



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

## **THE LOTOS GROUP**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30TH 2011  
ALONG WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

## THE LOTOS GROUP

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**THE LOTOS GROUP  
FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS - CONSOLIDATED**

THE LOTOS GROUP	PLN '000		EUR '000	
	6 months ended Jun 30 2011	6 months ended Jun 30 2010 (restated)	6 months ended Jun 30 2011	6 months ended Jun 30 2010 (restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	13,296,610	8,647,618	3,351,551	2,159,637
Operating profit	733,681	424,359	184,932	105,978
Pre-tax profit/(loss)	1,052,665	(821,762)	265,335	(205,225)
Net profit/(loss) from continuing operations	889,003	(621,450)	224,083	(155,200)
Profit/(loss) from continuing operations attributable to owners of the Parent	888,680	(623,141)	224,001	(155,622)
Profit from continuing operations attributable to non-controlling interests	323	1,691	81	422
Total comprehensive income	1,092,350	(601,215)	275,338	(150,146)
Total comprehensive income attributable to owners of the Parent	1,092,026	(603,046)	275,257	(150,603)
Total comprehensive income attributable to non-controlling interests	324	1,831	82	457
Net cash provided by/(used in) operating activities	(272,910)	465,559	(68,790)	116,268
Net cash provided by/(used in) investing activities	(400,735)	(638,637)	(101,010)	(159,492)
Net cash provided by/(used in) financing activities	293,108	258,031	73,881	64,440
Total net cash flow	(384,542)	84,108	(96,928)	21,005
Basic earnings/(loss) per share (PLN/EUR)	6.84	(4.80)	1.72	(1.20)
Diluted earnings/(loss) per share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Jun 30 2011	As at Dec 31 2010 (restated)	As at Jun 30 2011	As at Dec 31 2010 (restated)
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	19,514,000	17,727,364	4,894,898	4,476,268
Equity attributable to owners of the Parent	8,595,113	7,498,819	2,156,001	1,893,498
Non-controlling interests	982	14,658	246	3,701
Total equity	8,596,095	7,513,477	2,156,247	1,897,199

Items of the statement of financial position as at June 30th 2011, 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 3.9866. Items of the statement of comprehensive income and statement of cash flows for the first six months of 2011, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 3.9673 (the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2011).

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 first six months of 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0042 (the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2010).

**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the six months ended June 30th 2011 and June 30th 2010

(PLN '000)	Note	6 months ended Jun 30 2011 <u>(unaudited)</u>	6 months ended Jun 30 2010 (restated) <u>(unaudited)</u>
Sales revenue		13,296,610	8,647,618
Cost of sales	17.1	(11,892,972)	(7,624,106)
<b>Gross profit</b>		<b>1,403,638</b>	<b>1,023,512</b>
Selling costs	17.1	(468,566)	(393,824)
General and administrative expenses	17.1	(213,022)	(177,218)
Other operating income		27,411	15,844
Other operating expenses		(15,780)	(43,955)
<b>Operating profit</b>		<b>733,681</b>	<b>424,359</b>
Finance income	17.2	392,358	9,914
Finance expenses	17.3	(76,949)	(1,256,035)
Share of investments in associates		2,896	-
Loss of control over subsidiary		679	-
<b>Pre-tax profit/(loss)</b>		<b>1,052,665</b>	<b>(821,762)</b>
Corporate income tax	17.4	(163,662)	200,312
<b>Net profit/(loss) from continuing operations</b>		<b>889,003</b>	<b>(621,450)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		1,555	20,235
Cash flow hedge accounting		248,864	-
Income tax on other comprehensive income	17.4	(47,615)	-
Other		543	-
<b>Other comprehensive income (net)</b>		<b>203,347</b>	<b>20,235</b>
<b>Total comprehensive income</b>		<b>1,092,350</b>	<b>(601,215)</b>
<b>Net profit/(loss) from continuing operations attributable to:</b>			
Owners of the Parent		888,680	(623,141)
Non-controlling interests		323	1,691
		<b>889,003</b>	<b>(621,450)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		1,092,026	(603,046)
Non-controlling interests		324	1,831
		<b>1,092,350</b>	<b>(601,215)</b>
<b>Net profit/(loss) from continuing operations attributable to owners of the Parent per share (PLN)</b>	12		
Weighted average number of shares (in thousands)		129,873	129,873
- basic		6.84	(4.80)
- diluted		-	-

The notes, attached on pp. 8 to 72, are an integral part of these interim condensed consolidated financial statements for the six months ended June 30th 2011.

