakings.

As at December 31st 2009, the total value of sureties issued by the Company for the benefit of a related undertaking amounted to PLN 3,300 thousand.

As at December 31st 2009, the value of trade receivables from related undertakings which were subject to assignment amounted to PLN 978,210 thousand.

(PLN '000)	Year ended Dec 31 2008		Dec 31 2008	
	Sales to related undertakings (incl. excise duty and fuel charge)	Purchases from related undertakings (incl. excise duty and fuel charge)	Net receivables from related undertakings	Payables to related undertakings
Consolidated undertakings	11,426,879	917,757	802,373	56,466
Non-consolidated undertakings	22	2,916	2	37
<b>Total</b>	<b>11,426,901</b>	<b>920,673</b>	<b>802,375</b>	<b>56,503</b>

In the period from January 1st to December 31st 2008, total revenue from sales of property, plant and equipment and intangible assets to related undertakings amounted to PLN 1,780 thousand.

In the period from January 1st to December 31st 2008, total value of purchases of property, plant and equipment and intangible assets from related undertakings amounted to PLN 20,170 thousand.

In the period from January 1st to December 31st 2008, total value of finance income from transactions with related undertakings amounted to PLN 129,465 thousand (including dividend income of PLN 129,270 thousand,

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interest on advanced loans of PLN 138 thousand, realised other interest of PLN 57 thousand and accrued other interest (fully covered by a recognised impairment loss) of PLN 418 thousand).

In the period from January 1st to December 31st 2008, total value of finance expenses related to transactions with related undertakings amounted to PLN 510 thousand (loss on disposal of shares in a subsidiary undertaking, which reduced the gain on disposal of investments).

In the period from January 1st to December 31st 2008, total value of other operating income from transactions with related undertakings amounted to PLN 622 thousand (including PLN 54 thousand of other operating income and a gain of PLN 568 thousand on disposal of non-financial non-current assets, which reduced the loss on disposal of non-financial non-current assets).

In the period from January 1st to December 31st 2008, the Company recognised an impairment loss of PLN 16,284 thousand on its investment in a subsidiary undertaking.

In the period from January 1st to December 31st 2008, the Company did not recognise any impairment losses on receivables from its related undertakings.

In the period from January 1st to December 31st 2008, a related undertaking repaid the loans advanced to it by the Company in the amount of PLN 3,700 thousand.

As at December 31st 2008, the Company carried no loans advanced to its related undertakings.

In the period from January 1st to December 31st 2008 and as at December 31st 2008, related undertakings did not create any security for the benefit of the Company.

In the period from January 1st to December 31st 2008, the Company did not issue any sureties for the benefit of its related undertakings.

As at December 31st 2008, the total value of sureties issued by the Company for the benefit of a related undertaking amounted to PLN 6,300 thousand.

As at December 31st 2008, trade receivables from related undertakings which were subject to assignment amounted to PLN 785,025 thousand.

#### **Transactions with Members of the Company's Executive or Supervisory Boards, Their Spouses, Siblings, Ascendants, Descendants or Other Close Persons**

In the year ended December 31st 2009, the Company executed no significant transactions with members of the Management and Supervisory Boards, their spouses, relatives or relatives by affinity in the direct line up to the second degree, persons related through guardianship or adoption or with other persons with whom they have personal relationships. The Company and members of the Group advanced no loans, made no advances, issued no guarantees and concluded no agreements to or with any such persons which would provide for considerable benefits to Grupa LOTOS S.A. or its subsidiary or associated undertakings.

#### **Transactions between the Company and Entities Related through Members of the Management and Supervisory Boards**

Below are presented transactions concluded in 2009 (based on representations made by members of the Management and Supervisory Boards concerning transactions with related parties).

Type of relationship	Sale	Purchase	Receivables	Payables
(PLN '000)				
Supervisory staff	1,270	1,778	70	181
Management staff	-	-	-	-
<b>TOTAL</b>	<b>1,270</b>	<b>1,778</b>	<b>70</b>	<b>181</b>

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

#### 43. Transactions with Related Undertakings in which the State Treasury Holds a Stake

Transactions with related undertakings in which the State Treasury holds a stake are executed on standard market terms.

Transactions between Grupa LOTOS S.A. and material<sup>(1)</sup> related undertakings in which the State Treasury holds a stake:

(PLN '000)	Sales to related undertakings incl. excise duty and fuel charge	Purchases from related undertakings incl. excise duty and fuel charge
Year ended Dec 31 2009	14,623	171,707
Year ended Dec 31 2008	6,232	200,018

(PLN '000)	Net receivables from related undertakings	Payables to related undertakings
Dec 31 2009	143	8,324
Dec 31 2008	88	19,796

<sup>(1)</sup> i.e. undertakings whose share capital exceeds PLN 100,000 thousand, based on the list of companies in which the State Treasury holds a majority or a 100% stake, prepared as at December 31st 2009 (as at June 30th 2008 and including changes in the structure of associated undertakings in which the State Treasury holds a stake – in the case of the data for 2008).

