



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

THE LOTOS GROUP

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31ST 2010**

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**The LOTOS Group
FINANCIAL HIGHLIGHTS**

FINANCIAL HIGHLIGHTS - CONSOLIDATED

	PLN '000		EUR '000	
	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)
THE LOTOS GROUP				
	(unaudited)	(audited)	(unaudited)	(audited)
Sales revenue	19,680,855	14,321,041	4,914,807	3,299,323
Operating profit	769,104	419,793	192,065	96,713
Pre-tax profit	714,956	1,109,608	178,543	255,635
Net profit from continuing operations	653,032	911,812	163,079	210,066
Profit from continuing operations attributable to owners of the Parent	650,982	900,761	162,567	207,520
Profit from continuing operations attributable to non-controlling interests	2,050	11,051	512	2,546
Total comprehensive income	658,641	928,661	164,479	213,948
Comprehensive income attributable to owners of the Parent	656,552	908,083	163,958	209,207
Comprehensive income attributable to non-controlling interests	2,089	20,578	522	4,741
Net cash provided by / (used in) operating activities	903,519	694,498	225,632	160,000
Net cash provided by (used in) investing activities	(1,058,323)	(3,339,669)	(264,290)	(769,403)
Net cash provided by/(used in) financing activities	439,525	2,155,844	109,761	496,670
Total net cash flow	282,765	(486,988)	70,614	(112,194)
Basic earnings per share (PLN/EUR)	5.01	7.44	1.25	1.71
Diluted earnings per share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Dec 31 2010	As at Dec 31 2009 (restated)	As at Dec 31 2010	As at Dec 31 2009 (restated)
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	17,708,565	15,225,952	4,471,521	3,706,234
Equity attributable to owners of the Parent	7,478,921	6,809,393	1,888,473	1,657,513
Non-controlling interests	14,588	36,752	3,684	8,946
Total equity	7,493,509	6,846,145	1,892,157	1,666,459

FINANCIAL HIGHLIGHTS – SEPARATE

	PLN '000		EUR '000	
	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)
GRUPA LOTOS S.A.				
	(unaudited)	(audited)	(unaudited)	(audited)
Sales revenue	18,124,645	12,696,912	4,526,182	2,925,151
Operating profit	314,163	108	78,454	25
Pre-tax profit	526,994	701,871	131,604	161,699
Profit from continuing operations	472,312	591,327	117,948	136,232
Total comprehensive income	472,312	591,327	117,948	136,232
Net cash provided by / (used in) operating activities	281,169	(25,753)	70,215	(5,933)
Net cash provided by (used in) investing activities	(407,432)	(2,409,365)	(101,746)	(555,076)
Net cash provided by/(used in) financing activities	401,581	2,124,441	100,285	489,435
Total net cash flow	272,370	(309,495)	68,018	(71,302)
Basic earnings per share (PLN/EUR)	3.64	4.88	0.91	1.12
Diluted earnings per share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Dec 31 2010	As at Dec 31 2009 (restated)	As at Dec 31 2010	As at Dec 31 2009 (restated)
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,685,743	12,559,630	3,708,240	3,057,210
Equity	5,952,411	5,480,099	1,503,020	1,333,942

Items of the statement of financial position as at December 31st 2010, presented in the "Financial Highlights" table, were translated using the euro mid-exchange rate quoted by the National Bank of Poland for that date, i.e. EUR 1 = PLN 3.9603. Items of the statement of comprehensive income and the statement of cash flows for the year ended December 31st 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0044 (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 2010).

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

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The LOTOS Group
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31st 2010 and December 31st 2009

(PLN '000)	Dec 312010	Dec 31 2009
	(unaudited)	(restated)
		(audited)
ASSETS		
Non-current assets		
Property, plant and equipment	6,195,085	3,438,629
Tangible assets under construction	4,203,492	6,240,316
Goodwill	46,688	46,688
Intangible assets	94,785	89,240
Investment property	3,376	3,762
Investments in associates accounted for using the equity method	78,473	88,255
Non-current financial assets	63,101	86,052
Deferred tax assets	135,673	74,267
Non-current receivables	24,836	22,061
Prepayments and accrued income	3,656	5,087
Total non-current assets	10,849,165	10,094,357
Non-current assets held for sale	6,018	5,209
Current assets		
Inventories, including:	4,506,721	3,023,144
- mandatory stocks	2,980,241	2,196,965
Trade and other receivables	1,826,977	1,536,854
Current income tax receivable	47,774	131,299
Prepayments and accrued income	31,845	25,982
Current financial assets	39,714	47,029
Cash and cash equivalents	398,458	362,078
Total current assets	6,851,489	5,126,386
Current assets held for sale, including:	1,893	-
- cash and cash equivalents	77	-
- other current assets	1,816	-
Total assets	17,708,565	15,225,952
EQUITY AND LIABILITIES		
Equity		
Share capital	129,873	129,873
Statutory reserve funds	1,311,348	1,311,348
Retained earnings	6,017,853	5,353,895
Translation of foreign operations	19,847	14,277
Equity attributable to owners of the Parent	7,478,921	6,809,393
Non-controlling interests	14,588	36,752
Total equity	7,493,509	6,846,145
Non-current liabilities		
Interest-bearing loans and borrowings	4,404,395	4,942,590
Long-term provisions	310,464	275,057
Deferred tax liabilities	117,406	90,611
Other financial liabilities	195,873	300,389
Accruals and deferred income and other liabilities	40,141	52,130
Total non-current liabilities	5,068,279	5,660,777
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities	2,950,825	1,890,654
Current income tax payable	15,515	11,867
Interest-bearing loans and borrowings	1,931,047	758,481
Notes	53,000	-
Short-term provisions	20,203	38,897
Other financial liabilities	176,014	19,131
Total current liabilities	5,146,604	2,719,030
Liabilities related to assets held for sale	173	-
Total liabilities	10,215,056	8,379,807
Total equity and liabilities	17,708,565	15,225,952



The LOTOS Group
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2009 (restated)	12 months ended Dec 31 2009 (restated)
	(unaudited)	(unaudited)	(unaudited)	(audited)
Sales revenue	5,739,318	19,680,855	4,024,518	14,321,041
Cost of sales	(5,109,775)	(17,565,475)	(3,612,593)	(12,775,790)
Gross profit	629,543	2,115,380	411,925	1,545,251
Other operating income	37,903	67,723	46,697	74,264
Selling costs	(240,740)	(870,993)	(205,278)	(726,367)
General and administrative expenses	(122,611)	(400,023)	(106,375)	(332,666)
Other operating expenses	(74,348)	(142,983)	(82,160)	(140,689)
Operating profit	229,747	769,104	64,809	419,793
Finance income	30,999	233,812	312,960	954,912
Finance expenses	(22,700)	(287,960)	(147,680)	(303,879)
Share of investments in associates	-	-	8,227	8,227
Loss of control over subsidiary	-	-	(247)	30,555
Pre-tax profit	238,046	714,956	238,069	1,109,608
Corporate income tax	(14,871)	(61,924)	(8,983)	(197,796)
Net profit from continuing operations	223,175	653,032	229,086	911,812
Other comprehensive income				
Exchange differences on translation of foreign operations	4,271	5,609	(6,885)	14,378
Other	-	-	2,471	2,471
Other comprehensive income (net)	4,271	5,609	(4,414)	16,849
Total comprehensive income	227,446	658,641	224,672	928,661
Net profit from continuing operations attributable to:				
Owners of the Parent	223,130	650,982	227,302	900,761
Non-controlling interests	45	2,050	1,784	11,051
	223,175	653,032	229,086	911,812
Total comprehensive income attributable to:				
Owners of the Parent	227,372	656,552	213,361	908,083
Non-controlling interests	74	2,089	11,311	20,578
	227,446	658,641	224,672	928,661
Net earnings from continuing operations per share (PLN)				
Weighted average number of shares (in thousands)	129,873	129,873	129,873	121,144
- basic	1.72	5.01	1.75	7.44
- diluted	-	-	-	-

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The LOTOS Group
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)
	(unaudited)	(audited)
Cash flows from operating activities		
Net profit from continuing operations	653,032	911,812
Adjustments:		
Share in net profit of subordinated undertakings accounted for using the equity method	-	(8,227)
Depreciation and amortisation	386,732	284,793
Foreign exchange (gains)/losses	152,909	(456,019)
Interest and dividends	73,769	36,864
(Profit)/loss on investing activities	89,054	16,580
Income tax paid	(84,219)	(187,291)
Current income tax	61,924	197,796
(Increase) in receivables	(291,250)	(187,480)
(Increase) in inventories	(1,483,577)	(575,767)
Increase in liabilities and accruals and deferred income	1,149,807	692,711
Increase/(decrease) in provisions	7,807	(48,866)
(Increase)/decrease in prepayments and accrued income	(5,428)	19,045
Settlement and valuation of financial instruments	193,036	(1,453)
Other adjustments	(77)	-
Net cash provided by/(used in) operating activities	903,519	694,498
Cash flows from investing activities		
Dividends received	10,490	1,737
Interest received	1,581	4,252
Sale/(purchase) of tangible and intangible assets	(1,012,021)	(3,072,664)
Sale/(purchase) of current financial assets	83	2,758
(Purchase) of non-current financial assets	(14)	-
Acquisition of Energobaltic Sp. z o.o., net of cash acquired	-	(1,526)
Prepayments for tangible assets under construction	(56,910)	(258,581)
Cash related to loss of control over subsidiary	-	(367)
Other items, net	(1,532)	(15,278)
Net cash provided by/(used in) investing activities	(1,058,323)	(3,339,669)
Cash flows from financing activities		
Increase in loans and borrowings	1,272,883	2,263,790
Issue of notes	53,000	-
Cash flows attributable to changes in interest in a subsidiary undertaking not resulting in loss of control over non-current financial assets	(11,554)	-
Repayment of loans and borrowings	(630,531)	(195,696)
Interest paid	(121,367)	(126,067)
Dividends paid	-	(15)
Decrease in finance lease liabilities	(3,271)	(1,737)
Settlement of financial instruments	(117,091)	216,047
Other items, net	(2,544)	(478)
Net cash provided by/(used in) financing activities	439,525	2,155,844
Effect of exchange rate fluctuations on cash held	(1,956)	2,339
Change in net cash	282,765	(486,988)
Cash and cash equivalents at beginning of period	(148,635)	338,353
Cash and cash equivalents at end of period	134,130	(148,635)
- restricted cash	34,490	20,420

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The LOTOS Group
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	Share capital	Statutory reserve funds	Retained earnings	Translation of foreign operations	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Jan 1 2009 (restated) (audited)	113,700	970,951	4,430,214	7,060	5,521,925	396,078	5,918,003
Total comprehensive income for period 12 months ended Dec 31 2009	-	-	900,866	7,217	908,083	20,578	928,661
Dividend to shareholders – distribution of profit for 2008	-	-	-	-	-	(19)	(19)
Share issue	16,173	-	-	-	16,173	-	16,173
Share premium	-	340,773	-	-	340,773	-	340,773
Issue expenses including deferred tax	-	(376)	-	-	(376)	-	(376)
Changes in ownership interest	-	-	22,835	-	22,835	(379,647)	(356,812)
Changes in the Group's organisational structure	-	-	(20)	-	(20)	(238)	(258)
Dec 31 2009 (restated) (audited)	129,873	1,311,348	5,353,895	14,277	6,809,393	36,752	6,846,145
Jan 1 2010 (restated) (audited)	129,873	1,311,348	5,353,895	14,277	6,809,393	36,752	6,846,145
Total comprehensive income for period 12 months ended Dec 31 2010	-	-	650,982	5,570	656,552	2,089	658,641
Changes in ownership interest	-	-	12,976	-	12,976	(24,253)	(11,277)
Dec 31 2010 (unaudited)	129,873	1,311,348	6,017,853	19,847	7,478,921	14,588	7,493,509

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Grupa LOTOS S.A.
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at December 31st 2010 and December 31st 2009

(PLN '000)	Dec 31 2010	Dec 31 2009
	(unaudited)	(restated) (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	4,423,681	1,664,687
Tangible assets under construction	2,972,027	5,256,042
Intangible assets	48,615	43,928
Non-current financial assets	1,063,913	1,078,148
Deferred tax assets	-	-
Prepayments and accrued income	3,311	3,676
Total non-current assets	8,511,547	8,046,481
Current assets		
Inventories, including:	4,298,501	2,894,236
- mandatory stocks	2,977,818	2,192,785
Trade and other receivables	1,721,822	1,428,666
Current income tax receivable	-	71,622
Prepayments and accrued income	21,495	15,355
Current financial assets	101,867	85,050
Cash and cash equivalents	30,511	18,220
Total current assets	6,174,196	4,513,149
Total assets	14,685,743	12,559,630
EQUITY AND LIABILITIES		
Equity		
Share capital	129,873	129,873
Statutory reserve funds	1,311,348	1,311,348
Retained earnings	4,511,190	4,038,878
Total equity	5,952,411	5,480,099
Non-current liabilities		
Interest-bearing loans and borrowings	4,141,974	4,662,659
Long-term provisions	31,420	28,820
Deferred tax liabilities	103,984	61,929
Other financial liabilities	107,537	220,230
Total non-current liabilities	4,384,915	4,973,638
Current liabilities		
Trade payables, accruals and deferred income, and other liabilities	2,615,966	1,612,978
Current income tax payable	12,124	-
Interest-bearing loans	1,547,251	471,926
Short-term provisions	6,675	7,712
Other financial liabilities	166,401	13,277
Total current liabilities	4,348,417	2,105,893
Total liabilities	8,733,332	7,079,531
Total equity and liabilities	14,685,743	12,559,630

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Grupa LOTOS S.A.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three and twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2009 (restated)	12 months ended Dec 31 2009 (restated)
	(unaudited)	(unaudited)	(unaudited)	(audited)
Sales revenue	5,281,844	18,124,645	3,607,852	12,696,912
Cost of sales	(4,939,067)	(17,104,381)	(3,430,658)	(12,116,519)
Gross profit	342,777	1,020,264	177,194	580,393
Other operating income	9,993	17,902	33,782	38,681
Selling costs	(126,041)	(448,791)	(103,989)	(359,470)
General and administrative expenses	(75,204)	(249,376)	(64,351)	(214,922)
Other operating expenses	278	(25,836)	(41,026)	(44,574)
Operating profit	151,803	314,163	1,610	108
Finance income	10,788	438,426	226,122	949,997
Finance expenses	(5,428)	(225,595)	(116,083)	(248,234)
Pre-tax profit	157,163	526,994	111,649	701,871
Corporate income tax	(31,363)	(54,682)	(24,674)	(110,544)
Net profit from continuing operations	125,800	472,312	86,975	591,327
Other comprehensive income (net)	-	-	-	-
Total comprehensive income	125,800	472,312	86,975	591,327
Net earnings from continuing operations per share (PLN)				
Weighted average number of shares (in thousands)	129,873	129,873	129,873	121,144
- basic	0.97	3.64	0.67	4.88
- diluted	-	-	-	-

