

## THE LOTOS GROUP

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL PERFORMANCE IN Q3 2010

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

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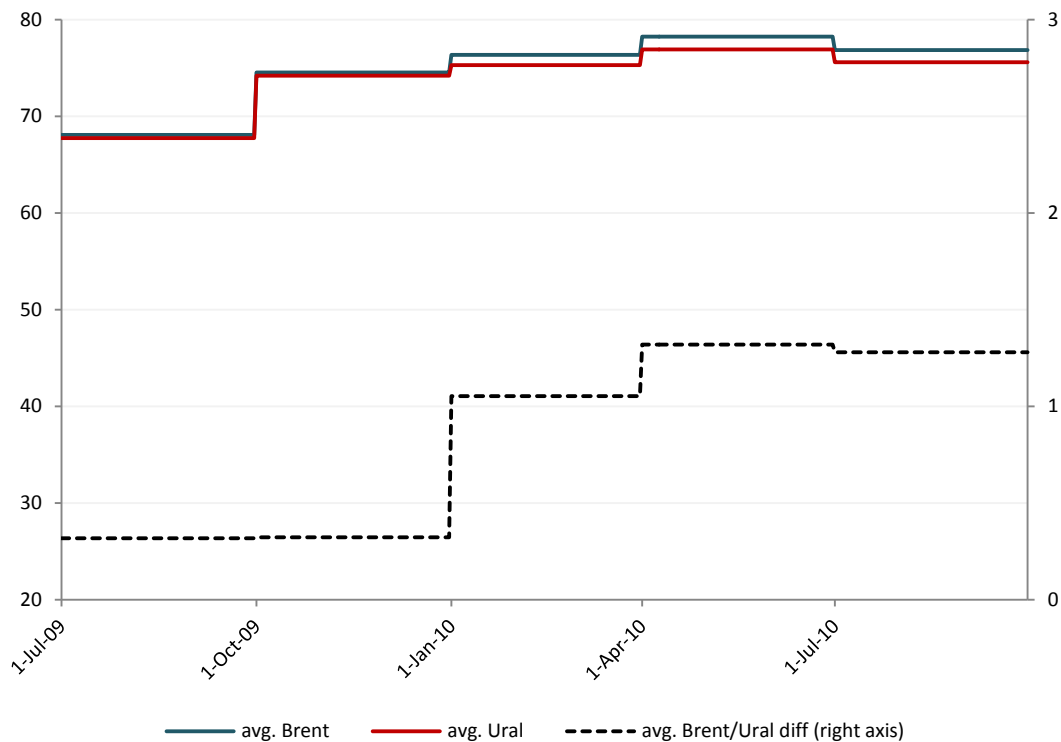
## 1 Market Environment