In 2008 and 2009, the largest transactions with a related undertaking in which the State Treasury holds a stake were the transactions with Przedsiębiorstwo Eksploatacji Rurociągów Naftowych PRZYJAŻŃ S.A.

#### 44. Entity with Significant Influence over the Company

Nafta Polska S.A. (controlled by the State Treasury) held a 51.91% stake in Grupa LOTOS S.A. until July 22nd 2009.

In the period from January 1st to July 22nd 2009, no transactions were concluded between Grupa LOTOS S.A. and Nafta Polska S.A.

In the period from January 1st to December 31st 2009, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury, except for the transaction described in Note 21 to these financial statements, as a result of which the State Treasury came to hold a 63.97% stake in Grupa LOTOS S.A.

As at December 31st 2008, Nafta Polska S.A. held a 51.91% stake in Grupa LOTOS S.A. Nafta Polska S.A. was controlled by the State Treasury, which, as at December 31st 2008, directly held a 6.93% stake in Grupa LOTOS S.A. As at December 31st 2008, directly and indirectly the State Treasury held 58.84% of shares in Grupa LOTOS S.A.

The aggregate value of transactions concluded between Grupa LOTOS S.A. and Nafta Polska S.A. during the year ended December 31st 2008 was PLN 7 thousand.



## 45. Other Information

### 45.1 Special Rights of the State Treasury and How These Rights Are Exercised in Companies

The Act on Special Rights Vested in the State Treasury and How These Rights Should Be Exercised in Companies of Material Importance to Public Order or Safety ("strategic companies"), dated June 3rd 2005 (Dz.U. No. 132, item 1108) ("the Act") introduced the institution of observers on behalf of the State Treasury. The Company was included in the list of strategic companies referred to in Art. 8 of the Act, published in the Polish Council of Ministers' Regulation on the list of companies of material importance to public order or safety, dated December 13th 2005 (Dz.U. of December 29th 2005). The responsibility of the observers acting on behalf of the State Treasury at strategic companies is to monitor the operations of these companies regarding, among other things, the following issues:

- management of company assets of material importance to its operations,
- changes of the actual business profile, changes of the intended use or discontinuation of the use of a company's asset of material importance,
- adoption by the General Shareholders Meeting of resolutions concerning dissolution of the company, relocation of its registered office abroad, change of its business profile, sale or lease of its business or an organised part of its business, or encumbrance of the business or its organised part with limited property rights,

if there is reasonable suspicion that such a legal action would violate public order or safety.

The assumptions of the state's policies concerning social or economic life spheres of material importance to public order or safety will be published in Monitor Polski.

The observers are authorised to request from companies any documents or explanations regarding the above issues, and, having analysed them, they are required to submit the obtained materials to the Minister of the State Treasury, together with their position expressed in writing and the statement of reasons.

The State Treasury Minister is required in certain cases, and in other cases he is authorised, to voice his objection to an action of a given strategic company of which he has been notified by the observers. Provided that it is not appealed against, such an objection renders a given legal action invalid as of the date on which it was performed. Until the approval of these financial statements, the Company received no statement on the appointment of an observer for the Company.

**45.2 Information on the Agreement with and Remuneration Payable to the Qualified Auditor of Financial Statements, and Information on the Appointment of the Qualified Auditor to Audit the Financial Statements of Grupa LOTOS S.A.**

On June 29th 2007, Grupa LOTOS S.A. and Deloitte Audyt Sp. z o.o. of Warsaw concluded an agreement providing amongst other things for:

- review of the non-consolidated and consolidated financial statements for the first six months of 2007, 2008 and 2009,
- audit of the non-consolidated and consolidated financial statements in 2007–2009.

The total remuneration for the audit, review of and verification procedures with respect the financial statements referred to above, as well as for other services provided by Deloitte Audyt Sp. z o.o. is set forth below.

PLN '000	2009	2008
Audit of the annual non-consolidated and consolidated financial statements	466	466
Confirmation services, including:	373	373
- review of the semi-annual non-consolidated and consolidated financial statements	243	243
Other services	-	110
Tax advisory services	-	-
<b>TOTAL</b>	<b>839</b>	<b>949</b>

Based on the resolution adopted by the Supervisory Board of Grupa LOTOS S.A. on December 17th 2009, Ernst&Young Audit Sp. z o.o., entered in the register of entities qualified to audit financial statements maintained by the National Board of Chartered Auditors under entry No. 130, was selected as the qualified auditor to audit the Company's financial statements for 2010, 2011 and 2012.

**46. 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, Chief Executive Officer	
	Paweł Olechnowicz
Vice-President of the Management Board, Chief Financial Officer	
	Mariusz Machajewski
Vice-President of the Management Board, Chief Operation Officer	
	Marek Sokołowski
Vice-President of the Management Board, Chief Commercial Officer	
	Maciej Szozda
Chief Accountant	
	Tomasz Południewski