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Grupa LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
for the twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	12 months ended Dec 31 2010	12 months ended Dec 31 2009
	(unaudited)	(restated) (audited)
Cash flows from operating activities		
Net profit from continuing operations	472,312	591,327
Adjustments:		
Depreciation and amortisation	215,625	139,215
Foreign exchange losses/(gains)	172,706	(370,504)
Interest and dividends	(234,090)	(135,272)
Loss on investing activities	6,164	35,197
Current income tax	54,682	110,544
Income tax paid	-	(92,981)
(Increase) in receivables	(293,160)	(234,381)
(Increase) in inventories	(1,404,265)	(620,791)
Increase in liabilities and accruals and deferred income	1,102,017	584,573
Increase/(decrease) in provisions	1,563	(33,750)
(Increase)/decrease in prepayments and accrued income	(5,775)	3,148
Settlement and valuation of financial instruments	193,390	(2,078)
Net cash provided by/(used in) operating activities	281,169	(25,753)
Cash flows from investing activities		
(Purchase)/sale of non-current financial assets	(11,074)	-
Dividends received	251,936	145,784
Interest received	558	2,936
(Purchase)/sale of tangible and intangible assets	(586,979)	(2,255,580)
Prepayments for tangible assets under construction	(47,557)	(253,389)
Loans advanced	(21,816)	(62,521)
Repayment of non-current loans advanced	1,100	19,805
Other cash provided by/(used on) financial assets	6,400	(6,400)
Net cash provided by/(used in) investing activities	(407,432)	(2,409,365)
Cash flows from financing activities		
Increase in loans and borrowings	831,007	2,032,411
Repayment of loans and borrowings	(248,085)	(34,396)
Cash flows attributable to changes in interest in a subsidiary undertaking not resulting in loss of control over non-current financial assets	-	2,353
Interest paid	(60,893)	(94,361)
Settlement of financial instruments	(120,201)	219,085
Other items, net	(247)	(651)
Net cash provided by/(used in) financing activities	401,581	2,124,441
Effect of exchange rate fluctuations on cash held	(2,948)	1,182
Change in net cash	272,370	(309,495)
Cash and cash equivalents at beginning of period	(443,798)	(134,303)
Cash and cash equivalents at end of period	(171,428)	(443,798)
- restricted cash	29,950	17,070

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

Grupa LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the twelve months ended December 31st 2010 and December 31st 2009

(PLN '000)	<u>Share capital</u>	<u>Statutory reserve funds</u>	<u>Retained earnings</u>	<u>Total equity</u>
Jan 1 2009 (restated) (audited)	113,700	970,951	3,447,551	4,532,202
Total comprehensive income for 12 months ended Dec 31 2009	-	-	591,327	591,327
Share issue	16,173	-	-	16,173
Share premium	-	340,773	-	340,773
Issue expenses including income tax	-	(376)	-	(376)
Dec 31 2009 (restated) (audited)	129,873	1,311,348	4,038,878	5,480,099
Jan 1 2010 (restated) (audited)	129,873	1,311,348	4,038,878	5,480,099
Total comprehensive income for 12 months ended Dec 31 2010	-	-	472,312	472,312
Dec 31 2010 (unaudited)	129,873	1,311,348	4,511,190	5,952,411

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31ST 2010

1. General Information

Grupa LOTOS S.A. ("the Company", "the Parent Undertaking"), the Parent Undertaking of the LOTOS Group ("the Group"), was established by virtue of the Notarial Deed dated September 18th 1991. On April 10th 2002, the Company was entered into the National Court Register maintained by the District Court of Gdańsk, XII Commercial Division of the National Court Register (currently the District Court for Gdańsk - Północ, VII Commercial Division of the National Court Register), under entry No. KRS 0000106150. The Company was assigned Industry Identification Number (REGON) 190541636.

The Parent Undertaking's registered address is ul. Elbląska 135, 80-718 Gdańsk, Poland.

In 2003, by virtue of its decision of May 28th 2003, the District Court of Gdańsk, XII Commercial Division of the National Court Register, changed the Company's name from Rafineria Gdańska Spółka Akcyjna to Grupa LOTOS Spółka Akcyjna.

The Group's core business consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas reserves and their exploitation.

2. Composition of the Group

As at December 31st 2010, the LOTOS Group comprised Grupa LOTOS S.A. (the Parent Undertaking) and 25 production and service companies, including:

- 16 subsidiaries of Grupa LOTOS S.A.
- 9 indirect subsidiaries of Grupa LOTOS S.A.

In addition, as at December 31st 2010 and as at December 31st 2009, the Group held an indirect equity interest of 40.31% in associated undertaking AB Geonafra.

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

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2010	Dec 31 2009
Parent Undertaking					
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct Subsidiary Undertakings					
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%
LOTOS Gaz S.A. ⁽¹⁾	Mława	The company does not conduct business operations	full	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sale of base oils	full	100.00%	100.00%
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%
LOTOS Ekoenergia Sp. z o.o. ⁽²⁾	Gdańsk	The company has not commenced operations	full	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%
LOTOS LAB Sp. z o.o.	Gdańsk	Laboratory testing	full	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection	full	100.00%	100.00%

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The LOTOS Group
Notes to the interim condensed consolidated financial statements
for the three and twelve months ended December 31st 2010

Name	Registered office	Business profile	Method of consolidation/ valuation of shares	Percentage of share capital held by the Group	
				Dec 31 2010	Dec 31 2009
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Gdańsk ⁽³⁾	Wholesale of petroleum products	full	100.00%	100.00%
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice-Dziedzice	Storage and distribution of fuels	full	97.55% ⁽⁵⁾	85.04% ⁽⁴⁾
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	full	98.12% ⁽⁵⁾	85.01% ⁽⁴⁾
LOTOS Petrobaltic S.A. ⁽⁶⁾ (parent undertaking of another group)	Gdańsk	Acquisition of crude oil and natural gas reserves and their exploitation	full	99.32%	99.32% ⁽⁴⁾
LOTOS Park Technologiczny Sp. z o.o.	Jasło	The company does not conduct business operations	full	100.00% ⁽⁷⁾	0.29% ⁽⁷⁾
Indirect Subsidiary Undertakings					
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Provision of services	full	97.55% ^(9, 10)	85.04% ⁽⁸⁾
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME) ⁽¹¹⁾	full	97.55% ^(9, 10)	85.04% ⁽⁸⁾
PLASTEKOL Organizacja Odzysku S.A.	Jasło	Provision of services	full	93.70% ⁽⁹⁾	81.18% ^(8, 12)
KRAK - GAZ Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation)	Kraków		_(1)		
Miliana Shipping Company Ltd.	Cyprus	Provision of services	full	99.32%	99.32% ⁽⁸⁾
LOTOS Exploration and Production Norge AS	Stavanger Norway	Oil exploration and production at the Norwegian Continental Shelf, provision of services related to oil exploration and production	full	99.32% ⁽¹³⁾	99.32% ⁽⁸⁾
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Provision of services	full	99.32%	99.32% ⁽⁸⁾
Energobaltic Sp. z o.o.	Władysławowo ⁽¹⁵⁾	Production	full ⁽¹⁴⁾	99.32%	99.32% ⁽¹⁴⁾
UAB LOTOS Baltija	Lithuania	Business and legal advisory services	full	99.32% ⁽¹⁶⁾	100.00%

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

On January 10th 2011, the General Shareholders Meeting of LOTOS Gaz S.A. adopted a resolution to dissolve LOTOS Gaz S.A. by way of its liquidation (see Note 14 to these interim condensed consolidated financial statements).

⁽²⁾ On May 6th 2010, a change in the company's legal form (from a joint stock company to a limited liability company) was registered. Currently the company operates under the name LOTOS Ekoenergia Sp. z o.o.

⁽³⁾ On August 12th 2009, the registered office of LOTOS Tank Sp. z o.o. was relocated from Jasło to Gdańsk.

⁽⁴⁾ 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 LOTOS Petrobaltic S.A., 5% of shares in LOTOS Czechowice S.A. and 5% of shares in LOTOS Jasło S.A.

⁽⁵⁾By December 31st 2010, Grupa LOTOS S.A. acquired from non-controlling interests an additional 12.51% of shares in LOTOS Czechowice S.A. and 13.11% of shares in LOTOS Jasło S.A. (see Note 15 to these interim condensed consolidated financial statements).

⁽⁶⁾ On March 31st 2010, a 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.

⁽⁷⁾ 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,

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- 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. was as follows:

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

Grupa LOTOS S.A. retained control over LOTOS Park Technologiczny Sp. z o.o. given the GM powers vested in Grupa LOTOS S.A. as the only shareholder. On March 31st 2010, a 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.

⁽⁸⁾ The shareholding changes described in item ⁽⁴⁾ above led to changes in the Group's indirect interests in the share capitals of the subsidiaries of Petrobaltic S.A. (currently LOTOS Petrobaltic S.A.), LOTOS Czechowice S.A. and LOTOS Jasło S.A.

⁽⁹⁾ The shareholding changes described in item ⁽⁵⁾ above led to changes in the Group's indirect interests in the share capitals of the subsidiaries of LOTOS Czechowice S.A. and LOTOS Jasło S.A.

⁽¹⁰⁾ On November 5th 2010, Grupa LOTOS S.A. purchased from LOTOS Czechowice S.A. one share in LOTOS Biopaliwa Sp. z o.o., representing 0.005% of the share capital of LOTOS Biopaliwa Sp. z o.o., and one share in RCEkoenergia Sp. z o.o., representing 0.005% of the share capital of RCEkoenergia Sp. z o.o. (see Note 15 to these interim condensed consolidated financial statements).

⁽¹¹⁾ On March 1st 2009, LOTOS Biopaliwa Sp. z o.o. commenced operations.

⁽¹²⁾ In May – June 2008 and January – December 2009, LOTOS Jasło S.A. acquired shares in PLASTEKOL Organizacja Odzysku S.A. As a result of the executed transactions, LOTOS Jasło S.A.'s share in the share capital of PLASTEKOL Organizacja Odzysku S.A. increased to 95.5%.

⁽¹³⁾ On November 15th 2010, the share capital of LOTOS Exploration and Production Norge AS was increased by NOK 1. One new share with a par value of NOK 1 (the equivalent of PLN 0.4822, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for November 15th 2010) was acquired by Grupa LOTOS S.A. (see Note 15 to these interim condensed consolidated financial statements).

⁽¹⁴⁾ On November 27th 2009, LOTOS Petrobaltic S.A. acquired control of Energobaltic Sp. z o.o.

⁽¹⁵⁾ The relocation of Energobaltic Sp. z o.o.'s registered office from Gdańsk to Władysławowo was registered on January 25th 2010.

⁽¹⁶⁾ On December 9th 2010, Grupa LOTOS S.A. and LOTOS Petrobaltic S.A. executed an agreement providing for the sale of 5,876 shares in UAB LOTOS Baltija, representing 100% of the company's share capital (see Note 15 to these interim condensed consolidated financial statements).

In these interim condensed consolidated financial statements, the LOTOS Group presented the financial information concerning the LOTOS Petrobaltic Group for the twelve months ended December 31st 2010 assuming that the LOTOS Petrobaltic Group carried the equity-accounted interest in its associated undertaking AB Geonafta as at December 31st 2009 at PLN 88,255 thousand, adjusted for dividend of PLN 9,782 thousand approved by a resolution of the Annual General Shareholders Meeting of AB Geonafta on May 17th 2010.

The value of the interest in AB Geonafta disclosed in these consolidated financial statements is based on the consolidated financial statements of the AB Geonafta Group for 2009, drawn up in accordance with the IFRS.

As at December 31st 2010, the Group's shares in the total vote at the general shareholders meetings of its subsidiary undertakings were equal to its shares in their share capitals. As at December 31st 2009, the Group's shares in the total vote at the general shareholders meetings of its subsidiary undertakings were equal to its shares in their share capitals, except in the case of LOTOS Park Technologiczny Sp. z o.o. (see Note 15 to these interim condensed consolidated financial statements).

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

In the period from January 1st 2010 until the date of approval of these interim condensed consolidated financial statements, the composition of the Management Board of Grupa LOTOS S.A. was as follows:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer,
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer,
Marek Sokołowski – Vice-President of the Management Board, Chief Operation Officer,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

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As at January 1st 2010, the composition of the Supervisory Board of Grupa LOTOS S.A. was as follows:

Wiesław Skwarko – Chairman of the Supervisory Board,
Leszek Starosta – Deputy Chairman of the Supervisory Board,
Mariusz Obszyński – Secretary of the Supervisory Board,
Radosław Barszcz – Member of the Supervisory Board
Małgorzata Hirszel – Member of the Supervisory Board,
Jan Stefanowicz – Member of the Supervisory Board,
Ireneusz Fąfara – Member of the Supervisory Board.

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

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

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

As at December 31st 2010 and as at the date of approval of these interim condensed consolidated financial statements, the composition of the Supervisory Board of Grupa LOTOS S.A. was as follows:

Wiesław Skwarko – Chairman of the Supervisory Board,
Leszek Starosta – Deputy Chairman of the Supervisory Board,
Oskar Pawłowski – Secretary of the Supervisory Board,
Małgorzata Hirszel – Member of the Supervisory Board,
Michał Rumiński – Member of the Supervisory Board,
Rafał Wardziński – Member of the Supervisory Board,
Ewa Sibrecht-Ośka – Member of the Supervisory Board,
Rafał Lorek – Independent Member of the Supervisory Board.

4. Rules of Presentation

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

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

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

The financial information as at December 31st 2010 and for the three and twelve months ended on that date, as well as the comparative financial data for the three months ended December 31st 2009, contained in these interim condensed consolidated financial statements, were not audited. The financial information for the twelve months ended December 31st 2009 and as at December 31st 2009 was audited by a qualified auditor, who issued an audit opinion on April 26th 2010.

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

These interim condensed consolidated financial statements were approved for publication by the Management Board on February 14th 2011.

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4.1 Change of Information Presented in Previous Reporting Periods

1. The Group adjusted the comparative data for the three months ended December 31st 2009 to reflect in the case of selected items of property plant and equipment the component approach required by IAS 16 Property, Plant and Equipment, adopted in the consolidated financial statements of the LOTOS Group for 2009 prepared in accordance with the IFRS. Therefore, in the statement of comprehensive income for the three months ended December 31st 2009, cost of sales rose by PLN 16,952 thousand, whereas income tax and net profit from continuing operations decreased respectively by PLN 3,221 thousand and PLN 13,731 thousand.
2. In the statement of cash flows for the twelve months ended December 31st 2009, valuation of financial instruments previously disclosed under "(Profit)/loss on investing activities" (of PLN 214,433 thousand) and under "Foreign exchange (gains)/losses" (of PLN 161 thousand) was transferred to "Settlement and valuation of financial instruments".
3. In the three and twelve months ended December 31st 2009, the Group reclassified costs relating to transport between storage terminals. For the twelve months ended December 31st 2009, general and administrative expenses decreased by PLN 25,248 thousand with the corresponding increase reflected in cost of sales (for the three months ended December 31st 2009 respectively by PLN 5,375 thousand).
4. In the three and twelve months ended December 31st 2010, foreign exchange gains and losses were netted off at the Group level. For the twelve months ended December 31st 2009, finance income and expenses related to foreign exchange differences decreased by PLN 40,012 thousand (for the three months ended December 31st 2009 by PLN 2,343 thousand).
5. 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 comparability of the data presented in Note 13 to these interim condensed consolidated financial statements, the sales revenue, operating profit (EBIT), amortisation and depreciation, and operating profit before amortisation and depreciation (EBITDA) related to the LPG trading business of the LOTOS Gaz Group have been presented in the downstream segment.