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

**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at June 30th 2011 and December 31st 2010

	Note	Jun 30 2011 (unaudited)	Dec 31 2010 (restated) (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17.5	9,012,112	6,173,798
Tangible assets under construction	17.5	1,465,764	4,213,684
Goodwill		46,688	46,688
Intangible assets	17.5	415,615	94,825
Investment property		3,005	3,376
Investments in associates accounted for using the equity method		-	93,064
Non-current financial assets	17.6	62,553	54,099
Deferred tax assets		162,172	159,901
Non-current receivables		33,224	28,612
Prepayments and accrued income		6,977	4,003
<b>Total non-current assets</b>		<b>11,208,110</b>	<b>10,872,050</b>
<b>Non-current assets held for sale</b>		<b>23,638</b>	<b>6,018</b>
<b>Current assets</b>			
Inventories, including:	17.7	5,270,916	4,506,791
- mandatory stocks	17.7	3,939,352	2,980,241
Trade and other receivables	17.8	2,266,613	1,821,939
Current income tax receivable		94,655	47,492
Prepayments and accrued income		47,228	32,674
Current financial assets	17.9	174,686	55,906
Cash and cash equivalents		341,965	382,601
<b>Total current assets</b>		<b>8,196,063</b>	<b>6,847,403</b>
<b>Current assets held for sale, including:</b>		<b>86,189</b>	<b>1,893</b>
- cash and cash equivalents		1,104	77
- other current assets		85,085	1,816
<b>Total assets</b>		<b>19,514,000</b>	<b>17,727,364</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		129,873	129,873
Statutory reserve funds		1,311,348	1,311,348
Cash flow hedging reserve		201,580	-
Retained earnings		6,938,808	6,045,317
Translation reserve		13,504	12,281
<b>Equity attributable to owners of the Parent</b>		<b>8,595,113</b>	<b>7,498,819</b>
<b>Non-controlling interests</b>		<b>982</b>	<b>14,658</b>
<b>Total equity</b>		<b>8,596,095</b>	<b>7,513,477</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17.10	4,381,275	4,403,453
Long-term provisions	17.11	341,546	320,722
Deferred tax liabilities		283,136	123,143
Other financial liabilities	17.12	167,906	151,666
Accruals and deferred income and other liabilities	17.13	38,440	40,141
<b>Total non-current liabilities</b>		<b>5,212,303</b>	<b>5,039,125</b>
<b>Current liabilities</b>			
Trade payables, accruals and deferred income, and other liabilities	17.13	3,268,743	2,960,776
Current income tax payable		23,013	15,188
Interest-bearing loans and borrowings	17.10	2,219,695	1,923,341
Notes	10	19,970	52,670
Short-term provisions	17.11	19,236	20,218
Other financial liabilities	17.12	117,863	202,396
<b>Total current liabilities</b>		<b>5,668,520</b>	<b>5,174,589</b>
<b>Liabilities associated with assets held for sale</b>		<b>37,082</b>	<b>173</b>
<b>Total liabilities</b>		<b>10,917,905</b>	<b>10,213,887</b>
<b>Total equity and liabilities</b>		<b>19,514,000</b>	<b>17,727,364</b>

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**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended June 30th 2011 and June 30th 2010**