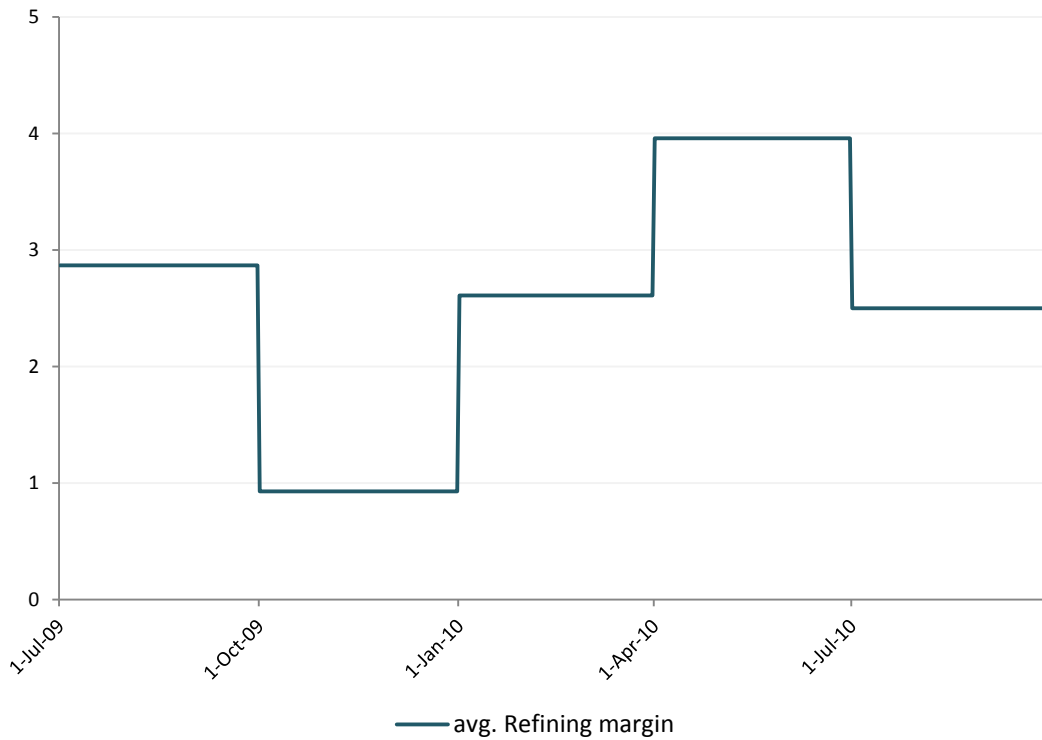
In Q3 2010, the average price of Brent oil (Dated Brent FOB) was 76.86 USD/bbl, lower than in Q2 2010 (by 1.38 USD/bbl, or 1.8%) and higher than in Q3 2009 (by 8.78 USD/bbl, or 12.9%).

The average price of Ural CIF Rotterdam oil was 75.58 USD/bbl, down on Q2 2010 (by 1.34 USD/bbl, or 1.7%) and up on Q3 2009 (by 7.82 USD/bbl, or 11.5%).

In Q3 2010, the Brent/Ural differential was by 0.4 USD/bbl lower than in Q2 2010 and by 0.96 USD/bbl higher than in Q3 2009.

**Brent prices  
and the  
Brent/Ural  
differential  
higher than in  
Q32009**

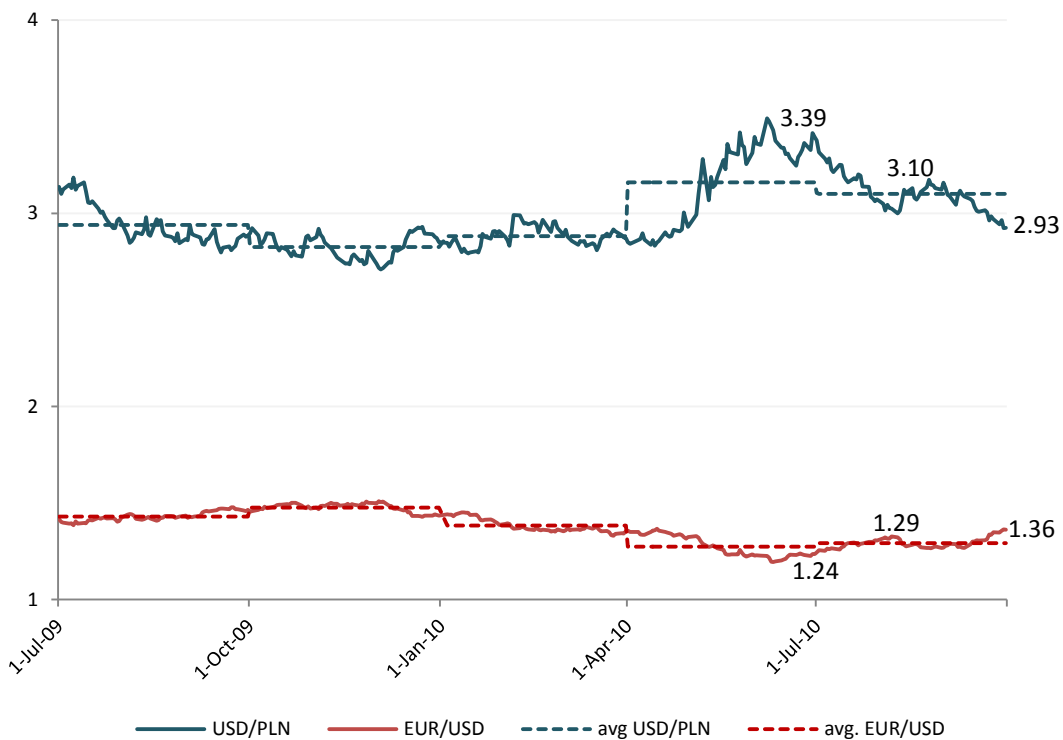




In the reporting period, the average market refining margin was 2.50 USD/bbl, and was lower than in Q2 2010 and Q3 2009 respectively by 36.9% and 12.9%.