5. Accounting Policies

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

In April 2009, the International Accounting Standards Board released the second collection of amendments to its accounting standards, which aim to eliminate any inconsistencies or ambiguities. Different transitional provisions apply to the individual standards. Implementation of the following amendments led to changes in the Group's accounting policies, but had no impact on its financial standing or performance.

IFRS 8 Operating Segments. It has been clarified that segment assets and liabilities should be disclosed only when such assets and liabilities are included in the measures used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets, the Group continues to disclose the required information in Note 13.

The Parent Undertaking and LOTOS Petrobaltic S.A., LOTOS Exploration and Production Norge AS, LOTOS Asphalt Sp. z o.o., LOTOS Oil S.A., LOTOS Paliwa Sp. z o.o., LOTOS Kolej Sp. z o.o., LOTOS Tank Sp. z o.o., and LOTOS Serwis Sp. z o.o. maintain their accounting books in accordance with the accounting policies prescribed by the International Financial Reporting Standards. The other Group companies maintain their accounting books in accordance with the accounting standards defined in the Polish Accountancy Act of

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September 29th 1994 and the accounting policies and standards applicable at their foreign locations. These consolidated financial statements include adjustments which are absent from the accounting books of the Group's undertakings applying standards other than IFRS, and which have been introduced to ensure consistency of the undertakings' financial information with the IFRS.

The Group has reviewed the new interpretations, standards and amendments to the existing standards. The new interpretations, standards and amendments to the existing standards which are in effect and have been adopted by the European Union, have no material impact on the accounting policies applied by the Group.

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

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

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

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

- IFRS 9 Financial Instruments (effective as of January 1st 2013),
- Changes introduced as part of the improvements to IFRSs published in May 2010 (some changes are effective for annual periods beginning on July 1st 2010, some for annual periods beginning on January 1st 2011),
- Amendments to IFRS 7 - Financial Instruments: Disclosures: Transfers of Financial Assets (effective for annual periods beginning on or after July 1st 2011),
- Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets (effective as of January 1st 2012),
- Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective as of July 1st 2011).

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

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

6. Translation of Financial Highlights into the Euro

Items of the statement of financial position as at December 31st 2010, presented in the "Financial Highlights" table, were translated using the euro mid-exchange rate quoted by the National Bank of Poland for that date, i.e. EUR 1 = PLN 3.9603. Items of the statement of comprehensive income and the statement of cash flows for the year ended December 31st 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0044 (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 2010).

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

7. Seasonality and Cyclicity of Operations in the Interim Period

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

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

In the period from January 1st to December 31st 2010, negative valuation of foreign-currency denominated loans and borrowings of PLN (157,699) thousand reduced finance income.

In the period from January 1st to December 31st 2010, impairment losses of PLN 85,078 thousand on intangible assets and tangible assets under construction increased other operating expenses.

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

In the twelve months ended December 31st 2010, the LOTOS Petrobaltic Group made a change of an estimate reported in the previous financial year, by recognising an impairment loss of PLN 21,950 thousand on intangible assets in other operating expenses.

Furthermore, in the twelve months ended December 31st 2010, the Group recognised an impairment loss of PLN 63,128 thousand on tangible assets under construction.

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

Issue of Notes by LOTOS Asphalt Sp. z o.o.

In the twelve months ended December 31st 2010, LOTOS Asphalt Sp. z o.o. issued short-term bearer notes under the Note Issue Programme Agreement of July 27th 2010.

As part of the Note Issue Programme, LOTOS Asphalt Sp. z o.o. may carry out numerous notes issues. The company's total liabilities under notes outstanding at any given time may not exceed PLN 300,000 thousand (based on the par value of the notes). The term of the Programme is five years.

The notes which have been issued are denominated in the Polish zloty and have been offered in a private placement. The notes were issued as unsecured zero-coupon bearer notes in book-entry form. The notes will be redeemed at their par value.

As at December 31st 2010, the par value of the outstanding notes totalled PLN 53,000 thousand.

Other than the issue of notes discussed above, in the period between January 1st and December 31st 2010 no debt or equity securities were issued, redeemed or repaid.

11. Dividends

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

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

In these interim condensed consolidated financial statements, the Company has presented profit after distribution under retained earnings. In addition, the allocation of profit to the Special Account was recognised as an expense in the twelve months ended December 31st 2010 and presented under short-term provisions.

12. Earnings per Share

	12 months ended Dec 31 2010	12 months ended Dec 31 2009 (restated)
	(unaudited)	(audited)
Profit from continuing operations attributable to owners of the Parent (PLN '000) (A)	650,982	900,761
Weighted average number of shares (in thousands) (B)	129,873	121,144
Earnings per share (PLN) (A/B)	5.01	7.44

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

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

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13. Business Segments

PLN '000	Upstream segment		Downstream segment		Other ⁽¹⁾		Consolidation adjustments		Consolidated	
	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2010	12 months ended Dec 31 2010	3 months ended Dec 31 2010	12 months ended Dec 31 2010
	(unaudited)									
Sales revenue:	48,397	327,436	5,746,574	19,702,706	5,315	21,084	(60,968)	(370,371)	5,739,318	19,680,855
Intersegment sales	48,321	327,113	9,128	33,254	3,519	10,004	(60,968)	(370,371)	-	-
External sales	76	323	5,737,446	19,669,452	1,796	11,080	-	-	5,739,318	19,680,855
Operating profit/(loss) (EBIT)	(55,052)	25,546	263,578	710,289	(414)	(1,379)	21,635	34,648	229,747	769,104
Depreciation and amortisation	14,280	60,073	96,809	318,007	2,528	10,009	(338)	(1,357)	113,279	386,732
Operating profit/(loss) before amortisation and depreciation (EBITDA)	(40,772)	85,619	360,387	1,028,296	2,114	8,630	21,297	33,291	343,026	1,155,836

PLN '000	Upstream segment	Downstream segment	Other ⁽¹⁾	Consolidation adjustments	Consolidated
	(unaudited)				
Total assets	2,076,242	16,071,169	148,133	(586,979)	17,708,565
- including net exploration and appraisal assets	76,779	-	-	-	76,779

⁽¹⁾ Includes LOTOS Ekoenergia Sp. z o.o., LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. and Energobaltic Sp. z o.o.

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PLN '000	Upstream segment		Downstream segment ⁽¹⁾		Other ⁽²⁾		Consolidation adjustments		Consolidated	
	3 months ended Dec 31 2009	12 months ended Dec 31 2009	3 months ended Dec 31 2009	12 months ended Dec 31 2009	3 months ended Dec 31 2009	12 months ended Dec 31 2009	3 months ended Dec 31 2009	12 months ended Dec 31 2009	3 months ended Dec 31 2009	12 months ended Dec 31 2009
						(restated) (unaudited)				
Sales revenue:	82,758	235,280	4,047,156	14,434,329	2,084	2,136	(107,480)	(350,704)	4,024,518	14,321,041
Intersegment sales	81,775	229,229	25,469	121,202	236	273	(107,480)	(350,704)	-	-
External sales	983	6,051	4,021,687	14,313,127	1,848	1,863	-	-	4,024,518	14,321,041
Operating profit/(loss) (EBIT)	(5,500)	(6,652)	90,097	444,873	(285)	(444)	(19,503)	(17,984)	64,809	419,793
Depreciation and amortisation	17,861	53,373	63,791	231,051	939	950	(167)	(581)	82,424	284,793
Operating profit/(loss) before amortisation and depreciation (EBITDA)	12,361	46,721	153,888	675,924	654	506	(19,670)	(18,565)	147,233	704,586
PLN '000	Upstream segment		Downstream segment ⁽³⁾		Other ⁽⁴⁾		Consolidation adjustments		Consolidated	
						Dec 31 2009 (restated) (audited)				
Total assets		1,858,851		13,791,018		152,173		(576,090)		15,225,952
- including net exploration and appraisal assets		87,140		-		-		-		87,140

⁽¹⁾ Includes the LPG trading business of the LOTOS Gaz Group.

⁽²⁾ Includes: LOTOS Ekoenergia Sp. z o. o. and LOTOS Park Technologiczny Sp. z o. o.

⁽³⁾ Including an organised part of business in the form of the LPG Trading Division of LOTOS Gaz S.A., acquired by LOTOS Paliwa Sp. z o.o. from LOTOS Gaz S.A.

⁽⁴⁾ 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.).

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

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

1. On January 10th 2011, the General Shareholders Meeting of LOTOS Gaz S.A. adopted a resolution to dissolve LOTOS Gaz S.A. by way of its liquidation. Furthermore, on January 3rd 2011 the Management Board of LOTOS Gaz S.A. filed a petition with the Commercial Division of the District Court of Płock requesting a declaration of bankruptcy of LOTOS Gaz S.A. According to the information received by the Company, the petition was effectively withdrawn, and the bankruptcy proceedings were discontinued on January 7th 2011.
2. On January 18th 2011, following completion of the APA 2010 licence round, LOTOS Exploration and Production Norge AS was granted a 25% interest in, and the operator status with respect to, license PL 503B located in the Norwegian Sea. The remaining 75% interest in the license was distributed in equal parts among three other companies, including Skagen 44AS, Edison International Norway Branch and 4Sea Energy AS.

In line with a programme of work for the aggregate area covering licence PL503 and the adjacent licence PL 503B described above (i.e. an area of approx. 1,500 sq km), 3D seismic surveys are planned to be carried out in mid-2011, on the basis of which a decision will be made whether to drill an exploration well. The cost of the work corresponding to the 25% license interest is estimated at NOK 17.5m (i.e. PLN 8.7m, translated at the NOK mid-exchange rate quoted by the National Bank of Poland for January 19th 2011).

3. Following approvals by the General Shareholders Meeting of LOTOS Petrobaltic S.A. and the Lithuanian anti-trust authority, on February 3rd 2011 UAB LOTOS Baltija (a subsidiary of LOTOS Petrobaltic S.A.) acquired 100% of shares in UAB Meditus, which holds 59.41% of shares in AB Geonafta. LOTOS Petrobaltic S.A. directly holds 40.59% of shares in AB Geonafta, therefore, as a result of the transaction, LOTOS Petrobaltic S.A. has acquired control over AB Geonafta.

AB Geonafta is the parent undertaking of its own group, whose members are:

- UAB Minijos Nafta (AB Geonafta holds a 50% interest),
- UAB Genciu Nafta (wholly-owned by AB Geonafta),
- UAB Manifoldas (AB Geonafta holds a 50% interest).

The business of AB Geonafta and its group members, including UAB Genciu Nafta, UAB Minijos Nafta and UAB Manifoldas, consists in oil exploration and production in Lithuania. Oil production operations are conducted on shore.

Pursuant to the agreement, the transaction price will be finally determined no later than within 90 days from the transaction closing date.

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

In the period from the end of the previous financial year, i.e. December 31st 2009 (see Note 2 to the consolidated financial statements for 2009, prepared in accordance with the IFRS), the Group's structure was subject to the changes listed below and described in Note 2 to these interim condensed consolidated financial statements.

Registration of Reduction in the Share Capital of LOTOS Park Technologiczny Sp. z o.o.

On November 20th 2009, the then-shareholders of LOTOS Park Technologiczny Sp. z o.o. sold their shares to LOTOS Park Technologiczny:

- 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. was as follows:

LOTOS Park Technologiczny Sp. z o.o. – 99.71%,

Grupa LOTOS S.A. – 0.29%.

Grupa LOTOS S.A. retained control over LOTOS Park Technologiczny Sp. z o.o. given the GM powers vested in Grupa LOTOS S.A. as the only shareholder.

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.

Acquisition of LOTOS Jasło S.A. Shares

On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Jasło S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Jasło S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares through donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 4.90 per share in the period from February 8th 2010 to March 8th 2010, and PLN 4.23 per share in the period from March 9th 2010 to March 22nd 2010. On May 20th 2010, Grupa LOTOS S.A. made another offer to purchase shares in LOTOS Jasło S.A. at a price of PLN 4.45 per share. The offer was addressed to all remaining shareholders and was valid until June 11th 2010. The share purchase process was completed at the end of 2010. With respect to the remaining shares held by minority shareholders, on November 30th 2010 the General Shareholders Meeting of LOTOS Jasło S.A. adopted a resolution regarding minority squeeze-out.

Acquisition of LOTOS Czechowice S.A. Shares

On February 4th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Czechowice S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Czechowice S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares through donation directly from such persons. The offer was valid until March 22nd 2010. The purchase price offered for the shares was PLN 7.98 per share in the period from February 8th 2010 to March 8th 2010, and PLN 6.89 per share in the period from March 9th 2010 to March 22nd 2010. On May 20th 2010, Grupa LOTOS S.A. made another offer to purchase shares in LOTOS Czechowice S.A. at a price of PLN 7.25 per share. The offer was addressed to all remaining shareholders and was valid until June 11th 2010. The share purchase process was completed at the end of 2010. With respect to the remaining shares held by minority shareholders, on December 1st 2010 the General Shareholders Meeting of LOTOS Czechowice S.A. adopted a resolution regarding minority squeeze-out.

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

By December 31st 2010 Grupa LOTOS S.A. acquired 938,701 shares in LOTOS Czechowice S.A. with the total value of PLN 7,574 thousand, representing 12.51% of the company's share capital, and 786,924 shares in LOTOS Jasło S.A. with the total value of PLN 3,980 thousand, representing 13.11% of the company's share capital.

As at December 31st 2010, following completion of the share purchase transactions, Grupa LOTOS S.A. held 97.55% of the share capital of LOTOS Czechowice S.A. and 98.12% of the share capital of LOTOS Jasło S.A.

In line with the revised IAS 27 Consolidated and Separate Financial Statements, the transaction described above was accounted for as an equity transaction, as a result of which an amount of PLN 12,976 thousand was recognised under retained earnings attributable to the Parent.

Accounting for the acquisition of LOTOS Jasło S.A. and LOTOS Czechowice S.A. shares from non-controlling interests, as at December 31st 2010:

(PLN '000)

Value of non-controlling interests as at Dec 31 2010 (A)	24,253
Value of the acquired 12.51% of shares in LOTOS Czechowice S.A. and 13.11% of shares in LOTOS Jasło S.A. (B)	11,554
Costs related to the acquisition (C)	(277)
Excess of the value of non-controlling interests over the value of the acquired shares (A-B-C)	12,976

Share Capital Increase at LOTOS Gaz S.A.

On December 14th 2009, an Extraordinary General Shareholders Meeting of LOTOS Gaz S.A. was held, during which the share capital of LOTOS Gaz S.A. 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. The share capital increase at LOTOS Gaz S.A.'s was not registered, and the payment in the amount of PLN 6,400 thousand made by the Company in connection with the increase was returned. In connection with the foregoing, the Company reversed PLN 6,400 thousand of previously recognised impairment losses on financial assets.

Change in the Legal Form of LOTOS Ekoenergia Sp. z o.o.

On May 6th 2010, a change in the company's legal form from a joint stock company to a limited liability company was registered. Currently the company operates under the name LOTOS Ekoenergia Sp. z o.o.

Acquisition of Shares in LOTOS Biopaliwa Sp. z o.o. and RCEkoenergia Sp. z o.o.