(PLN '000)	Note	6 months ended Jun 30 2011 (unaudited)	6 months ended Jun 30 2010 (restated) (unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit/(loss) from continuing operations</b>		<b>889,003</b>	<b>(621,450)</b>
Adjustments:			
Share in net profit of subordinated undertakings accounted for using the equity method		(2,896)	-
Depreciation and amortisation	17.14	266,861	171,180
Foreign exchange (gains)/losses		(191,067)	956,223
Interest and dividends		63,198	1,665
(Gain)/loss from investing activities		(105,164)	35,013
Income tax paid		(103,411)	(45,262)
Current income tax	17.4	163,662	(200,312)
(Increase) in receivables	17.14	(450,063)	(285,511)
(Increase) in inventories	17.14	(806,760)	(783,627)
Increase in liabilities and accruals and deferred income	17.14	129,239	925,526
Increase in provisions	17.14	6,696	9,130
(Increase) in prepayments and accrued income	17.14	(19,153)	(19,120)
Settlement and valuation of financial instruments		(58,407)	322,007
Other adjustments	17.14	(54,648)	97
<b>Net cash provided by/(used in) operating activities</b>		<b>(272,910)</b>	<b>465,559</b>
<b>Cash flows from investing activities</b>			
Interest received		1,305	425
Dividends received		514	10,463
Sale/(purchase) of tangible and intangible assets		(280,358)	(602,335)
Prepayments for tangible assets under construction		(2,593)	(46,170)
Sale of non-current financial assets		480	42
Loss of control over subsidiary, net of cash		1,104	-
Non-current loans advanced		-	(8)
Other cash inflows from/(outflows on) financial assets		(16,857)	(1,054)
Acquisition of UAB Meditus, net of cash acquired		(104,330)	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(400,735)</b>	<b>(638,637)</b>
<b>Cash flows from financing activities</b>			
Increase in loans and borrowings		636,820	656,074
Issue of notes		323,720	-
Cash flows attributable to changes in interest in a subsidiary undertaking not resulting in loss of control over non-current financial assets		(9,416)	(10,891)
Repayment of loans and borrowings		(157,090)	(233,173)
Redemption of notes	10	(358,000)	-
Interest paid		(49,752)	(45,519)
Decrease in finance lease liabilities		(1,903)	(1,444)
Settlement of financial instruments	17.2, 17.3	(90,486)	(107,016)
Other items, net		(785)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>293,108</b>	<b>258,031</b>
Effect of exchange rate fluctuations on cash held		(4,005)	(845)
<b>Change in net cash</b>	17.14	<b>(384,542)</b>	<b>84,108</b>
<b>Cash and cash equivalents at beginning of period</b>	17.14	<b>118,233</b>	<b>(165,588)</b>
<b>Cash and cash equivalents at end of period</b>	17.14	<b>(266,309)</b>	<b>(81,480)</b>
- restricted cash and cash equivalents	17.14	27,090	37,379

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**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended June 30th 2011 and June 30th 2010

(PLN '000)	Share capital	Statutory reserve funds	Cash flow hedging reserve	Retained earnings	Foreign exchange differences	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Jan 1 2010 (restated) (audited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>5,353,895</b>	<b>14,277</b>	<b>6,809,393</b>	<b>36,752</b>	<b>6,846,145</b>
Net profit from continuing operations for the six months ended Jun 30 2010	-	-	-	(623,141)	-	(623,141)	1,691	(621,450)
Changes in ownership interest	-	-	-	11,902	-	11,902	(22,793)	(10,891)
Other comprehensive income, net, for the six months ended Jun 30 2010	-	-	-	-	20,095	20,095	140	20,235
<b>Jun 30 2010 (unaudited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>4,742,656</b>	<b>34,372</b>	<b>6,218,249</b>	<b>15,790</b>	<b>6,234,039</b>
<b>Jan 1 2011 (audited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>6,045,317</b>	<b>12,281</b>	<b>7,498,819</b>	<b>14,658</b>	<b>7,513,477</b>
Net profit from continuing operations for the six months ended Jun 30 2011	-	-	-	888,680	-	888,680	323	889,003
Change in the Group's organisational structure	-	-	-	-	-	-	(220)	(220)
Changes in ownership interest	-	-	-	4,268	-	4,268	(13,780)	(9,512)
Other comprehensive income, net, for the six months ended Jun 30 2011	-	-	201,580	543	1,223	203,346	1	203,347
<b>Jun 30 2011 (unaudited)</b>	<b>129,873</b>	<b>1,311,348</b>	<b>201,580</b>	<b>6,938,808</b>	<b>13,504</b>	<b>8,595,113</b>	<b>982</b>	<b>8,596,095</b>