In Q3 2010, the average quarterly market margins on petroleum products were narrower than in the previous period (Q2 2010). Concurrently, crack spreads on the medium fractions of refined products improved on the corresponding period of 2009.

**Benchmark refining margin shrinks vs Q22010 and Q32009**



**PLN strengthened against USD relative to Q2 2010**

In Q3 2010, the average USD/PLN exchange rate stood at 3.10, meaning an appreciation of the Polish zloty against the US dollar relative to Q2 2010 (by 1.9%) and its considerable depreciation against the US dollar relative to Q3 2009 (by 5.4%). At the end of September 2010, the USD/PLN exchange rate was 2.93.

In Q3 2010, the average EUR/PLN exchange rate was 4.01, which means that the value of the Polish zloty remained unchanged against the euro quarter on quarter, but strengthened (by 4.5%) year on year. As at the end of September 2010, the EUR/PLN exchange rate was 3.99.

**Table 1: Macroeconomic conditions**

		Q3 2010	Q2 2010	Q3 2010	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
DATED Brent FOB prices	USD/bbl	76.86	78.24	68.08	-1.8%	12.9%
Ural CIF Rotterdam prices	USD/bbl	75.58	76.92	67.76	-1.7%	11.5%
Brent/Ural differential	USD/bbl	1.28	1.32	0.32	-3.0%	300.0%
Market refining margin	USD/bbl	2.50	3.96	2.87	-36.9%	-12.9%
Crack margin: Gasoline	USD/t	119.58	149.67	133.75	-20.1%	-10.6%
Crack margin: Diesel oil (10 ppm)	USD/t	91.23	98.70	58.63	-7.6%	55.6%
Crack margin: Light fuel oil	USD/t	70.78	79.75	42.89	-11.2%	65.0%
Crack margin: Aviation fuel	USD/t	115.92	127.02	87.99	-8.7%	31.7%
Crack margin: Heavy fuel oil	USD/t	-158.24	-160.18	-121.96	1.2%	-29.8%
Average quarterly PLN/USD exchange rate	PLN/USD	3.10	3.16	2.94	-1.9%	5.4%

## 2 Upstream Segment

In Q3 2010, LOTOS Petrobaltic S.A.'s key operations included:

- production from the B3 field, including water injection into the reservoir at the Baltic Beta Platform located at the B3 Offshore Oil Mine,
- continued work on the base engineering design of the production centre and related infrastructure for the B8 field,
- workover of the B3-11 well,
- major overhaul of the Petrobaltic platform.

**In Q3 2010 crude oil production continued on the B3 field**

In Q3 2010, LOTOS Exploration & Production Norge AS conducted exploration work under the licences it holds, both as the operator (licences PL498, PL503 and PL556) and as an interest holder (licences PL 316/316B – YME, PL455, PL497 and PL515).

As part of the YME Production Project, drilling of production wells continued. On September 16th, a ship carrying the production section of the platform which will operate on the YME field, reached the Stavanger port. Three pillars will be attached to the platform at the Stavanger shipyard. Once this has been done, the platform will be towed to the field and after some preparation will start operations. If the weather conditions are favourable, production from the YME field is expected to start in early 2011.

In Q3 2010, upstream segment's sales revenue reached PLN 51.4m. The higher revenue and results for Q3 2010 compared with Q3 2009 were attributable primarily to 12.9% higher Brent dtd crude prices on the global markets.