On November 5th 2010, Grupa LOTOS S.A. acquired from LOTOS Czechowice S.A. one share in LOTOS Biopaliwa Sp. z o.o. and one share in RCEkoenergia Sp. z o.o.

Following the transaction, the shareholder structure of LOTOS Biopaliwa Sp. z o.o. is as follows:
 LOTOS Czechowice S.A. – 99.995%,
 Grupa LOTOS S.A. – 0.005%.

Following the transaction, the shareholder structure of RCEkoenergia Sp. z o.o. is as follows:
 LOTOS Czechowice S.A. – 99.995%,
 Grupa LOTOS S.A. – 0.005%.

Acquisition of New Issue Shares in LOTOS Exploration and Production Norge AS

On November 15th 2010, the share capital of LOTOS Exploration and Production Norge AS was raised by NOK 1, to NOK 430,000,001 (the equivalent of PLN 207,346,000, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for November 15th 2010). One new share with a par value of NOK 1 (the equivalent of PLN 0.4822, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for November 15th 2010) was acquired by Grupa LOTOS S.A.

Following the transaction, the shareholder structure of LOTOS Exploration and Production Norge AS is as follows:
LOTOS Petrobaltic S.A. – 99.9999998%,
Grupa LOTOS S.A. – 0.0000002%.

The share capital increase at LOTOS Exploration and Production Norge AS was registered by the Norwegian companies registrar Brønnøysundregistrene on December 2nd 2010.

Disposal of UAB LOTOS Baltija Shares

On December 9th 2010, Grupa LOTOS S.A. and LOTOS Petrobaltic S.A. executed an agreement for the sale of 5,876 shares in UAB LOTOS Baltija, representing 100% of the company's share capital, for a total price of PLN 485 thousand.

Offer to Purchase LOTOS Petrobaltic S.A. Shares

On December 17th 2010, Grupa LOTOS S.A. made an offer to purchase LOTOS Petrobaltic S.A. shares. The offer was addressed only to the following persons: employees and former employees of LOTOS Petrobaltic S.A. who acquired the shares free of charge under the Act on Commercialisation and Privatisation of State-Owned Enterprises, dated August 30th 1996, as well as their heirs and members of their immediate family who acquired the shares through donation directly from such persons. The offer was valid until January 30th 2011. The purchase price was PLN 126 per share. As at the date of approval of these interim condensed consolidated financial statements, the share purchase process has not been completed.

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16. Changes in Contingent Liabilities or Assets since the Previous Balance-Sheet Date

16.1 Contingent Liabilities

Contingent Liabilities under Issued Sureties and Guarantees

December 31st 2010
(PLN '000)

Beneficiary	Value of contingent liability in foreign currency	Currency of contingent liability	Value of contingent liability in PLN ⁽¹⁾	Contingent liability expiry date	Bank or other institution which issued the contingent liability instrument	Type of contingent liability instrument issued / information on debtor
Contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.						
VITOL S.A.	9,130	USD	27,062	Jan 15 2011 ⁽²⁾	Deutsche Bank S.A.	Stand-by letter of credit
Other (each with a unit value of less than PLN 1,000 thousand)	734	PLN	734	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	169	EUR	669	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	107	-	-	Bank guarantees
Total contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.			28,572			
Contingent liability instruments issued by or upon the instructions of the LOTOS Group companies						
Government of Norway	-	-	-	unspecified	LOTOS Petrobaltic S.A.	Guarantee covering all the activities undertaken by LOTOS Exploration and Production Norge AS as part of its exploration and production operations on the Norwegian Continental Shelf
National Fund for Environmental Protection and Water Management	25,056 ⁽³⁾	PLN	25,056	Feb 20 2015	Bank Pekao S.A.	Bank guarantee
Other, including:	15,975	PLN	15,975	-	-	-
bank guarantees	5,614	PLN	5,614	-	-	-
bank performance bonds	10,361	PLN	10,361	-	-	-
Other (EUR)	143	EUR	566	-	-	-
Total other contingent liability instruments issued by or upon the instructions of the LOTOS Group companies			41,597			
TOTAL FOR THE GROUP			70,169			

⁽¹⁾ Contingent liabilities in foreign currencies were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2010.

⁽²⁾ Contingent liabilities expired upon the lapse of their validity term.

⁽³⁾ The bank guarantee secures the PLN 35,000 thousand loan of June 29th 2007 contracted by LOTOS Biopaliwa Sp. z o.o. with the National Fund for Environmental Protection and Water Management.

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Dec 31 2009 (PLN '000)	Value of contingent liability in foreign currency	Currency of contingent liability	Value of contingent liability in PLN ⁽¹⁾	Contingent liability expiry date	Bank or other institution which issued the contingent liability instrument	Type of contingent liability instrument issued / information on debtor
Beneficiary						
Contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.						
Head of the Customs Office in Pruszków	1,500	PLN	1,500	Feb 26 2010 ⁽²⁾	Bank PKO BP S.A.	Bank guarantee
TOTAL DEUTSCHLAND GmbH	10,500 ⁽³⁾	USD	29,928	Jan 29 2010 ⁽³⁾	Deutsche Bank S.A. Polska S.A.	Bank guarantee of payment
TOTAL DEUTSCHLAND GmbH	10,500	USD	29,928	Jan 31 2010 ⁽⁴⁾	Bank Pekao S.A. Deutsche Bank Polska S.A.	Bank guarantee of payment
Gunvor International B.V.	852 ⁽⁵⁾	USD	2,428	Jan 15 2010 ⁽⁴⁾	Deutsche Bank Polska S.A.	Documentary letter of credit – security for a contract
Gunvor International B.V.	8,800	USD	25,083	Feb 15 2010 ⁽⁴⁾	Bank Pekao S.A.	Stand-by letter of credit – security for a contract
Head of the Customs Office in Pruszków	16,000	PLN	16,000	Feb 26 2010 ⁽⁶⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	1,700	PLN	1,700	Jul 15 2010 ⁽⁴⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	3,300	PLN	3,300	Jul 15 2010 ⁽⁴⁾	Bank PKO BP S.A.	Bank guarantee
Head of the Customs Office in Pruszków	5,000	PLN	5,000	Jul 15 2010 ⁽⁴⁾	Bank PKO BP S.A.	Bank guarantee
Other (each with a unit value of less than PLN 1,000 thousand)	550	PLN	550	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	123	EUR	505	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	103	-	-	Bank guarantees
Total contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.			116,025			

Contingent liability instruments issued by or upon the instructions of the LOTOS Group companies						
Government of Norway	-	-	-	unspecified	LOTOS Petrobaltic S.A.	Guarantee covering all the activities undertaken by LOTOS Exploration and Production Norge AS as part of its exploration and production operations on the Norwegian Continental Shelf
National Fund for Environmental Protection and Water Management	31,556 ⁽⁷⁾	PLN	31,556	Feb 20 2015	Bank Pekao S.A.	Bank guarantee
Other, including:	13,177	PLN	13,177	-	-	-

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Dec 31 2009 (PLN '000)	Value of contingent liability in foreign currency	Currency of contingent liability	Value of contingent liability in PLN ⁽¹⁾	Contingent liability expiry date	Bank or other institution which issued the contingent liability instrument	Type of contingent liability instrument issued / information on debtor
Beneficiary						
bank guarantees	1,185	PLN	1,185	-	-	-
bank performance bonds	10,415	PLN	10,415	-	-	-
Other (EUR)	253	EUR	1,039	-	-	-
Total other contingent liability instruments issued by or upon the instructions of the LOTOS Group companies			45,772			
TOTAL FOR THE GROUP			161,797			

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

⁽²⁾ The original validity term of the guarantee was December 31st 2009, but was subsequently extended until September 30th 2010 and then, on November 20th 2009, until October 31st 2010. As the security for excise duty expired, the original guarantee document was returned to the issuer and on February 26th 2010 the liability ceased to exist.

⁽³⁾ With effect from August 1st 2009, the guarantee amount was changed from USD 18,000 thousand to USD 10,500 thousand. The guarantee expired upon the lapse of its validity term.

⁽⁴⁾ Guarantee/letter of credit expired upon the lapse of its validity term.

⁽⁵⁾ Documentary letter of credit issued for the amount of USD 7,150 thousand.

⁽⁶⁾ The guarantee was to expire on September 30th 2010. As the security for excise duty expired, the original guarantee document was returned to the issuer and on February 26th 2010 the liability ceased to exist.

⁽⁷⁾ The bank guarantee secures the PLN 35,000 thousand loan of June 29th 2007 contracted by LOTOS Biopaliwa Sp. z o.o. with the National Fund for Environmental Protection and Water Management.

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Contingent Liabilities under Promissory Notes

Dec 31 2010 (PLN '000)	Amount of promissory note(s) in foreign currency	Currency of promissory note(s)	Amount of promissory note(s) in PLN ⁽¹⁾	Expiry date of promissory note(s)	Type
Beneficiary of promissory note					
Promissory notes issued by Grupa LOTOS S.A.					
Head of the Customs Office in Gdańsk	240,000	PLN	240,000	Aug 19 2011	Lump sum security for a tax liability of PLN 800,000 thousand
PKO BP S.A.	200,000	PLN	200,000	Aug 25 2011 ⁽²⁾	Security for a bank loan
Total promissory notes issued by Grupa LOTOS S.A.					
Promissory notes issued by the LOTOS Group companies					
Head of the Customs Office in Gdańsk	10,000	PLN	10,000	Apr 30 2011	Security for a tax liability
Head of the Customs Office in Gdańsk	5,000	PLN	5,000	Feb 28 2011	Security for a tax liability
National Fund for Environmental Protection and Water Management	1,500	PLN	1,500	Sep 30 2012	Security for a subsidy
Head of the Customs Office in Gdańsk	7,000	PLN	7,000	Feb 28 2011	Security for excise duty
BRE Bank S.A.	30,000	PLN	30,000	Mar 15 2011	Security for a bank loan
PKO BP S.A.	100,000	PLN	100,000	Mar 16 2011	Security for a bank loan
Head of the Customs Office in Bielsko-Biała	13,174	PLN	13,174	Jun 30 2011	Global excise duty security (guarantee) related to the movement of excise goods between warehouses under a duty suspension arrangement
Bank Polska Kasa Opieki S.A.	200,000	PLN	200,000	- ⁽³⁾	Security for a bank loan
Stablewood Power Ventures (Wladyslawowo) Ltd.	13,000	USD	38,533	Jun 30 2013 ⁽⁴⁾	Security for cash liabilities under acquisition of shares and debt claims
Bank Ochrony Środowiska S.A.	27,413	PLN	27,413	Jun 30 2016	Security for liabilities under bank loan agreements
Bank Ochrony Środowiska S.A.	9,490	PLN	9,490	Dec 20 2016	Security for liabilities under bank loan agreements
BRE Bank S.A.	20,000	PLN	20,000	Jun 15 2011	Security for liabilities under bank loan agreements
Other (each with a unit value of less than PLN 1,000 thousand)	1,490	PLN	1,490	-	-
Total promissory notes issued by the LOTOS Group companies			463,600		
TOTAL FOR THE GROUP			903,600		

⁽¹⁾ Contingent liabilities in foreign currencies were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2010.

⁽²⁾ On August 25th 2010, an annex to the credit facility agreement was executed under which the credit facility term end date was changed to August 25th 2011 and the credit facility amount was changed from PLN 250,000 thousand to PLN 200,000 thousand.

⁽³⁾ Bank loan agreement of November 15th 2010

⁽⁴⁾ The date of payment of the last instalment of the price for the acquisition of shares and debt claims from Stablewood Power Ventures (Wladyslawowo) Ltd.

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Dec 31 2009 (PLN '000)	Amount of promissory note(s) in foreign currency	Currency of promissory note(s)	Amount of promissory note(s) in PLN ⁽¹⁾	Expiry date of promissory note(s)	Type
Promissory notes issued by Grupa LOTOS S.A.					
Head of the Customs Office in Gdańsk	200,000	PLN	200,000	Jul 8 2010 ⁽²⁾	Security for a tax liability
Head of the Customs Office in Gdańsk	200,000	PLN	200,000	Jul 6 2010 ⁽²⁾	Security for a tax liability
Head of the Customs Office in Gdańsk	400,000	PLN	400,000	Jan 13 2011 ⁽³⁾	Security for a tax liability
PKO BP S.A.	250,000	PLN	250,000	Aug 25 2010	Security for a bank loan
Total promissory notes issued by Grupa LOTOS S.A.			1,050,000		
Promissory notes issued by the LOTOS Group companies					
Head of the Customs Office in Gdańsk	10,000	PLN	10,000	Apr 30 2010 ⁽²⁾	Security for a tax liability
Head of the Customs Office in Gdańsk	5,000	PLN	5,000	Feb 28 2011	Security for a tax liability
National Fund for Environmental Protection and Water Management	1,500	PLN	1,500	Sep 30 2012	Security for a subsidy
Nafta Polska S.A.	9,000	PLN	9,000	Jan 19 2010 ⁽⁴⁾	Performance bond
Minister of Economy	5,675	PLN	5,675	Mar 31 2010 ⁽⁵⁾	Performance bond
PKO BP S.A.	11,000	PLN	11,000	Jun 30 2012 ⁽⁶⁾	Security for a bank loan
National Fund for Environmental Protection and Water Management	4,181	PLN	4,181	Mar 30 2011 ⁽⁷⁾	Security for a loan
Nordea Bank Polska S.A.	50,000	PLN	50,000	- ⁽⁸⁾	Security for a working capital overdraft facility
Nordea Bank Polska S.A.	100,000	PLN	100,000	- ⁽⁹⁾	Security for a revolving working capital facility, bank guarantees and letters of credit
Stablewood Power Ventures (Wladyslawowo) Ltd.	13,000	USD	37,054	Jun 30 2013 ⁽¹⁰⁾	Security for cash liabilities under acquisition of shares and debt claims
Bank Ochrony Środowiska S.A.	27,413	PLN	27,413	Jun 30 2016	Security for liabilities under bank loan agreements
Bank Ochrony Środowiska S.A.	9,490	PLN	9,490	Dec 20 2016	Security for liabilities under bank loan agreements

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Dec 31 2009 (PLN '000)	Amount of promissory note(s) in foreign currency	Currency of promissory note(s)	Amount of promissory note(s) in PLN ⁽¹⁾	Expiry date of promissory note(s)	Type
Beneficiary of promissory note					
Other (each with a unit value of less than PLN 1,000 thousand)	1,716	PLN	1,716	- -	
Total promissory notes issued by the LOTOS Group companies			272,029		
TOTAL FOR THE GROUP			1,322,029		

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

⁽²⁾ Contingent liabilities expired upon the lapse of their validity term.

⁽³⁾ On November 16th 2010, the promissory note was returned to Grupa LOTOS S.A. The Company withdrew the security for excise duty in the form of the promissory note as it obtained the right to provide partial flat-rate security.

⁽⁴⁾ On February 16th 2010, nine blank promissory notes issued for the benefit of Nafta Polska S.A. were returned to LOTOS Jasło S.A.

⁽⁵⁾ On June 15th 2010, the blank promissory note was returned to LOTOS Jasło S.A.