The notes, attached on pp. 8 to 72, are an integral part of these interim condensed consolidated financial statements for the six months ended June 30th 2011.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2011**

**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 has been 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 deposits and oil and gas production.

**2. Composition of the Group**

As at June 30th 2011, the LOTOS Group comprised Grupa LOTOS S.A. (the Parent Undertaking) and 28 production and service companies, including:

- 16 subsidiaries of Grupa LOTOS S.A.
- 12 indirect subsidiaries of Grupa LOTOS S.A. and companies accounted for using the proportional method.

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		
				Jun 30 2011	Dec 31 2010	Jun 30 2010
<b>Parent Undertaking</b>						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
<b>Direct subsidiaries</b>						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	full	100,00%	100.00%	100.00%
LOTOS Gaz S.A. w likwidacji (in liquidation) <sup>(1)</sup>	Mława <sup>(1)</sup>	The company is not conducting operations	full	100,00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and domestic sale of base oils	full	100,00%	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100,00%	100.00%	100.00%
LOTOS Ekoenergia Sp. z o.o. <sup>(2)</sup>	Gdańsk	The company has not commenced operations	full	100,00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100,00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs	full	100,00%	100.00%	100.00%
LOTOS LAB Sp. z o.o.	Gdańsk	Laboratory analyses	full	100,00%	100.00%	100.00%



**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30th 2011**

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by the Group		
				Jun 30 2011	Dec 31 2010	Jun 30 2010
LOTOS Straż Sp. z o.o.	Gdańsk	Fire safety	full	100,00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100,00%	100.00%	100.00%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	full	100,00%	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Gdańsk	Trading in aviation fuel	full	100,00%	100.00%	100.00%
LOTOS Czechowice S.A. (parent undertaking of another group)	Czechowice-Dziedzice	Storage and distribution of fuels	full	100,00% <sup>(5)</sup>	97.55% <sup>(4)</sup>	96.74% <sup>(3)</sup>
LOTOS Jasło S.A.	Jasło	Renting and operating of own or leased real estate from March 24th 2011	full	100,00% <sup>(5)</sup>	98.12% <sup>(4)</sup>	97.63% <sup>(3)</sup>
LOTOS Petrobaltic S.A. <sup>(7)</sup> (parent undertaking of another group)	Gdańsk	Acquisition of crude oil and natural gas deposits and their exploitation	full	99,94% <sup>(6)</sup>	99.32%	99.32%
LOTOS Park Technologiczny Sp. z o.o.	Jasło	The company is not conducting operations	full	100,00%	100.00%	100.00% <sup>(8)</sup>
<b>Indirect subsidiaries and companies accounted for using the proportional method</b>						
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	full	100,00%	97.55% <sup>(10, 11)</sup>	96.74% <sup>(9)</sup>
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	full	100,00%	97.55% <sup>(10, 11)</sup>	96.74% <sup>(9)</sup>
PLASTEKOL Organizacja Odzysku S.A.	Jasło	Provision of services		<sup>(12)</sup>	93.70% <sup>(10)</sup>	93.24% <sup>(9)</sup>
Miliana Shipping Company Ltd.	Cyprus	Services consisting in the storage and transport of crude oil	full	99,94% <sup>(13, 14)</sup>	99.32%	99.32%
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	full	99,94% <sup>(13)</sup>	99.32% <sup>(15)</sup>	99.32%
Aphrodite Offshore Services Ltd.	Netherlands Antilles	Sea transport services	full	99,94% <sup>(13)</sup>	99.32%	99.32%
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	full	99,94% <sup>(13)</sup>	99.32%	99.32%
AB LOTOS Baltija (parent undertaking of another group) <sup>(17, 18)</sup>	Vilnius, Lithuania	Business and legal advisory services	full	99,94% <sup>(13)</sup>	99.32% <sup>(16)</sup>	100.00%
AB Meditus (parent undertaking of another group) <sup>(17, 19)</sup>	Vilnius, Lithuania	Business and legal advisory services	full	99,94% <sup>(13, 17)</sup>	-	-
AB Geonafta (parent undertaking of another group)	Gargždai, Lithuania	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	full	99,94% <sup>(13, 17, 20)</sup>	40.31%	40.31%
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production	full	99,94% <sup>(13, 17)</sup>	40.31%	40.31%
UAB Manifodas	Gargždai, Lithuania	Crude oil exploration and production	proportional	49,97% <sup>(13, 17)</sup>	20.15%	20.15%
UAB Minijos Nafta	Gargždai, Lithuania	Crude oil exploration and production	proportional	49,97% <sup>(13, 17)</sup>	20.15%	20.15%