**Table 2: Operating results of the upstream segment**

		Q3 2010	Q2 2010	Q3 2010	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Sales of Rozewie crude	000' t	28.6	51.0	28.1	-43.9%	1.9%
Sales of natural gas	m m <sup>3</sup>	2.4	2.9	3.7	-16.2%	-34.7%
Sales revenue	PLN m	51.4	93.5	43.5	-45.0%	18.2%
Operating Profit	PLN m	6.1	35.1	4.2	-82.6%	45.2%
Depreciation and amortisation	PLN m	14.8	15.2	12.6	-2.6%	17.5%
EBITDA	PLN m	20.9	50.3	16.8	-58.4%	24.4%

In Q3 2010, crude oil output in the Baltic Sea (the B3 field) was 37.5 thousand tonnes, and was by 6.0 thousand tonnes lower than the production volumes recorded in Q3 2009. Crude sales to Grupa LOTOS S.A. during the period amounted to 28.6 thousand tonnes, staying flat relative to the sales level in Q3 2009. During the third quarter of 2010, the output of natural gas was 4.1m m<sup>3</sup>, which was fairly unchanged compared with Q3 2009.

**In Q3 2010  
crude oil  
production was  
37.5 thousand  
tonnes**

**Table 3: Operating data of the upstream segment**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
<b>Crude oil output</b>	<b>000' t</b>	<b>37.5</b>	<b>38.5</b>	<b>43.5</b>	<b>-2.6%</b>	<b>-13.7%</b>
from B3 field	000' t	37.5	38.5	43.5	-2.6%	-13.7%
from B8 field	000' t	0.0	0.0	0.0	-	-
<b>Natural gas output</b>	<b>m m<sup>3</sup></b>	<b>4.1</b>	<b>4.2</b>	<b>4.8</b>	<b>-2.4%</b>	<b>-13.9%</b>

### 3 Downstream Segment

In Q3 2010, Grupa LOTOS S.A. processed 2,196.2 thousand tonnes of crude oil, up by 45.0% year on year. This increase in the volume of processed crude oil in the current period was due to the processing of crude oil in the CDU/VDU unit as part of the 10+ Programme in Q3 2010. In connection with the process aimed at optimising crude oil processing, the share of crude types other than Ural and Rozewie in the total volume of crude processed increased in Q3 2010.

At the end of September 2010, the status of implementation of the 10+ Programme was 99.81%, compared with the planned 99.82%. Design, delivery and execution work related to the HDS, ASR, CDU/VDU and HGU units has been completed.

**Crude  
processing up  
by 45% on Q3  
2009**

**Table 4: Structure of crude oil refining**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Volume of crude processed by the Gdańsk refinery	000' t	2,196.2	2,060.8	1,514.4	6.6%	45,0%
including:						
Ural crude	000' t	1,731.1	1,949.5	1,484.7	-11.2%	16,6%
Rozewie crude	000' t	41.8	43.6	0.1	-4.1%	41 700,0%
Other types of crude	000' t	423.3	67.7	29.6	525.3%	1330,1%

**Sales volume up by almost 12% relative to Q3 2009**

**Sales of diesel up by 10%**

In Q3 2010, sales volume of the LOTOS Group's downstream segment amounted to 2,327.9 thousand tonnes, up by 246.5 thousand tonnes (or 11.8%) over the corresponding period of 2009. Compared with the sales volume reported by the downstream segment in Q3 2009, of 2,081.4 thousand tonnes, in the analysed quarter growth was recorded mainly with respect to the sales volume of heavy fuel oil (+104.7 thousand tonnes), diesel oils (+102.9 thousand tonnes) and gasolines (+66.8 thousand tonnes), and a concurrent decline was seen in the volume of sales of JET A-1 fuel (-48.2 thousand tonnes).