⁽⁶⁾ On July 22nd 2010, the blank promissory notes were returned to LOTOS Jasło S.A. following the termination of the loan agreement with PKO BP S.A. as of May 27th 2010.

⁽⁷⁾ As at September 30th 2010, the loan had been repaid and on November 29th 2010 the promissory note was returned.

⁽⁸⁾ The credit facility was made available for the period from May 19th 2009 to November 18th 2010, the promissory note was returned.

⁽⁹⁾ The credit facility was made available for the period from May 19th 2009 to November 18th 2010, the promissory note was returned.

⁽¹⁰⁾ The date of payment of the last instalment of the price for the acquisition of shares and debt claims from Stablewood Power Ventures (Wladyslawowo) Ltd.

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Other Material Changes in Contingent Liabilities

1. On July 24th 2009, the District Court of Katowice decided to enter in the register of pledges a pledge over the inventories of LOTOS Biopaliwa Sp. z o.o. which – along with an assignment of the insurance policy pursuant to an annex to the loan agreement – served as security for the repayment of the entire amount of the PLN 30,000 thousand loan advanced by Bank Pekao S.A. At the company's request and with the bank's consent, on April 1st 2010 the District Court of Katowice deleted the pledge from the register of pledges.
2. In compliance with the provisions of the investment loan agreement of December 14th 2006, on January 8th 2010 by virtue of a decision of the District Court of Katowice a pledge over a set of movables of LOTOS Biopaliwa Sp. z o.o. (in the form of the fatty acid methyl esters (FAME) production installation) for up to PLN 113,546 thousand was entered into the register of pledges.
3. On February 11th 2010, by virtue of a decision of the District Court of Katowice, a pledge over a set of inventories of LOTOS Biopaliwa Sp. z o.o. for up to PLN 45,000 thousand was registered. The pledge constitutes security for repayment of an overdraft facility contracted with Bank Pekao S.A. of Warsaw on February 4th 2010 (contractual overdraft facility limit: PLN 30,000 thousand).
4. In connection with the loans advanced by Bank Ochrony Środowiska S.A. (the "Bank") to Energobaltic Sp. z o.o. (Energobaltic) under (i) the investment loan agreement of September 11th 2001, and (ii) the preferential investment loan agreement of September 11th 2001 for environmental protection purposes, on December 12th 2001 LOTOS Petrobaltic S.A. made a representation to the Bank, amended by a representation made by the shareholders on November 6th 2006, whereby it agreed (below are presented currently binding terms and conditions):
 - to apply a part of net profit (whose amount in a given year may not exceed the amounts shown in the Bank-approved final financial projection for the project financed with the loan) towards share capital increase at Energobaltic Sp. z o.o.;
 - not to dispose of or encumber its shares in Energobaltic Sp. z o.o. without a prior consent of the Bank, provided that the Bank's consent may not be unreasonably withheld.Failure to discharge the Shareholders' Obligation may result in termination of the loan agreements by the Bank. Concurrently, LOTOS Petrobaltic S.A. will be released from the Shareholders' Obligation if each of the following conditions is met:
 - Petrobaltic S.A. provides the Bank and Energobaltic Sp. z o.o. with a written notification to the effect that production from the B-8 oil field has commenced, and – after the first three months of production from the B-8 field – Petrobaltic S.A. confirms in the same manner that the gas volume estimates for the field included in the gas supply forecast of December 7th 2005, submitted to the Bank by Energobaltic Sp. z o.o., were correct, and
 - the economic and financial standing of Energobaltic Sp. z o.o. poses no threat to timely repayment of the loans.

Contingent Investment Commitments

As at December 31st 2010, the Company's commitments under material agreements related to expenditure on property, plant and equipment (the 10+ Programme) amounted to PLN 29.8m (PLN 590m as at December 31st 2009).

16.2 Material Court, Arbitration or Administrative Proceedings and Other Risks of the Parent Undertaking or its Subsidiary Undertakings

The following changes occurred with respect to pending court, arbitration, or administrative proceedings or with respect to other risks of the Company or its subsidiaries since the end of the previous financial year, i.e. December 31st 2009 (see Note 46 to the 2009 consolidated financial statements prepared in accordance with the IFRS):

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

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

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

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

On April 27th 2010, the Court adjourned the rendering of judgment until May 6th 2010. On May 6th 2010, the Regional Court of Warsaw passed a decision dismissing the appeal against the decision of the Competition and Consumer Protection Office concerning anti-trust proceedings initiated *ex officio* as a result of the decision issued by the President of the Competition and Consumer Protection Office on March 21st 2005 concerning distribution of the U95 universal gasoline, and upheld the fines of PLN 1,000 thousand and PLN 4,000 thousand imposed by the Competition and Consumer Protection Office respectively on Grupa LOTOS S.A. and PKN ORLEN S.A. The court ruling dismissing the appeal against the President's decision was received on June 15th 2010. On June 28th 2010, Grupa LOTOS S.A. lodged an appeal against the court ruling. Subsequently, Grupa LOTOS S.A. and the Competition and Consumer Protection Office responded to the appeal by PKN ORLEN S.A., while PKN ORLEN S.A. and the Competition and Consumer Protection Office responded to the appeal by Grupa LOTOS S.A. On February 11th 2011 the Court published a ruling dismissing Grupa LOTOS S.A.'s and PKN ORLEN S.A.'s appeal. The Company will analyse the grounds for

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the court's ruling and will consider lodging a cassation complaint. As at the date of approval of these interim condensed consolidated financial statements, the case was pending.

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

2. On May 18th 2001, PETROECCO JV Sp. z o.o. brought an action against the Company whereby it sought the courts' decision awarding an amount of PLN 6,975 thousand, together with statutory interest from May 1st 1999, as compensation for damage incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o. The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Anti-Monopoly 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 remanded 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); court docket No. IX GC134/04. The Company has also 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 a hearing held in June 2005, the Regional Court of Gdańsk ordered an court expert in accountancy and economics to draw up an opinion 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 court expert stated that based on the materials presented by PETROECCO JV Sp. z o.o. it was not possible to establish the amount of the losses or even state whether any losses were actually incurred. Besides, the expert pointed out that an opinion should be requested from an court expert in a field other than accountancy. The lack of evidence required to issue an opinion prevented the plaintiff from procuring the appointment of another expert witness. Another hearing was held on March 27th 2007. Announcement of the ruling was scheduled for April 10th 2007, and subsequently postponed until April 20th 2007. Pursuant to the ruling of April 20th 2007, the action was dismissed. On May 17th 2007, the Company filed an appeal against the court's decision regarding the cost of the proceedings. On June 4th 2007, PETROECCO JV Sp. z o.o. lodged 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 Regional Court's decision. 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 of 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. On October 1st 2010 a hearing was held during which the expert was heard. As at the date of approval of these interim condensed consolidated 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 interim condensed consolidated financial statements.

3. On November 3rd 2005, Grupa LOTOS S.A. was served a nullity suit submitted by the Minister of State Treasury, concerning the agreement of August 18th 1998 between Grupa LOTOS S.A. and Polska Żegluga Morska, a state-owned company, providing for the sale of two shares in Naftoport Sp. z o.o., valued at PLN 3,340 thousand. On April 21st 2006, the Regional Court in Gdańsk, IX Commercial Division, issued a ruling dismissing the suit 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 nullity suit regarding 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 of 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. On May 7th 2008, the court's decision became final. 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. by the State Treasury. On January 11th 2010, the State Treasury lodged a cassation complaint against the ruling to the Court of Appeals. The complaint, along with the court's decision to accept the complaint for consideration, was served on the Company on June 6th 2010. On July 8th 2010, the Supreme Court overruled the Court of Appeals' judgment and remanded the case for re-examination. As at the date of approval of these interim condensed consolidated 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 in the interim condensed consolidated financial statements.

4. At LOTOS Czechowice S.A., the Head of the Customs Office of Bielsko-Biała carried out an inspection to determine the correct amount of excise duty payable for the period from January 1st 2004 to September 30th 2004, in connection with the sale of oil for B ceramic moulds. As a result of the inspection, fiscal proceedings were instigated on May 18th 2005 on an *ex officio* basis. On May 5th 2006, LOTOS Czechowice S.A. received four decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the excise duty liability for January, February, and March 2004. The proceedings aimed at determining the excise duty liability for April 2004 were discontinued. On May 19th 2006, the company filed with the Director of the Customs Chamber an appeal against the aforementioned decisions as well as requests to stay execution of the decisions. In August 2006, the company received decisions issued by the Head of the Customs Office, which discontinued the proceedings concerning excise duty for May–September 2004. On October 17th 2006, LOTOS Czechowice S.A. received a decision of the Director of the Customs Chamber of Katowice, setting the deadline by which the appeals against the decisions issued by the Head of the Customs Office of Bielsko-Biała, determining the excise duty liability for January–March 2004, would be considered, i.e. December 13th 2006. In the decision of February 9th 2007, Director of the Customs Chamber of Katowice set the deadline for resolving the case at April 13th 2007. By virtue of the decision of June 17th 2007, Director of the Katowice Customs Chamber set yet another deadline for resolving the case – August 13th 2007, and pursuant to its most recent decision of August 13th 2007, the Director of the Customs Office of Katowice set October 13th 2007 as the deadline for considering the appeal. On October 19th 2007, LOTOS Czechowice S.A. received three decisions issued by the Director of the Customs Chamber of Katowice, repealing in full the decisions determining the amount of excise duty liability for January, February, and March 2004, passed by the Head of the Customs Office of Bielsko-Biała. The case was remanded for re-examination by the first instance body. On November 19th 2007, LOTOS Czechowice S.A. filed with the Provincial Administrative Court three complaints against the decisions issued by the Director of the Customs Chamber of Katowice which repealed the decisions of the Head of the Customs Office of Bielsko-Biała and remanded the cases back to the Head of the Customs Office of Bielsko-Biała. On April 2nd 2008, court hearings were held concerning the aforementioned complaints, and rulings were issued whereby the complaints were dismissed. After LOTOS Czechowice S.A. had requested and received the written statements of reasons, the Management Board resolved not to file complaints to the Supreme Administrative Court. As a result, the cases were remanded back to the first instance body, i.e. to the Head of the Customs Office of Bielsko-Biała, for re-examination.

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

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

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

On August 13th 2009, LOTOS Czechowice S.A. lodged an appeal against the decisions with the Director of the Customs Chamber of Katowice. Upon examination of the appeals, by virtue of decisions issued on November 17th 2009, the Director of the Customs Chamber of Katowice reversed the decisions appealed against and remanded the case for re-examination by the first instance body.

By virtue of the decisions of March 3rd 2010, the Head of the Customs Office of Bielsko-Biała set the deadline for resolving the case at May 5th 2010.

On April 19th 2010, LOTOS Czechowice S.A. received the decisions issued on April 14th 2010 by the Head of the Customs Office of Bielsko-Biała relating to excise duty liabilities for January–March 2004, which again determined the amounts of excise duty liabilities exceeding the excise duty liability amounts reported by LOTOS Czechowice S.A. in its tax returns:

- by PLN 1,239 thousand - with respect to the excise duty for January 2004
- by PLN 538 thousand - with respect to the excise duty for February 2004
- by PLN 8 thousand - with respect to the excise duty for March 2004.

On May 4th 2010, appeals were lodged against the above decisions with the Director of the Customs Chamber of Katowice through the agency of the Head of the Customs Office of Bielsko-Biała. On June 7th 2010, LOTOS Czechowice S.A. sent to the Director of the Customs Chamber of Katowice a court paper to which it attached a supplementary expert opinion confirming the correctness of its position.

On September 3rd 2010, the Director of the Customs Chamber of Katowice issued a decision whereby it revoked the decision of the Head of the Customs Office of Bielsko-Biała concerning excise duty for the period January - March 2004 and discontinued the proceedings.

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

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

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

On November 21st 2008, LOTOS Czechowice S.A. filed a request with the Head of the Customs Office of Bielsko-Biała to stay enforcement of the decisions related to the excise duty liability for September – December 2003. On December 1st 2008, LOTOS Czechowice S.A. filed an appeal against the decision issued by the Head of the Customs Office determining the excise duty liabilities in amounts exceeding those declared by the company, with the Director of the Customs Chamber of Katowice, through the agency of the Head of the Customs Office in Bielsko-Biała. On December 4th 2008, the Director of the Customs Chamber in

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Katowice initiated enforcement proceedings against LOTOS Czechowice S.A. by issuing enforcement orders with respect to the decisions of the Head of the Customs Office in Bielsko-Biała regarding excise duty liabilities for September – December 2003, and by seizing the amounts owed from LOTOS Czechowice S.A.'s bank accounts. The additional excise duty liability amounts payable under the decisions were increased by the costs of enforcement proceedings in the total amount of PLN 2,460 thousand and late interest determined as at the date of issuing the enforcement orders in the total amount of PLN 10,121 thousand.

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

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

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

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

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

On February 23rd 2009, LOTOS Czechowice S.A. received four decisions of the Director of the Customs Chamber of Katowice repealing the earlier decisions of the Head of the Customs Office of Bielsko-Biała and remanding the cases for re-examination.

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

On May 4th, May 6th, and May 14th 2009, LOTOS Czechowice S.A. received notices from the District Court of Pszczyna to the effect that the compulsory mortgages, previously registered at the request of the Director of the Customs Chamber in Katowice, were de-registered.

By virtue of the decisions of the Head of the Customs Office of Bielsko-Biała dated August 28th 2009, the deadline for resolving the cases concerning the excise duty liabilities for the period September – December 2003 was extended to October 28th 2009. On October 23rd 2009 the company sent a letter to the Head of the Customs Office of Bielsko-Biała presenting its position that an order issued by the Director of the Customs Chamber in Katowice concerning a matter of key importance for resolving the case had not been carried out. By virtue of his subsequent decisions, the Head of the Customs Office of Bielsko-Biała extended the deadline for resolving the cases concerning the excise duty liabilities for the period September–December 2003 until December 28th 2009.

By virtue of his decision dated December 18th 2009, the Head of the Customs Office of Bielsko-Biała extended the deadline for resolving the cases concerning the excise duty liabilities for the period September – December 2003 until February 28th 2010. Subsequently, by virtue of decisions dated February 25th 2010, the Head of the Customs Office of Bielsko-Biała set May 28th 2010 as a new deadline for resolving the cases.

On May 17th 2010, the Head of the Customs Office in Bielsko-Biała issued decisions determining the amounts of excise duty liability for September, October, November and December 2003, which exceeded the excise duty liability amounts reported by LOTOS Czechowice S.A. in its tax returns:

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

On June 2nd 2010, LOTOS Czechowice S.A. lodged appeals against the above decisions with the Director of the Customs Chamber of Katowice through the agency of the Head of the Customs Office of Bielsko-Biała. The company attached to the appeals a supplementary expert opinion confirming the correctness of its position.

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

On October 12th 2010, the Director of the Customs Chamber of Katowice issued a decision whereby it revoked the decision of the Head of the Customs Office of Bielsko-Biała concerning excise duty for the period September - December 2003 and discontinued the proceedings.