<sup>(1)</sup> 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 15 to these interim condensed consolidated financial statements).

The company's new registered address in Kraków was registered on July 8th 2011.

<sup>(2)</sup> 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.

<sup>(3)</sup> By June 30th 2010, Grupa LOTOS S.A. acquired from non-controlling shareholders an additional 11.70% of shares in LOTOS Czechowice S.A. and 12.62% of shares in LOTOS Jasło S.A.

<sup>(4)</sup> By December 31st 2010, Grupa LOTOS S.A. acquired from non-controlling shareholders an additional 12.51% of shares in LOTOS Czechowice S.A. and 13.11% of shares in LOTOS Jasło S.A.

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<sup>(5)</sup> Following the transactions carried out as part of the squeeze-out described in Note 15 to these interim condensed consolidated financial statements, and relevant entries being made in the share registers of LOTOS Czechowice S.A. and LOTOS Jasło S.A. respectively on April 7th and 8th 2011, Grupa LOTOS S.A. holds a 100% stake in LOTOS Czechowice S.A. and a 100% stake in LOTOS Jasło S.A.

<sup>(6)</sup> By June 30th 2011, Grupa LOTOS S.A. acquired from non-controlling shareholders an additional 0.62% of shares in LOTOS Petrobaltic S.A. (see Note 15 to these interim condensed consolidated financial statements).

<sup>(7)</sup> 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.

<sup>(8)</sup> 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.

<sup>(9)</sup> The shareholding changes described in item <sup>(3)</sup> 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.

<sup>(10)</sup> The shareholding changes described in item <sup>(4)</sup> 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.

<sup>(11)</sup> On November 5th 2010, Grupa LOTOS S.A. acquired from LOTOS Czechowice S.A. one share in LOTOS Biopaliwa Sp. z o.o., representing 0.005% of the company's share capital, and one share in RCEkoenergiaSp. z o.o., representing 0.005% of the company's share capital.

<sup>(12)</sup> On February 11th 2011, LOTOS Jasło S.A. executed an agreement for the sale of a block of 95.5% of shares in PLASTEKOL Organizacja Odzysku S.A. to a third party (see Note 15 to these interim condensed consolidated financial statements).

<sup>(13)</sup> The shareholding changes described in item <sup>(6)</sup> above led to changes in the Group's indirect interests in the share capitals of the subsidiaries of LOTOS Petrobaltic S.A.

<sup>(14)</sup> On June 24th 2011, LOTOS Petrobaltic S.A. acquired one share in Miliana Shipping Company Ltd. under an agreement of April 21st 2011 providing for the sale of one share in Miliana Shipping Company Ltd. by Aphrodite Offshore Services N.V. to LOTOS Petrobaltic S.A. for a price of USD 19.8 thousand (PLN 53.8 thousand translated at the mid-exchange rate for USD quoted by the National Bank of Poland for April 21st 2011). LOTOS Petrobaltic S.A. currently holds 100% of shares in Miliana Shipping Company Ltd.