**Table 5: The LOTOS Group's sales structure**

	Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009	
<b>Consolidated sales of products and goods for resale, including:</b>	<b>000' t</b>	<b>2,327.9</b>	<b>2,074.3</b>	<b>2,081.4</b>		
				<b>12.2%</b>	<b>11.8%</b>	
Gasolines	000' t	417.4	371.5	350.6	12.4%	19.1%
Diesel oils	000' t	1,133.1	967.5	1,030.2	17.1%	10.0%
JET aviation fuel	000' t	68.2	61.9	116.4	10.2%	-41.4%
Light fuel oils	000' t	78.6	49.3	60.5	59.4%	29.9%
Heavy fuel oils	000' t	133.5	226.8	28.8	-41.1%	363.5%
Bitumens	000' t	334.1	238.4	315.5	40.1%	5.9%
Other petroleum products	000' t	163.0	158.9	179.4	2.6%	-9.1%
<b>Consolidated sales of products and goods for resale, including:</b>						
downstream segment	000' t	2,327.9	2,073.7	2,081.4	12.3%	11.8%
Other Business	000' t	0.0	0.6	0.0	-100.0%	-

The 26.8% higher sales revenue generated by the downstream segment in Q3 2010 relative to Q3 2009 was mostly due to the year-on-year increase in prices of crude oil and petroleum products on the global markets and a 11.8% higher sales volume. In Q3 2010, the average price of Brent oil (Dated Brent) was 76.86 USD/bbl, that is higher by 8.78 USD/bbl than in Q3 2009. The average net selling price in the downstream segment rose by 13.4%, from 2,004 PLN/t in Q3 2009 to 2,272 PLN/t in Q3 2010.

In Q3 2010, the year-on-year increase in the operating result of the downstream segment was strongly driven by higher crack margins on the medium fractions. A 11.8% rise in the volume of products and goods sold, connected primarily with a 45.0% increase in the volume of crude processed by the Gdańsk refinery, also contributed to a higher operating result of the downstream segment in Q3 2010 relative to Q3 2009. The operating result in Q3 2010 was also positively affected by 5.9% higher bitumen sales relative to the corresponding period of the previous year.

In Q3 2010, the average quarterly Brent/Ural differential, which amounted to 1.28 USD/bbl (up by 0.96 USD/bbl, or 300.0%, year-on-year) was a factor contributing to the improved operating result in Q3 2010 relative to Q3 2009.

**Downstream  
segment result  
up on Q3 2009**

**Table 6: Operating results of the downstream segment**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Sales revenue	<i>PLN m</i>	5,289.5	4,753.0	4,171.9	11.3%	26.8%
Operating profit	<i>PLN m</i>	203.9	209.5	190.3	-2.7%	7.1%
Depreciation and amortisation	<i>PLN m</i>	85.5	73.7	60.0	16.0%	42.5%
EBITDA	<i>PLN m</i>	289.4	283.2	250.3	2.2%	15.6%

In Q3 2010, the retail business in the downstream segment recorded 94.6% higher operating profit than in Q2 2010. Comparing with Q3 2009, the operating profit of the retail business was lower, due to lower average unit retail margin on sale of fuels and on sale of services at CODO stations.

**Table 7: Operating results of the retail business**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Sales revenue	<i>PLN m</i>	561.9	514.3	465.2	9.3%	20.8%
Operating profit	<i>PLN m</i>	7.2	3.7	16.9	94.6%	-57.4%
Depreciation and amortisation	<i>PLN m</i>	8.8	10.0	10.1	-12.0%	-12.9%
EBITDA	<i>PLN m</i>	16.0	13.7	27.0	16.8%	-40.7%

**Retail sales up  
on Q3 2009 and  
Q2 2010**

As at the end of September 2010, the number of CODO stations was 153, and there were 102 DOFO stations and 62 DODO stations. A total of 109 franchise agreements were signed.

Retail sales rose by 7.4% on Q3 2009 and by 11.1% on Q2 2010.

**Table 8: Retail sales**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
CODO and DOFO petrol stations	<i>000' t</i>	178.1	160.3	165.8	11.1%	7.4%

## 4 Other Business

**Table 9: Operating results of other business**

		Q3 2010*	Q2 2010*	Q3 2009**	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Sales revenue	PLN m	4.4	5.2	0.0	-15.4%	-
Operating profit (loss)	PLN m	-0.1	-1.0	0.0	-	-
Depreciation and amortisation	PLN m	2.3	2.8	0.0	-17.9%	-
EBITDA	PLN m	2.2	1.8	0.0	22.2%	-

\* Includes LOTOS Ekoenergia Sp. z o. o., LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. and Energobaltic Sp. z o.o. (from the date of acquiring control by LOTOS Petrobaltic S.A.).