6. On March 30th 2006, LOTOS Paliwa Sp. z o.o received a decision of the Gdańsk Tax Office of March 28th 2006 relating to the determination of the value added tax liability for January 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office assessed an additional tax liability against the company, related to the settlement of the purchase of an organised part of business of LOTOS Gaz S.A. (formerly LOTOS Mazowsze S.A.). On July 25th 2006, LOTOS Paliwa Sp. z o.o. received decision of the Head of the Gdańsk Tax Chamber, dated July 21st 2006, in which the Head of the Gdańsk Tax Chamber revoked in full the decision of the Gdańsk Tax Office determining the value added tax liability for January 2005 and assessing an additional tax liability, and remanded the case for re-examination by the Gdańsk Tax Office. On July 6th 2007, LOTOS Paliwa Sp. z o.o. was notified of decision No. PV/4400-96/124/VT/06/AR issued by the Head of the Gdańsk Tax Office, stating that the amount of tax difference to be refunded to the company was exceeded by PLN 23 thousand and requiring the company to additionally pay PLN 7 thousand on account of tax. LOTOS Paliwa Sp. z o.o. decided not to appeal against the decision as it considered it favourable for the company. According to a previous decision relating to the same matter and issued on March 28th 2006 (decision No. PV/440-95/124/VT/AG), the Head of the Gdańsk Tax Office decided that the company had understated its tax liability by PLN 24,055 thousand and obliged the company to additionally pay PLN 7,850 on account of tax (the decision was later repealed by virtue of a decision issued by the Head of the Tax Chamber in Gdańsk on July 21st 2006).

On July 6th 2007, the Head of the Gdańsk Tax Office issued decision No. VT/440-185/07/WP/DP on instigation of tax proceedings against LOTOS Paliwa Sp. z o.o to investigate the correctness of VAT settlements for March 2005. On September 11th 2007, LOTOS Paliwa Sp. z o.o. received a decision of the Gdańsk Tax Office of September 10th 2007 relating to the determination of the value added tax liability for March 2005. Acting pursuant to Art. 109 of the Act on Value Added Tax of March 11th 2004 (Dz. U. No. 54, item 535, as amended), the Head of the Tax Office assessed an additional tax liability against the company, related to the settlement of the purchase of an organised part of business of LOTOS Gaz S.A. Decision No. PV/4400-170/185/VT/07/DP stated that the amount of tax difference to be refunded was exceeded by PLN 26,141 thousand and required the company to pay an additional PLN 7,842 thousand on account of tax for March 2005. The amounts specified in the decision were paid by LOTOS Paliwa Sp. z o.o. On September 24th 2007, the company appealed against the decision of the Gdańsk Tax Office.

On January 18th 2008, the Head of the Tax Chamber of Gdańsk issued decision No. PC/4407-660/07/13 upholding decision No. PV/4400-96/124/VT/06/AR of the Head of the Gdańsk Tax Office, dated September 10th 2007, stating that the excess of input VAT over output VAT for March 2005 was PLN 5,292 thousand and that the amount of tax difference to be returned was PLN 5,292 thousand, and requiring the company to additionally pay PLN 7,842 thousand on account of value added tax for March 2005. On February 1st 2008, LOTOS Paliwa Sp. z o.o. appealed to the Provincial Administrative Court of Gdańsk against decision No. PC/4407-660/07/13 issued by the Head of the Tax Chamber of Gdańsk.

The decision concerns the right to reduce the tax amount due as settlement for the month in which the seller was provided by the buyer with a confirmation of receipt of an adjusting invoice, arising from settlement of the acquisition of an organised part of business of LOTOS Gaz S.A., and compliance of additional tax sanctions in this respect with the constitution.

On June 24th 2008, a hearing was held before the Provincial Administrative Court of Gdańsk, whose judgement reversed the appealed decision of the Head of the Tax Chamber of Gdańsk and declared it unenforceable, awarding the costs of the proceedings against the Head of the Tax Chamber of Gdańsk.

On July 31st 2008, the Head of the Gdańsk Tax Chamber filed with the Supreme Administrative Court of Warsaw a cassation complaint against the decision of the Provincial Administrative Court of Gdańsk dated June 24th 2008.

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On January 19th 2010, the Supreme Administrative Court of Warsaw reversed the decision issued in respect of LOTOS Paliwa Sp. z o.o. by the Provincial Administrative Court of Gdańsk concerning the correctness of VAT settlements for March 2005 and remanded the case for re-examination. On June 17th 2010, the Provincial Administrative Court of Gdańsk dismissed LOTOS Paliwa Sp. z o.o.'s complaint. In connection with the foregoing, the previously reported amount receivable in connection with the sanction paid by LOTOS Paliwa Sp. z o.o. concerning an additional tax liability of PLN 7,850 thousand, was included in other operating expenses of LOTOS Paliwa Sp. z o.o. for 2010. LOTOS Paliwa Sp. z o.o. does not expect any additional costs related to the settlement of the purchase of an organised part of business of LOTOS Gaz S.A. On August 25th 2010, LOTOS Paliwa Sp. z o.o. lodged a cassation complaint with the Supreme Administrative Court of Warsaw. As at the date of approval of these interim condensed consolidated financial statements, the case was pending.

7. Court proceedings are pending against LOTOS Paliwa Sp. z o.o., instigated by Mr Andrzej Wójcik, conducting business activity under the business name of WANDEKO. On October 28th 2009, District Court of Gdańsk, Commercial Division IX, issued a default judgement awarding PLN 1,921 thousand plus contractual interest from the company to the plaintiff. LOTOS Paliwa Sp. z o.o. created a provision for the amount awarded against it along with interest in the amount of PLN 15,318 thousand. The company appealed against the judgement by lodging an objection to the default judgement with the Regional Court of Gdańsk on November 10th 2009. Due to the objection, the case is under examination as to its merits by the first instance court. The default judgement does not constitute an enforceable document as the judgement was reversed following the intervention by the company. Concurrently, as by virtue of statutory provisions a default judgement constitutes an interlocutory injunction, LOTOS Paliwa Sp. z o.o. filed an application requesting that also this restriction be lifted. By virtue of its non-final decision of April 14th 2010, the Regional Court of Gdańsk lifted the interlocutory injunction in its entirety in compliance with LOTOS Paliwa Sp. z o.o.'s request. Following a complaint by Mr Andrzej Wójcik of May 18th 2010, in its decision of October 13th 2010 the Gdańsk Court of Appeals changed the aforesaid decision of the Regional Court of Gdańsk, as a result of which the default judgement still constitutes an interlocutory injunction. By virtue of its decision of December 28th 2010, the Court of Appeals dismissed Mr Andrzej Wójcik's complaint against the decision issued by the Regional Court of Gdańsk rejecting reversal of a decision to lift court order making default judgement immediately enforceable, and awarded reimbursement of the cost of proceedings to LOTOS Paliwa Sp. z o.o. As at the date of approval of these interim condensed consolidated financial statements, the case was pending.
8. On April 14th 2010, the Arbitration Court issued its award in the case instituted by LOTOS Gaz S.A. against the sellers of KRAK-GAZ Sp. z o.o., and in the cross action for payment instituted against LOTOS Gaz S.A. by the sellers (discussed at greater length in Note 46 to the consolidated financial statements for 2009 prepared in accordance with the IFRS). The court awarded (i) to LOTOS Gaz S.A.: PLN 4,155 thousand along with interest from December 19th 2008 until the payment date, to be paid jointly and severally by the defendants, and (ii) to the sellers, based on the cross action: PLN 1,682 thousand along with interest from July 5th 2009 until the payment date, to be paid by LOTOS Gaz S.A. Furthermore, as reimbursement of the costs of proceedings, the court awarded PLN 209 thousand to LOTOS Gaz S.A. to be paid by the sellers, and PLN 98 thousand to the sellers to be paid by LOTOS Gaz. S.A. Any other mutual claims for reimbursement of costs/expenses between the parties were cancelled by the court. Following a complaint submitted by LOTOS Gaz S.A. requesting reversal of the Arbitration Court's award, by virtue of its decision of August 13th 2010, the Regional Court of Kraków stayed enforcement of the Arbitration Court's award in full. The complaint lodged by the sellers against this decision was dismissed; the ruling dismissing the complaint became final on October 15th 2010. As at the date of approval of these interim condensed consolidated financial statements, the case was pending.

Moreover, in May 2009, LOTOS Gaz S.A. filed a notification of suspected offence of fraud to the detriment of LOTOS Gaz S.A. by the sellers of KRAK-GAZ Sp. z o.o. An investigation was launched by the prosecutor's office. In February 2010, the proceedings were extended to investigate the issue of whether the persons who participated in the process of acquisition KRAK-GAZ Sp. z o.o. on the LOTOS' side exercised due care. As at the date of approval of these interim condensed consolidated financial statements, the proceedings were suspended due to the need to obtain an expert's opinion as to whether a damage was sustained and as to its value.

17. Other Information

1. On January 19th 2010, following completion of the APA 2009 license round, LOTOS Exploration and Production Norge AS was granted a 50% interest in, and the operator status with respect to, license PL 556 located in the Norwegian Sea (the remaining 50% interest in the license was granted to Skeie Energy AS) and a 10% interest in license PL 497B (an extension of license PL 497). On March 10th 2010, relevant license interest agreements were signed. The license work programme envisages carrying out analytical work in the first year following the grant of the license, to obtain a basis for any potential decision as to drilling an exploratory borehole. The cost of analytical work corresponding to the 50% license interest is estimated at NOK 6m (i.e. PLN 2.96m, translated at the NOK mid-exchange rate quoted by the National Bank of Poland for January 20th 2010).
2. On April 1st 2010, the turnover generated by LOTOS Paliwa Sp. z o.o. (a wholly-owned subsidiary of Grupa LOTOS S.A.) under the agreement of July 23rd 2007 with Anwim S.A. of Warsaw reached PLN 616m in the 12 months to April 1st 2010. The agreement was concluded for an unspecified term and it provides for sale of liquid fuels by LOTOS Paliwa Sp. z o.o. to Anwim S.A. The agreement provides for standard contractual penalties whose value may exceed the equivalent of EUR 200 thousand, and depends on the quantity of non-supplied or uncollected product. The agreement does not contain any provisions which would prevent the parties from seeking additional compensation above the contractual penalties. The other terms and conditions of the agreement do not differ from standard provisions commonly applied in agreements of such type.
3. On May 7th 2010, the total value of agreements concluded between Grupa LOTOS S.A. and Mercuria Energy Trading S.A. of Geneva since the execution of the last significant agreement between these entities (current report No. 43/2009 of December 4th 2009) reached USD 239.9m (PLN 787.2m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for May 7th 2010), i.e. the value of a significant agreement (that is more than 10% of the equity of Grupa LOTOS S.A.). In terms of value, the largest of those agreements was the agreement of May 7th 2010 on the supply of 150,000 tonnes of REBCO crude oil. The agreement provides for supplies of the crude through the Druzhba Pipeline. As at the agreement date, its estimated value was USD 85.6m (PLN 280.9m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for May 7th 2010). The agreement does not include any condition precedent or specify any date of events giving rise to a claim (*dies a quo*), it does not provide for any contractual penalties and its terms and conditions do not differ from the terms and conditions commonly used in agreements of such type.
4. On June 16th 2010, Grupa Lotos S.A. and Polskie Górnictwo Naftowe i Gazownictwo SA of Warsaw entered into an agreement providing for the supply of natural gas to Grupa Lotos S.A. starting from December 16th 2011. In accordance with the agreement, on justified request by Grupa Lotos S.A., the starting date of the gas supplies may be postponed by six months, i.e. until June 15th 2012. The agreement was concluded for an indefinite term. The estimated value of the agreement in the period of five years amounts to approximately PLN 2,208m. The estimated maximum contractual penalties may exceed 10% of the agreement's value, and their amount depends on the quantity of gas ordered but not taken off by Grupa LOTOS S.A. The agreement does not contain any provisions on seeking additional compensation in excess of the contractual penalties. The other terms and conditions of the agreement do not differ from standard provisions commonly applied in agreements of such type. The agreement has been concluded in order to ensure higher supplies of network gas to Grupa LOTOS S.A.'s refinery, which will replace the fuels currently used, including LPG, light gasoline, and – to some extent – fuel oil. LPG is currently used in the fuel gas system and together with light gasoline is used to produce hydrogen. The projected annual supplies of natural gas in 2012 will be 403 million cubic meters, and the target annual volume is 447 million cubic meters. In addition to savings which will be generated thanks to the replacement of the aforementioned fuels with network gas, the change will increase the production of liquefied fuels and limit CO₂ emissions by Grupa LOTOS S.A.'s refinery.
5. Licences PL 316CS and PL 316DS issued by the Norwegian Ministry of Energy and Petroleum to conduct exploration, appraisal and production of hydrocarbons, in which LOTOS Exploration and Production Norge AS held a 20% interest, expired on June 18th 2010. Having made an assessment of the hydrocarbon potential in these fields, the interest holders came to the conclusion that the fields have no economic potential, and therefore renounced the licences to the benefit of the Norwegian state.

An impairment loss on intangible assets was recognised with respect to the expenditure incurred on the PL 316CS and PL 316DS licences, as described in Note 9 to these interim condensed consolidated financial statements.
6. On July 12th 2010, the President of the Energy Regulatory Office extended the license granted to Grupa LOTOS S.A. for electricity trading, transmission and distribution until September 1st 2021.

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

7. On November 15th 2010, Grupa LOTOS S.A. executed an agreement with Mitsubishi International GmbH of Düsseldorf, Germany, to sell xylene fraction to Mitsubishi International GmbH. Supplies of xylene fraction under the agreement are due to start between May 15th 2012 at the earliest and November 15th 2012 at the latest. The agreement was concluded for a term of 42 months, counting from the day on which the supplies start. The objective behind the agreement is to further diversify Grupa LOTOS S.A.'s product portfolio, while reducing the share of aromatic hydrocarbons in the range of gasoline components produced by the Gdańsk refinery, as some of the product leaving the catalytic reforming unit (the reformate) will be further processed at the xylene separation unit. At present, any surplus volumes of reformate are exported. Thanks to the production and sale of the xylene fraction, which is used as petrochemical feedstock, Grupa LOTOS S.A. will be able to generate a sustainably higher margin on sales, compared with that generated on reformate exports.
8. LOTOS Petrobaltic S.A. received a decision of the Minister of Environment, dated October 27th 2010, which extends the scope of work under the Gaz Południe licence by including a 200 sq km seismic survey covering the B21 and B16 natural gas accumulations.
9. On December 9th 2010, LOTOS Petrobaltic S.A. received a decision of the Minister of Environment which extended 6 exploration and appraisal licences (Gaz Północ, Gotlandia, Łeba, Rozewie, Sambia E and Sambia W) by the requested periods and geological works scopes. The Ministry of Environment extended the Sambia E licence by 5 months in order to enable the licence holder to obtain a decision of the Regional Directorate of Environmental Protection granting approval for performance of planned geological work. Upon receipt of the approval of the Regional Directorate of Environmental Protection, LOTOS Petrobaltic S.A. will apply for extension of the licence by a specific period and scope of geological work. Under the signed annexes granting mining usufruct rights, LOTOS Petrobaltic S.A. has the right to conduct exploration for unconventional gas in the following licence areas: Gaz Północ, Gaz Południe, Rozewie, Łeba, Sambia W and Gotlandia.
10. On December 13th 2010, Grupa LOTOS S.A. signed an agreement with Petraco Oil Company Ltd of Guernsey on the supply of REBCO crude oil to Grupa LOTOS S.A. in December 2010. The agreement provides for supplies of the crude through the Druzhba Pipeline. The total value of the agreements concluded between Grupa LOTOS S.A. and Petraco Oil Company Ltd in the twelve months to December 13th 2010 was approximately USD 290m (the equivalent of PLN 882.91m, translated at the USD mid-exchange rate quoted by the National Bank of Poland for December 13th 2010).
11. On December 29th 2010, Grupa LOTOS S.A. entered into an agreement with Shell Polska Sp. z o.o. of Warsaw on sale of liquid fuels by Grupa LOTOS S.A. to Shell Polska Sp. z o.o. The agreement was concluded for a definite term, from January 1st 2011 to December 31st 2011, and its value (VAT exclusive) is estimated at about PLN 4bn. The maximum value of contractual penalties is estimated at approximately PLN 64m. The agreement does not contain any provisions under which the parties would be entitled to seek any additional compensation above the contractual penalties. The other terms and conditions of the agreement do not differ from standard provisions commonly applied in agreements of such type.