<sup>(15)</sup> On November 15th 2010, the share capital of LOTOS Exploration and Production Norge AS was increased by NOK 1. One new share in the company, with a par value of NOK 1 (i.e. PLN 0.4822, translated using the NOK mid-exchange rate quoted by the National Bank of Poland for November 15th 2010) was acquired by Grupa LOTOS S.A.

<sup>(16)</sup> 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 sale price of PLN 485 thousand.

<sup>(17)</sup> 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. gained control of AB Geonafta (see Note 15 to these interim condensed consolidated financial statements).

<sup>(18)</sup> On May 23rd 2011, a change in the legal form of UAB LOTOS Baltija to AB LOTOS Baltija was registered. Currently, the company operates under the name AB LOTOS Baltija (see Note 15 to these interim condensed consolidated financial statements).

<sup>(19)</sup> On May 10th 2011, a change in the legal form of UAB Meditus to AB Meditus was registered. Currently, the company operates under the name AB Meditus (see Note 15 to these interim condensed consolidated financial statements).

<sup>(20)</sup> On March 23rd 2011, LOTOS Petrobaltic S.A. and Grupa LOTOS S.A. executed an agreement whereby Grupa LOTOS S.A. purchased one share in AB Geonafta for LTL 3 thousand (PLN 3.5 thousand) (see Note 15 to these interim condensed consolidated financial statements).

As at June 30th 2011, 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 Petrobaltic S.A. (see Note 15 to these interim condensed consolidated financial statements). As at December 31st 2010 and June 30th 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.

In the comparative data for the six months ended June 30th 2010, the LOTOS Group presented the financial information concerning the LOTOS Petrobaltic Group 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 by a dividend of PLN 9,782 thousand approved by the Annual General Shareholders Meeting of AB Geonafta on May 17th 2010 in a relevant resolution. The value of the interest in AB Geonafta disclosed in the consolidated financial statements is based on the consolidated financial statements of the AB Geonafta Group for 2009, drawn up in accordance with the IFRS.

### **3. Changes in the composition of the Management and Supervisory Boards**

In the period from January 1st 2011 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.

As at January 1st 2011, the composition of Grupa LOTOS S.A.'s Supervisory Board 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.

On June 27th 2011, the General Shareholders Meeting of Grupa LOTOS S.A. appointed the Company's Supervisory Board for the eighth term of office. The following persons were appointed to the Supervisory Board: Małgorzata Hirszel, Ewa Sibrecht-Ośka, Leszek Starosta, Oskar Pawłowski, Michał Rumiński and Rafał Wardziński. The General Shareholders Meeting appointed Mr Wiesław Skwarko the Chairman of the Supervisory Board. In accordance with the Company's Articles of Association, Mr Wiesław Skwarko was appointed to the Supervisory Board by the State Treasury.

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,  
Rafał Wardziński – 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,  
Leszek Starosta – Member of the Supervisory Board,  
Ewa Sibrecht-Ośka – Member of the Supervisory Board,

### **4. Basis of presentation**

These interim condensed consolidated financial statements of the LOTOS Group have been prepared in accordance with International Accounting Standard No. 34 Interim Financial Reporting ("IAS 34") and in compliance with the relevant EU-endorsed IFRSs 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 ("IFRSs") include the standards and interpretations approved by the International Accounting Standards Board ("the Board", "IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group companies will continue as going concerns for the foreseeable future. As at the date of approving these financial statements, no circumstances have been identified that might pose a threat to the Group companies continuing as going concerns.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the LOTOS Group for 2010, prepared in accordance with the IFRSs.

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The financial information as at June 30th 2011 and for the six months ended on that date, as well as the comparable financial data for the six months ended June 30th 2010, contained in these interim condensed consolidated financial statements, were reviewed by a qualified auditor. The financial information as at December 31st 2010 was audited by a qualified auditor, who issued an opinion on the financial statements on April 11th 2011.