\*\* In connection with the purchase of an organised part of business in the form of the LPG Trading Division of LOTOS Gaz S.A. by LOTOS Paliwa Sp. z o.o. from LOTOS Gaz S.A. in December 2009, in order to ensure data comparability, the sales revenue, operating profit (EBIT), depreciation and amortisation, and operating profit before depreciation and amortisation (EBITDA) related to the LPG trading business of the LOTOS Gaz Group have been presented in the downstream segment.

## 5 Impact of the LIFO Inventory Valuation

In Q3 2010, the weighted average method of inventory valuation applied by the LOTOS Group and the movements in the USD/PLN exchange rate drove the operating result down by PLN 81.7m. In the comparative period, the inventory valuation method used by the Group increased operating result by PLN 63.0m. If the LIFO method had been applied to measure inventory, the operating result would have been PLN 324.3m in Q3 2010 and PLN 121.3m in Q3 2009.

**Operating profit based on LIFO of PLN 324.3m**

**Table 10: Impact of inventory valuation on operating result**

		Q3 2010	Q3 2009**	Q3 2010 vs. Q3 2009
Operating profit	PLN m	242.6	184.3	31.6%
Effect of LIFO valuation	PLN m	81.7	-63.0	-
Operating profit – LIFO method	PLN m	324.3	121.3	167.4%

\* In line with its inventory valuation policies, the LOTOS Group uses the weighted average of the acquisition cost to measure decrease in inventories. This method of inventory valuation defers the impact of changes in oil prices on the prices of finished products. Thus, an increase in oil prices has a positive effect on the financial performance, while a decrease drives it down. The operating result accounting for the impact of this valuation method is presented in the table.

\*\* restated

## 6 Statement of Comprehensive Income

In Q3 2010, the LOTOS Group posted PLN 242.6m in operating profit, which represented a year-on-year improvement of PLN 58.3m.

**Operating profit of PLN 242.6m**



**Table11. Operating results of the LOTOS Group**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Sales revenue	PLN m	5,282.8	4,747.1	4,132.0	11.3%	27.9%
EBITDA	PLN m	344.9	321.8	256.8	7.2%	34.3%
EBIT	PLN m	242.6	230.4	184.3	5.3%	31.6%
EBIT – LIFO method	PLN m	324.3	-22.8	121.3	-	167.4%

The Group's high net finance income of PLN 1,056.1m reported in Q3 2010 was chiefly attributable to foreign exchange gains on revaluation of loans and borrowings and to positive valuation and settlement of market risk hedging transactions. In Q3 2009, the Group reported PLN 514.3m in net finance income, chiefly due to positive valuation of loans and borrowings.

Net foreign exchange gains on revaluation of loans and borrowings in Q3 2010 were PLN 862.1m and related mainly to loans and borrowings at Grupa LOTOS S.A.

The overall excess of the negative settlement of derivatives in Q3 2010 charged to finance expenses was PLN -14.9m and included settlement of foreign exchange risk hedging transactions (forwards) of PLN -17.7m, and settlement of other hedging transactions of PLN 2.8m.

In Q3 2010, the effect of valuation of open (not settled) forward and futures contracts was PLN 133.9m, which included: valuation of foreign exchange risk hedging forwards of PLN 127.6m, valuation of currency swaps of PLN 18.9m, effect of valuation of transactions executed to hedge prices of petroleum products of PLN 10.4m, valuation of interest rate risk hedging IRSs of PLN -21.1m and valuation of other hedging transactions of PLN -1.9m.