Strategy for the LOTOS Group until 2015

On November 17th 2010, the Management Board of Grupa LOTOS S.A. reported that on November 16th 2010 the Company's Supervisory Board approved the Strategy for the LOTOS Group until 2015. The approved Strategy provides for the continuation of the current policy oriented towards stimulating sustainable growth of the core business, i.e. the exploration for and production of hydrocarbons, deep crude conversion focused on the production of fuels, and trade in high-margin petroleum products, with a focus on the overriding strategic objective of building shareholder value.

In line with the approved Strategy, the LOTOS Group considers corporate governance and corporate social responsibility as the cornerstones of its corporate system of values and conduct. In all aspects of its business, the LOTOS Group acts in line with the principles of sustainable growth.

The key elements of the Strategy are described below.

- **Upstream Segment**

In line with the approved Strategy, the LOTOS Group will embark on more intense activities in order to capitalise on the high margins projected to prevail in the long term in the hydrocarbon production segment relative to the refining segment. The key assumptions are to increase overall production potential and gain access to larger oil and gas reserves.

The strategic objective in the upstream segment is to increase hydrocarbon production, in line with the priorities of Poland's energy policy until 2030, through:

- enhanced security of supplies of crude oil for processing at the refinery owing to direct access to hydrocarbon reserves;
- higher hydrocarbon production achieved thanks to implementation of programmes for increasing oil and gas production from off-shore and on-shore fields, domestically and abroad.

This means that by 2015, with financing based on the LOTOS Group's own resources, the Group will attain output of about 24 thousand boe per day (approximately 1.2m tonnes per annum).

The production target of 1.2m tonnes in 2015 will be met through development of the B8 field and continued production from the B3 field. As far as the Norwegian Continental Shelf is concerned, the Strategy envisages production from the YME field, exploration under the licences already held and obtaining more exploration licences.

The Group will continue its efforts to gain its own potential under exploration licences in order to create production capacities in the future (taking advantage of the favourable tax environment created by the Norwegian government).

The first significant effects of the exploration work, in the form of Group's higher interest in proved reserves of crude oil and higher oil production are not expected to be seen before 2016–2020. Therefore, in order to raise its production to 1.2m tonnes in 2015, the Group will also purchase an interest in a licence with proved reserves which are already being developed.

With a view to implementing its strategic objective in the upstream segment, the LOTOS Group will seek to raise capital and establish cooperation with partners having access to oil and gas reserves, in order to increase its recoverable proved reserves of hydrocarbons to approx. 330m boe and to lift its production to about 100 thousand boe per day (equivalent to approximately 5m tonnes of oil per annum) in 2020.

The Group will be looking to obtain access to reserves located in areas which are characterised by moderate risk and which are not of direct interest to major oil companies, including:

- off-shore: the Baltic Sea, the Norwegian Sea, the North Sea and the Barents Sea,
- on-shore: Poland and Lithuania.

- **Downstream Segment**

Trade Area

In the trade area, the strategic objective is to maximise the economic benefits from trading in gasoline, diesel oil and aviation fuel by flexibly adjusting product streams and further strengthening the market position. Sales of other products will be optimised to achieve the best possible economic effect.

The quantitative objectives are:

- to reach and maintain a market position with a 30% share in the domestic market of gasolines, diesel oil and light fuel oil,.
- to attain a sales volume which is by 15% higher than the Gdańsk refinery's fuel production capacity..

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As regards the service station network, the LOTOS Group's objective is to dynamically grow the countrywide network of LOTOS service stations in order to build a fully controlled and highly efficient product sales channel.

This objective will be achieved through:

- development of the CODO and DOFO service station networks in the premium and economy segments,
- intensified sales efforts and optimised sales structure.

Development of the distribution network will be achieved by exploiting the following possibilities:

- organic growth, i.e. construction of new stations,
- purchase or lease of stations from independent operators,
- acquisitions, if interesting opportunities to buy service station networks emerge on the Polish market.

The quantitative objective is to achieve a 10% share in the domestic retail market within the time horizon of the Strategy, through quantitative and qualitative growth of the service station network and higher sales volumes.

In order to maximise the integrated margin, the LOTOS Group will focus on optimum use of its assets and coordination of its activities in the four key areas of the supply chain, including planning, procurement, production and distribution. If activities in these four areas are harmonised, the Group will have quicker access to information supporting decision making, and thus will be able to respond more rapidly to the changing market environment.

In the logistics area, the measures to be taken will be oriented towards integrating all components of the logistics chain, including the Group's own and those controlled by third parties.

Given its newly expanded throughput capacity, the LOTOS Group is planning to continue its policy of diversification of crude oil supply directions and sources by:

- maintaining the availability of supply sources of crude delivered both *via* pipelines and by sea;
- flexibly selecting crude oil grades and directions of supply in order to maximise the integrated margin;
- increasing activity on the international crude oil market;
- raising the importance of the Group's own production in total crude oil supplies.

Operating Area

In the refining area, the LOTOS Group's strategic objective is to maintain its highly competitive position among the European refineries and to ensure optimum use of its assets, including the already existing ones and those it will come to hold following completion of new development projects.

The conditions for further development of the LOTOS Group's refinery in Gdańsk ("the Refinery") depend on:

- the crude oil processing economics and the developments seen in the petroleum industry in the aftermath of the economic crisis;
- the increasing risk associated with marketing of heavy products;
- the gradual implementation of more stringent environmental and quality requirements and standards;
- the technological configuration of the Refinery following completion of the 10+ Programme; and
- diversification of feedstock used to produce energy carriers.

Having considered the factors discussed above and also the need to:

- enhance its operational flexibility;
- ensure energy security while simultaneously reducing the cost of generating energy, and
- reduce operating risk;

the LOTOS Group intends to extend the scope of its operations to include power generation, and thus capitalise on the potential synergies between the refining and the power sectors.

As the Group has long-standing experience mainly in crude oil processing, it intends to implement its business diversification strategy requiring higher competence in the power generation area by engaging in cooperation with external partners having a strong position in the power sector.

The Refinery's technological development will be oriented towards a further improvement of the conversion ratio through further processing of the asphaltene residue from the ROSE process, with due consideration to the existing technological and economic conditions.

The Strategy provides for an option to find strategic external partners for joint ventures.

• **Financial Strategy**

The LOTOS Group will operate based on the principle of self-financing of its business units, which means, among other things, that the Group will not be retaining any businesses which operate at permanently negative margins. Taking advantage of any market opportunities, the Group's assets will be restructured in order to improve operating efficiency and the core business focus.

Margins

The financial strategy objective regarding profitability is that the Group achieves the target EBITDA margin and return on average capital employed (ROACE). It is assumed that at the end of the period covered by the Strategy, these ratios will be as follows:

- EBITDA margin: 9% as a minimum,
- ROACE: 12% as a minimum.

Balance Sheet Structure

The objective of the LOTOS Group's financial policy is to maintain long-term liquidity, while using an appropriate level of financial leverage to support the achievement of the principal goal of maximising the return on equity attributable to the shareholders. The achievement of the above objectives, in line with the industry practice, will be done by striving to achieve the desired financing structure reflected by the ratio of net interest-bearing debt to equity. On a consolidated basis, the ratio will not exceed 0.4 at the end of the Strategy term.

Dividend Policy

Dividend payments will be subordinated to the objective of optimising the financing structure of the LOTOS Group. The amount of dividend to be paid out from profit for the years covered by the Strategy is planned at up to 30% of net profit.

The dividend policy of subsidiary undertakings will be determined by the Management Board of Grupa LOTOS S.A. upon considering their financial standing and development programmes.

• **Capital Expenditure until 2015**

The capital expenditure to be incurred to implement the Strategy in the years 2011–2015 will be up to PLN 5.7bn.

Structure of capital expenditure until 2015

Business segment	Expenditure 2011–2015 (PLN billion)	Expenditure structure
Upstream segment	3.9	68%
Downstream segment, including:	1.8	32%
<i>Operating area</i>	<i>0.8</i>	<i>14%</i>
<i>Trade area</i>	<i>1.0</i>	<i>18%</i>
Group total	5.7	100%

At present, the LOTOS Group relies mainly on long-term debt instruments to implement its development programmes. Depending on the market conditions, the LOTOS Group may:

- find partners for its investment projects,
- implement projects through Special Purpose Vehicles,
- raise funds on capital markets through its subsidiaries,
- outsource auxiliary production,
- outsource storage capacities,
- sell and lease back selected assets,
- sell non-core assets.

Moreover, to optimise the capital structure or find partners with appropriate resources or experience, involvement of third-party investors in the implementation of the investment projects may also be considered. The level of involvement of such partners in a project will depend on their impact on the operating and trading activities of the LOTOS Group.

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• **Key Macroeconomic and Pricing Assumptions Adopted to Formulate the Main Objectives of the Financial Policy until 2015**

	2011	2012	2013	2014	2015
Dtd Brent (USD/bbl)	76	77	78	78	79
Ural DAF Adamowo (USD/bbl)	74	75	75	76	76
Crack Gasoline 10ppm – Cargoes CIF NWE (USD/t)	120	125	132	139	140
Crack Diesel 10ppm – Cargoes CIF NEW (USD/t)	128	128	125	125	127
Crack Gasoil 0.1% - Cargoes CIF NEW (USD/t)	99	95	96	97	101
Crack Fuel Oil 3.5% - Barges FOB Rotterdam (USD/t)	-160	-163	-170	-181	-192
EUR/PLN	3.71	3.71	3.71	3.71	3.71
USD/PLN	3.04	3.04	3.04	3.04	3.04
3M LIBOR USD	1.15%	2.15%	3.00%	3.50%	4.15%
3M WIBOR	4.50%	5.00%	5.50%	5.50%	5.50%

• **Development Directions until 2020**

Following the implementation of the strategic tasks planned for completion by 2015, the LOTOS Group will continue to focus on measures aimed at increasing the Company's shareholder value. The development of the upstream segment is expected to have a key role here.

The main objectives to be achieved by 2020 in the upstream segment include:

- increasing access to recoverable hydrocarbon reserves, with an intention to achieve the output of approx. 330m boe (barrel of oil equivalent) in 2020, which is to be achieved through:
 - focusing initially on projects that are partially developed or at the final stage of development and, subsequently, on prospective projects (new licenses), which require higher expenditure but offer higher economic benefits,
 - continuing production of/exploration for oil and gas in the Baltic Sea (the Polish Shelf),
 - continuing exploration/production operations in the North Sea,
 - purchasing licenses which make it possible to avoid engaging significant resources (both financial and human),
 - continuing operations on the projects where reserves are already developed;
- considering the possibility of commencing exploration/production operations on land in Poland and Lithuania;
- monitoring niche areas which are not of key interest to major oil companies:
 - Central Europe, Commonwealth of Independent States,
 - North Africa.

Both exploration and production operations may be carried out with the direct participation of:

- the LOTOS Group companies,
- third-party partners.

The major areas of activity outside the upstream sector include:

- a. increasing Poland's energy security through the development of operations in the area of international trade in crude oil and petroleum products and optimisation of the distribution and logistics system;
- b. further improving the economic effectiveness of crude oil processing through the optimal management of heavy residue, ensuring the full utilisation of the Group's assets as well as technical/technological and commercial conditions;
- c. measures undertaken to optimise the power management processes at the Grupa LOTOS's refinery through the extension of its connections with other power systems;
- d. pursuing modernisation initiatives resulting from the implementation of the Operational Excellence Programme, which are necessary to maintain the Group's highly competitive position in the region.

Decisions concerning the planned development-oriented measures will be made based on appropriate feasibility studies, and will be implemented gradually as the LOTOS Group's financing capabilities allow it. The Group does not exclude the possibility of entering into arrangements with third parties based on equity involvement or establishing joint ventures with strategic partners.

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

Loans Advanced Within the Group

1. On May 25th 2010, LOTOS Czechowice S.A. signed an agreement to grant a loan of PLN 10,000 thousand to LOTOS Jasło S.A. In accordance with the annex of September 30th 2010, the loan and all unpaid interest accrued on the loan is to be repaid in four instalments, with the last instalment to be paid by April 30th 2012. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by LOTOS Jasło S.A. for the benefit of LOTOS Czechowice S.A., a security (deposit) mortgage (*hipoteka kaucyjna*) over a real property owned by LOTOS Jasło S.A., and assignment of rights under insurance policies.
2. On June 29th 2010, Grupa LOTOS S.A. signed an agreement to grant a loan of PLN 2,000 thousand to LOTOS Gaz S.A. Pursuant to an annex to the agreement, the loan is to be repaid by December 31st 2011. In order to secure the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement), LOTOS Gaz S.A. will assign a future debt claim for payment of the price for the sale of assets of LOTOS Gaz S.A., subject to a condition precedent that LOTOS Gaz S.A. is not discharging its obligations towards Grupa LOTOS S.A. By December 31st 2010, LOTOS Gaz S.A. repaid PLN 1,100 thousand under the loan.
3. On June 14th 2010, LOTOS Petrobaltic S.A. signed an agreement to grant a loan of USD 20,000 thousand (i.e. PLN 66,780 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 14th 2010) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of further implementation of the YME Production Project. In accordance with an annex to the agreement, the loan principal is to be repaid by December 31st 2014. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by LOTOS Exploration and Production Norge AS for the benefit of LOTOS Petrobaltic S.A.
4. On August 16th 2010 LOTOS Petrobaltic S.A. signed an agreement to grant a loan of USD 15,000 thousand (i.e. PLN 46,945 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for August 16th 2010) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of further implementation of the YME Production Project. In accordance with an annex to the agreement, the loan principal is to be repaid by December 31st 2011. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by LOTOS Exploration and Production Norge AS for the benefit of LOTOS Petrobaltic S.A.
5. On October 22nd 2010, Grupa LOTOS S.A. signed an agreement to grant a loan of USD 7,000 thousand (i.e. PLN 20,031 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for October 22nd 2010) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of further implementation of the YME Production Project. The principal amount along with interest is to be repaid by September 30th 2011. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by LOTOS Exploration and Production Norge AS for the benefit of the Company.
6. On November 10th 2010, LOTOS Petrobaltic S.A. signed an agreement to grant a loan of USD 15,000 thousand (i.e. PLN 42,330 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for November 10th 2010) to LOTOS Exploration and Production Norge AS. The loan is intended for financing of further implementation of the YME Production Project. The principal amount of the loan is to be repaid in three instalments and the date of the last instalment was set for June 30th 2012. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by LOTOS Exploration and Production Norge AS for the benefit of LOTOS Petrobaltic S.A.
7. On December 14th 2010, LOTOS Petrobaltic S.A. signed an agreement to grant a loan of EUR 3,000 thousand (i.e. PLN 11,973 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for December 14th 2010) to UAB LOTOS Baltija. The loan will be used to finance equity investments. The principal amount of the loan is to be repaid in instalments, and the date of the last instalment was set for December 31st 2015. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by UAB LOTOS Baltija for the benefit of LOTOS Petrobaltic S.A.