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

These interim condensed consolidated financial statements were approved for publication by the Management Board on August 23rd 2011.

#### **4.1 Change of information presented in previous reporting periods**

1. As at June 30th 2010, the Group reclassified certain items which had earlier been presented as restricted cash and cash equivalents into non-current financial assets. These items included the PLN 6,979 thousand (as at January 1st 2010: PLN 5,819 thousand) deposit securing the repayment of interest on the loan intended for financing of inventory, and the PLN 2,259 thousand (as at January 1st 2010: PLN 1,205 thousand) security deposit (margin). In connection with the foregoing, cash flows from financing activities and cash flows from investing activities for the six months ended June 30th 2010 changed respectively by (PLN 1,160) thousand and PLN (1,054) thousand.
2. Furthermore, as at June 30th 2010 the Group presented in restricted cash PLN 18,320 thousand of its cash in a bank account on which a hold had been placed in connection with legal proceedings concerning WANDEKO.
3. In connection with the introduction as from January 1st 2011 of amended accounting policies concerning the foreign exchange rates applicable to business transactions denominated in foreign currencies (referred to in Note 5 to these financial statements), the Group changed the comparative data for the six months ended June 30th 2010. As a result, cost of sales fell by PLN 127,645 thousand and finance expenses rose by PLN 127,645 thousand.
4. As at December 31st 2010, the Group reclassified in its statement of financial position certain items which had earlier been presented as restricted cash and cash equivalents into interest-bearing current loans; the reclassification related to PLN 8,665 thousand (as at January 1st 2010: PLN 9,928 thousand) worth of term deposits securing repayment of the interest on and principal of the loans contracted to finance the 10+ Programme. Furthermore, in the statement of cash flows as at June 30th 2010 restricted cash and cash flows from operating activities for the six months ended June 30th 2010 changed respectively by (PLN 10,395) thousand and PLN (467) thousand.
5. Moreover, in the six months ended June 30th 2010, the Group adjusted its sales revenue and cost of sales. For the first six months of 2010, sales revenue and cost of sales decreased by PLN 11,125 thousand.
6. The Group has analysed the anticipated period of realisation of interest rate risk hedging instruments (IRSs) and classified them as at June 30th 2011 as current or non-current assets and liabilities based on the cash flows relating to a given financial instrument. The Group has adjusted the comparative data. As at December 31st 2010 current and non-current interest rate risk hedging instrument (IRSs) assets and liabilities amounted respectively to: PLN 10,259 thousand and PLN 18,828 thousand; PLN 148,253 thousand and PLN 79,644 thousand.
7. As at January 1st 2011, the amount of cash and cash equivalents as shown by the statement of cash flows changed by PLN 10,463 thousand in connection with an overdraft facility which is not classified as cash equivalents.

## 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 2010 (see Note 10 to the consolidated financial statements for 2010, prepared in accordance with the IFRS), except to the extent that:

- Starting from January 1st 2011, the Group changed its accounting policies as regards the exchange rates used to translate business transactions denominated in foreign currencies. As of January 1st 2011, such business transactions will be recognised as at the transaction date (i) using the exchange rate actually applied on that date due to the nature of the transaction – in the case of sale or purchase of foreign currencies, and (ii) using the mid-exchange rate quoted for a given currency by the National Bank of Poland for a day preceding the transaction date – in the case of payment of receivables or liabilities where there is no rationale for using the actual exchange rate, and in the case of other transactions. Application of the new accounting policies will not affect the Group's total net result, but will affect the values presented in the operating and financial parts of the statement of comprehensive income.

Furthermore, starting from January 1st 2011, the Company introduced cash flow hedge accounting with respect to foreign-currency denominated loans intended for financing of the 10+ Programme, designated as hedges of future USD-denominated petroleum product sales transactions.