**In Q3 2010, the Group reported net foreign exchange gains of PLN 862.1m.**

**Table 12. Transactions executed to hedge the risk of changes in prices of petroleum products, as at September 30th 2010**

Period	Product/Commodity	Light fuel oil		Heavy fuel oil
		Gasoil .1 Cargoes CIF NWE / ARA		3.5 PCT Barges FOB Rotterdam
Q4 2010	Volume (mt)	-7,306		33,206
	Price range (USD/mt)	660.50 - 756.00		422.00 - 496.00
Q2 2011	Volume (mt)	-2,848		12,948
	Price range USD/mt	715.00 - 716.00		473.00 - 476.25
Q3 2011	Volume (mt)	-4,794		21,794
	Price range (USD/mt)	715.00 - 796.00		473.00 - 517.00
Q4 2011	Volume (mt)	-4,034		18,334
	Price range (USD/mt)	715.00 - 796.25		473.00 - 517.75

**Table 13: Foreign exchange risk hedging transactions as at September 30 2010**

Currency pair	Instrument	Volume	Currency	FX rate range
EUR/USD	Forward	93,500,000	EUR	1.2793 - 1.4501
EUR/PLN	Forward	34,300,000	EUR	3.9710 - 4.0510
USD/PLN	Forward	-82,355,000	USD	2.8929 - 3.3366

**Table 14: Interest rate risk hedging transactions as at September 30th 2010**

Instrument	Start date	Expiry date	Nominal value	Currency	Interest rate range	Reference rate
IRS	from Oct 15 2008	from Jun 30 2011	1,280,000,000	USD	3.33% - 4.33%	6M LIBOR
	to Jul 15 2011	to Jan 15 2018				
FRA	Oct 15 2010	Jan 18 2011	800,000,000	USD	0.61%	3M LIBOR

In Q3 2010, net profit from continuing operations was PLN 1,051.3m, and was by PLN 471.8m (or 81.4%) higher than the net profit from continuing operations reported in Q3 2009. Net profit attributable to owners of the Parent reached PLN 1,051.0m.

**Net profit in Q3 2010 was PLN 1,051m**

**Table 15. Net profit of the LOTOS Group**

		Q3 2010	Q2 2010	Q3 2009	Q3 2010 vs. Q2 2010	Q3 2010 vs. Q3 2009
Pre-tax profit/(loss)	PLN m	1,298.7	-822.5	729.4	-	78.1%
Net profit/(loss) from continuing operations	PLN m	1,051.3	-645.5	579.5	-	81.4%
Net profit/(loss) attributable to owners of the Parent	PLN m	1,051.0	-645.9	578.9	-	81.6%

## 7 Consolidated Statement of Financial Position

As at September 30th 2010, the LOTOS Group had total assets of PLN 17,027.7m, which means an increase of PLN 1,801.7m during the first nine months of 2010. In the first three quarters of 2010, non-current assets grew by PLN 643.8m, chiefly due to a PLN 651.2m increase in property, plant and equipment (including tangible assets under construction and prepayments for tangible assets under construction) following mainly from implementation of the 10+ Programme at the Parent Undertaking and investment expenditure in the upstream segment.

As at September 30th 2010, inventories amounted to PLN 3,850.5m, having increased over the first three quarters of 2010 by PLN 827.4m, mainly due to higher volumes of mandatory stocks at the Parent Undertaking (199.1 thousand m<sup>3</sup> more of fuels and heavy fuel oil and 48.6 thousand tonnes more of crude oil) and higher prices of crude oil and petroleum products as at the end of Q3 2010 relative to the prices at the end of 2009. Higher prices of products and higher sales volumes also led to a PLN 316.4m rise in trade receivables. As at the end of Q3 2010, current assets totalled PLN 6,283.9m, and were by PLN 1,157.5m higher relative to the end of 2009.

As at September 30th 2010, equity stood at PLN 7,266.1m, having increased during the first nine months of 2010 by PLN 419.9m, primarily due to higher retained earnings

and lower non-controlling interests following the acquisition by Grupa LOTOS S.A. of the remaining minority interests in LOTOS Jasło S.A. and LOTOS Czechowice S.A.

During the first nine months of 2010, non-current liabilities went up by PLN 530.7m, mainly due to a PLN 594.0m rise in non-current loans and borrowings connected primarily with the implementation of the 10+ Programme. Foreign currency debt under non-current loans at the Parent Undertaking grew over the first three quarters of 2010 by USD 181.2m. As at September 30th 2010, non-current liabilities in the LOTOS Group totalled PLN 6,191.5m, including interest-bearing loans and borrowings of PLN 5,536.6m and negative valuation of financial instruments of PLN 134.3m.