Until December 31st 2010, LOTOS Petrobaltic S.A. disbursed EUR 370 thousand to UAB LOTOS Baltija.

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8. On December 14th 2010, LOTOS Petrobaltic S.A. signed an agreement to grant a loan of EUR 9,000 thousand (i.e. PLN 35,920 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for December 14th 2010) to UAB LOTOS Baltija. The loan will be used to finance equity investments. The principal amount of the loan is to be repaid in instalments, and the date of the last instalment was set for December 31st 2015. The loan is secured with a blank promissory note with a "protest waived" clause and a promissory note declaration issued by UAB LOTOS Baltija for the benefit of LOTOS Petrobaltic S.A. Until December 31st 2010 LOTOS Petrobaltic S.A. had not disbursed to UAB LOTOS Baltija any funds under the agreement.
9. On December 14th 2010, AB Geonafsta signed an agreement to grant a loan of EUR 2,000 thousand (i.e. PLN 7,982 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for December 14th 2010) to LOTOS Petrobaltic S.A. The loan principal is to be repaid by December 31st 2015.
10. On December 16th 2010, new annexes were signed, under which the repayment dates for the loans granted by LOTOS Petrobaltic S.A. to LOTOS Exploration and Production Norge AS to finance implementation of the YME Production Project were changed in the following way:
- in the case of the agreement of August 26th 2008 providing for a loan of USD 50m (i.e. PLN 113m, translated at the exchange rate for USD quoted by the National Bank of Poland for August 26th 2008), the loan principal repayment date was set for September 30th 2012.
 - in the case of the agreement of December 19th 2008 providing for a loan of USD 10m (i.e. PLN 29m, translated at the exchange rate for USD quoted by the National Bank of Poland for December 19th 2008), the loan principal repayment date was set for March 30th 2013.
 - in the case of the agreement of January 15th 2009 providing for a loan of USD 55m (i.e. PLN 177m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for January 15th 2009), the loan principal repayment date was set for March 30th 2014.
 - in the case of the agreement of March 9th 2009 providing for a loan of USD 7.5m (i.e. PLN 28m, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for March 9th 2009), the loan principal repayment date was set for June 30th 2014.
- The loans are secured with blank promissory notes with a "protest waived" clause and promissory note declarations issued by LOTOS Exploration and Production Norge AS for the benefit of LOTOS Petrobaltic S.A.
11. On December 21st 2010, another annex was signed to change a loan repayment date under loan agreement of April 30th 2009 pursuant to which Grupa LOTOS S.A. granted to LOTOS Exploration and Production Norge AS a loan of USD 13,000 thousand (i.e. PLN 42,717 thousand, translated at the exchange rate for USD quoted by the National Bank of Poland for April 30th 2009). Under the annex, the loan repayment date was postponed from July 31st 2009 (the original repayment date) to December 1st 2011. LOTOS Exploration and Production Norge AS created security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration for the benefit of Grupa LOTOS S.A. in order to secure the repayment of the loan (principal, interest and default interest, if any, as well as any other liabilities which may arise in connection with the execution and performance of the agreement). The loan is intended for financing of the expenditure related to the YME Production Project.

As at December 31st 2010, the total carrying value of intra-Group loans stood at PLN 720,251 thousand, and the total nominal value of intra-Group loans was as follows:

- loans denominated in PLN: PLN 10,915 thousand,
- loans denominated in USD: USD 222,500 thousand (the equivalent of PLN 659.512 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for December 31st 2010),
- loans denominated in EUR: EUR 2,370 thousand (the equivalent of PLN 9.386 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for December 31st 2010).

Supplementary Information on Intra-Group Transactions

- On December 16th 2010, the surety issued by LOTOS Petrobaltic S.A. for the benefit of DnB NOR Bank Norge ASA in an amount of USD 10,000 thousand (i.e. PLN 30,125 thousand, translated at the exchange rate for USD quoted by the National Bank of Poland for December 16th 2010) expired following repayment by LOTOS Exploration and Production Norge AS of all liabilities under the loan agreement signed with DnB NOR Bank Norge ASA on April 22nd 2010 and the annex to that agreement.
- On December 27th 2010, the sureties issued by LOTOS Petrobaltic S.A. for the benefit of Nordea Bank Norge ASA in an aggregate amount of USD 33,500 thousand (i.e. PLN 101,220 thousand, translated at the exchange rate for USD quoted by the National Bank of Poland for December 27th 2010) expired following repayment by LOTOS Exploration and Production Norge AS of all liabilities under the loan agreements signed with Nordea Bank Norge ASA on August 18th 2009, September 15th 2009, October 14th 2009 and April 14th 2010, and the annexes thereto.
- On December 21st 2010, LOTOS Petrobaltic S.A. and LOTOS Exploration & Production Norge AS signed an agreement under which LOTOS Petrobaltic S.A. agreed to issue a surety for the benefit of Bank PKO BP S.A. in an amount of up to USD 65,000 thousand (i.e. PLN 197,405 thousand, translated at the exchange rate for USD quoted by the National Bank of Poland for December 21st 2010) in respect of the liabilities of LOTOS Exploration & Production Norge AS under loan agreement of December 17th 2010. The surety issued by LOTOS Petrobaltic S.A. will remain valid until the full repayment of the loan, but not longer than until December 31st 2011. The loan is secured with a pledge over an interest in the YME production licence.
- On December 21st 2010, LOTOS Petrobaltic S.A. i and UAB LOTOS Baltija signed an agreement whereby LOTOS Petrobaltic S.A. undertook to issue a surety for the benefit of Nordea Bank Polska S.A. and Nordea Bank Finland PLC Lithuania Branch, in an amount of up to EUR 47,300 thousand (i.e. PLN 188,935 thousand, translated at the exchange rate for EUR quoted by the National Bank of Poland for December 21st 2010) in respect of UAB LOTOS Baltija's liabilities under the agreement for a loan of EUR 43,000 thousand (i.e. PLN 171,759 thousand, translated at the exchange rate for EUR quoted by the National Bank of Poland for December 21st 2010) between UAB LOTOS Baltija and the banks. The surety will remain valid until June 14th 2012.

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

Pursuant to Par. 87 and Par. 83.1 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, as amended (Dz. U. of 2009, No. 33, item 259), the Management Board of Grupa LOTOS S.A. hereby releases the following information:

I. Organisation of the LOTOS Group, and Consolidated Undertakings

The structure of the LOTOS Group as well as the consolidated undertakings are presented in Note 2 to these interim condensed consolidated financial statements.

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

Q4 2010 saw no changes in the structure of the LOTOS Group other than those disclosed in Note 15 to these interim condensed consolidated financial statements.

III. Seasonal or Cyclical Nature of the Company's Business in Q4 2010

In Q4 2010, the operations of Grupa LOTOS S.A. were not affected by seasonality or cyclicity.

IV. Issue, Redemption or Repurchase of Non-Equity and Equity Securities in Q4 2010

Other than as described in Note 10 to these interim condensed consolidated financial statements, in Q4 2010 no non-equity or equity securities were issued, redeemed or repurchased.

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

As at December 31st 2009, 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 ⁽¹⁾
State Treasury	83,076,392	83,076,392	83,076,392	63.97%
ING OFE ⁽²⁾	6,524,479	6,524,479	6,524,479	5.02%
Other shareholders	40,272,491	40,272,491	40,272,491	31.01%
Total	129,873,362	129,873,362	129,873,362	100.00%

⁽¹⁾ The percentage of share capital held equals the percentage share in the total vote.

⁽²⁾ In accordance with the shareholder's representation delivered to Grupa LOTOS S.A. on November 23rd 2009.

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 confers the right to one vote at the General Shareholders Meeting and carries the right to dividend.

As at the date of release of the interim condensed consolidated financial statements for the nine months ended September 30th 2010, 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 ⁽¹⁾
State Treasury ⁽²⁾	69,076,392	69,076,392	69,076,392	53.19%
ING OFE ⁽³⁾	6,524,479	6,524,479	6,524,479	5.02%
Other shareholders	54,272,491	54,272,491	54,272,491	41.79%
Total	129,873,362	129,873,362	129,873,362	100.00%

⁽¹⁾ The percentage of share capital held equals the percentage share in the total vote

⁽²⁾ In accordance with the shareholder's representation delivered to Grupa LOTOS S.A. on January 29th 2010. By the date of publication of these interim condensed consolidated financial statements, the Company has not received from the shareholder any other representation concerning any changes in the number of the Company shares held.

⁽³⁾ In accordance with the shareholder's representation delivered to Grupa LOTOS S.A. on November 23rd 2009. At the General Shareholders Meeting of Grupa LOTOS S.A. which was held on June 28th 2010, ING Otwarty Fundusz Emerytalny registered 8,500,000 Company shares, representing 6.54% of Grupa LOTOS S.A.'s share capital.

As at the date of release of the interim condensed consolidated financial statements for the nine months ended September 30th 2010, the share capital comprised 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.

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.

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

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

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

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.

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.

Following the assimilation, as at April 12th 2010 shares in Grupa LOTOS S.A. were marked as follows:

- 113,630,889 shares were marked with code No. PLLOTOS00025, and
- 69,111 shares were marked with code No. PLLOTOS00033.

Acceptance of Grupa LOTOS S.A. Series C Shares for Registration with the Polish NDS and their Admission and Introduction to Stock-Exchange Trading

By virtue of Resolution No. 895/10 of the Management Board of the Polish National Depository for Securities (the Polish NDS), dated December 29th 2010, the Polish NDS decided to accept the deposit of 16,173,362 Series C ordinary bearer shares in Grupa LOTOS S.A. with a par value of PLN 1 per share, assigning them code No. PLLOTOS00025, provided that a decision is made by the market operator to introduce these shares to trading on the regulated market on which other Grupa LOTOS S.A. shares marked with code No. PLLOTOS00025 are traded.

By virtue of Resolution No. 16/2011 of January 4th 2011, the Management Board of the Warsaw Stock Exchange decided to admit 16,173,362 Series C ordinary bearer shares in Grupa LOTOS S.A. with a par value of PLN 1 per share to stock-exchange trading on the main market. Pursuant to the above resolution, the WSE Management Board decided to introduce the Grupa LOTOS S.A. Series C shares referred to above to trading on the main market, by way of the ordinary procedure, as of January 10th 2011.

In line with an announcement by the Operations Department of the Polish NDS, on January 10th 2011 16,173,362 Grupa LOTOS S.A. shares were registered with the Polish NDS and assigned code No. ISIN PLLOTOS00025. Following the registration, the total number of shares registered under code No. ISIN PLLOTOS00025 was 129,804,251.

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Reduction of ING Otwarty Fundusz Emerytalny's Share of Total Vote at the General Shareholders Meeting of Grupa LOTOS S.A.

On February 7th 2011, the Management Board of Grupa LOTOS S.A. received a notification to the effect that following a disposal of the Company shares, settled on February 2nd 2011, ING Otwarty Fundusz Emerytalny reduced its share in the total vote at the Company's General Shareholders Meeting below the 5% threshold.

Prior to the disposal, ING Otwarty Fundusz Emerytalny held 6,640,532 shares in Grupa LOTOS S.A., representing 5.11% of the Company's share capital and carrying the right to 6,640,532 votes, or 5.11% of the total vote, at the GM.

On February 7th 2011, 5,957,442 Grupa LOTOS S.A. shares were registered on the securities account of ING Otwarty Fundusz Emerytalny, representing 4.59% of the Company's share capital and conferring the right to 5,957,442 votes, or 4.59% of the total vote, at the Company's GM.

As at the date of release of these interim condensed consolidated 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 ⁽¹⁾
State Treasury ⁽²⁾	69,076,392	69,076,392	69,076,392	53.19%
Other shareholders	60,796,970	60,796,970	60,796,970	46.81%
Total	129,873,362	129,873,362	129,873,362	100.00%

⁽¹⁾ The percentage of share capital held equals the percentage share in the total vote.

⁽²⁾ In accordance with the shareholder's representation delivered to Grupa LOTOS S.A. on January 29th 2010. By the date of publication of these interim condensed consolidated financial statements, the Company has not received from the shareholder any other representation concerning any changes in the number of the Company shares held.

As at the date of release of these interim condensed consolidated financial statements, the share capital comprised 129,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share confers the right to one vote at the General Shareholders Meeting and carries the right to dividend.

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

	As at the date of release of the previous periodic report	Acquisition	Sale	Other	As at the date of release of the present periodic report ⁽¹⁾
Marek Sokołowski Vice-President of the Management Board, Chief Operation Officer	8,636	-	-	-	8,636
Total	8,636	-	-	-	8,636

⁽¹⁾ Based on the representations as at February 9th 2011.

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

VII. Material Court, Arbitration or Administrative Proceedings and Other Risks of the Parent Undertaking or its Subsidiary Undertakings

There are no pending court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value equal to or exceeding 10% of the Company's equity. Material court, arbitration or administrative proceedings and other risks concerning the Parent Undertaking or its subsidiary undertakings are described in Note 16.2 to these interim condensed consolidated financial statements.

VIII. Information on Material Related Party Transactions

Transactions with related undertakings are executed on standard market terms. The transactions executed in the period from January 1st to December 31st 2010 have additionally been described in Note 17 to these interim condensed consolidated financial statements.

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

In the period from January 1st to December 31st 2010, the Parent Undertaking and its subsidiaries issued no loan or borrowing sureties, and issued no guarantees to any entity or its subsidiary, where the value of the loan or borrowing sureties or the value of such guarantees would represent 10% or more of the Company's equity, other than those described in Notes 16.1 and 17 to these interim condensed consolidated financial statements.

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

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

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

Grupa LOTOS S.A.'s Management Board has not published any forecasts concerning the Company's performance in 2010.

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

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

- prices of crude oil and of petroleum products,
- PLN/USD exchange rate,
- supply and demand for petroleum products,
- PLN/EUR exchange rate,
- from January 1st 2008, producers and importers have been required to achieve the National Target Ratio specifying the minimum content of bio-components in fuels marketed in Poland,
- abolishment of the bio-component corporate income tax credit available to producers of bio-components,
- abolishment of the bio-component excise tax credit available to producers of fuels,
- commissioning of new installations constructed as part of the 10+ Programme,
- introduction of hedge accounting with respect to cash flow hedges (i.e. foreign-currency denominated loans intended for financing of the 10+ Programme, designated as a hedges for future USD-denominated petroleum product sales transactions) as of January 1st 2011,
- changes in the Group's structure following the acquisition of control over the AB Geonafta Group.

XIII. Segment Information

Information concerning business segments is presented in Note 13 to these interim condensed consolidated financial statements.

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

President of the Management Board, 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