Current liabilities at the end of September 2010 were PLN 3,570.1m, having grown over the first nine months of 2010 by PLN 851.1m, chiefly due to a PLN 781.3m increase in trade payables, accruals and deferred income, and other liabilities. This increase was primarily attributable to a 58.1% rise in the volume and a 67.5% rise in the value of crude oil purchased in September 2010 as compared with the crude oil purchased in December 2009. In the discussed period, other current financial liabilities went up by PLN 137.7m to reach PLN 156.8 m at the end of September 2010, of which nearly the entire figure related to negative valuation of financial instruments. During the first nine months of 2010, the LOTOS Group's current debt shrank by PLN 99.2m.

As at September 30th 2010, the financial debt of the LOTOS Group amounted to PLN 6,196.0m, up by PLN 494.9m on the 2009 end-of -year figure. The ratio of financial debt (adjusted by free cash) to equity was 79.4%, i.e. by 1.4 percentage points more than at December 31st 2009.

**Table 16. Consolidated statement of financial position**

		Sep 30 2010	Dec 31 2009	Change	%
<b>Assets</b>	<b>PLN m</b>	<b>17,027.7</b>	<b>15,226.0</b>	<b>1,801.7</b>	<b>11.8%</b>
Non-current assets	PLN m	10,738.2	10,094.4	643.8	6.4%
Property, plant and equipment	PLN m	5,360.5	3,438.6	1,921.9	55.9%
Tangible assets under construction	PLN m	4,969.6	6,240.3	-1,270.7	-20.4%
Current assets	PLN m	6,283.9	5,126.4	1,157.5	22.6%
Inventories	PLN m	3,850.5	3,023.1	827.4	27.4%
Trade and other receivables	PLN m	1,853.3	1,536.9	316.4	20.6%
Current financial assets	PLN m	42.2	47.0	-4.8	-10.2%
Cash and cash equivalents	PLN m	428.1	362.1	66.0	18.2%
<b>Equity and liabilities</b>	<b>PLN m</b>	<b>17,027.7</b>	<b>15,226.0</b>	<b>1,801.7</b>	<b>11.8%</b>
Equity	PLN m	7,266.1	6,846.2	419.9	6.1%
Non-current liabilities	PLN m	6,191.5	5,660.8	530.7	9.4%
Current liabilities	PLN m	3,570.1	2,719.0	851.1	31.3%

## 8 Consolidated Statement of Cash Flows

As at the end of September 2010, the LOTOS Group's cash balance (including current account overdrafts) was PLN 228.2m, and was by PLN 211.7m higher than as at September 30th 2009.

**Higher net cash provided by operating activities**

In Q3 2010, net cash provided by operating activities was by PLN 209.4m higher than the net operating cash flow recorded in the comparable period, mainly due to higher net profit.

In the discussed period, PLN 561.8m higher negative cash flows from investing activities were mainly attributable to lower (by PLN 518.9m) expenses incurred in connection with the acquisition of property, plant and equipment and intangible assets.

Net cash flows from financing activities in Q3 2010 were by PLN 314.0m lower than in Q3 2009. The difference was mainly attributable to lower (by PLN 212.5m) cash inflows under contracted loans and borrowings less repayments of loans and borrowings and interest paid, and PLN 131.2m lower adjustments due to settlement of financial instruments.

**Table 17: Consolidated statement of cash flows**

		Q3 2010	Q3 2009	Change
Cash flows from operating activities	<i>PLN m</i>	358.7	149.3	209.4
Cash flows from investing activities	<i>PLN m</i>	-275.2	-837.0	561.8
Cash flows from financing activities	<i>PLN m</i>	213.4	527.4	-314.0
Change in net cash	<i>PLN m</i>	290.0	-199.6	489.6
Cash and cash equivalents at beginning of period	<i>PLN m</i>	-61.8	216.1	-277.9
Cash and cash equivalents at end of period	<i>PLN m</i>	228.2	16.5	211.7