As from January 1st 2011, the Group has changed the rules for the presentation of measurement and settlement of financial instruments. The effect of measurement and settlement of financial instruments is presented on a net basis in finance income or expenses. This presentation change had no effect on the comparative data presented in these financial statements.

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., LOTOS Serwis Sp. z o.o., AB Geonafta and UAB Minijos Nafta 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 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 following new standards, amendments to existing standards and interpretations which have been adopted by the European Union are effective in periods beginning after January 1st 2011:

- 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),
- Amendments introduced as part of the improvements to IFRSs published in May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) – some changes are effective for annual periods beginning on July 1st 2010, some for annual periods beginning on January 1st 2011).

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.

## 5.1 New standards and interpretations

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 for periods beginning on or after January 1st 2013),
- 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 for annual periods beginning on or after January 1st 2012),
- Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for periods beginning on or after July 1st 2011).
- IFRS 10 Consolidated Financial Statements (effective for periods beginning on or after January 1st 2013),
- IFRS 11 *Joint Arrangements* (effective for periods beginning on or after January 1st 2013),
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for periods beginning on or after January 1st 2013),
- IFRS 13 *Fair Value Measurement* (effective for periods beginning on or after January 1st 2013),
- Amendments to IAS 19 *Employee Benefits* (effective for periods beginning on or after January 1st 2013),
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for periods beginning on or after July 1st 2012).

The Group has not decided to choose the option of early application of any of the above standards, interpretations, or amendments which have been published but have not yet become effective.

By the date of approval of these financial statements, the first phase of IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after January 1st 2013), has not been endorsed by the European Union. During the next phases, the International Accounting Standards Board will focus on hedge accounting and impairment. The project is scheduled for completion in mid-2011. Implementation of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will analyse this effect along with the effect from the other phases of the project after their publication, in order to present a coherent picture.

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

## 6. Translation of financial highlights into the euro

Items of the statement of financial position as at June 30th 2011, 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 3.9866. Items of the statement of comprehensive income and the statement of cash flows for the six months ended June 30th 2011, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 3.9673 (the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2011).

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 first six months of 2010, presented in the "Financial Highlights" table, were translated at the exchange rate of EUR 1 = PLN 4.0042 (the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each full month in the period January 1st – June 30th 2010).

**7. Seasonality and cyclicity of operations in the interim period**

There was no seasonality or cyclicity in the Group's operations in the interim period.

**8. Amounts with a 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 January 1st–June 30th 2011, the effect of the gain on remeasurement of loans and borrowings denominated in foreign currencies taken to the statement of comprehensive income amounted to PLN 188,538 thousand and was presented in finance income.

In the period January 1st–June 30th 2011, foreign exchange gains recognised in the cash flow hedging reserve amounted to PLN 248,864 thousand, before a tax effect of PLN 47,284 thousand.

In the period January 1st–June 30th 2011, the gross value of the Company's mandatory stocks rose by PLN 960,694 thousand in connection with higher production and sales, among other things due to higher throughput capacity of the Gdańsk Refinery.

The effect of accounting for the acquisition of the Lithuanian assets has been described in more detail in Note 15 to these interim condensed consolidated financial statements.

**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 on the current interim period**

The Group tested for impairment its assets corresponding to the interests held by LOTOS Exploration and Production Norge AS in the hydrocarbon reserves as part of the acquired production licences covering the YME field development project, discussed at greater length in Note 17.5 to these interim condensed consolidated financial statements. Other than that, there were no material changes in estimates reported in prior financial years.

**10. Issue, redemption and repayment of debt and equity securities**

**Issue of notes by LOTOS Asphalt Sp. z o.o.**

In the six months ended June 30th 2011, 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 are issued as PLN-denominated, unsecured, zero-coupon bearer notes in book-entry form, redeemable at par value, and offered in private placement.

The notes are acquired by third-party investors as well as by the Group members. The table below presents the par value of notes issued to third-party investors in the period January 1st–June 30th 2011.

PLN '000	Nominal value of issued notes	Discount	Liabilities under outstanding notes
<b>As at January 1st 2011</b>	<b>53,000</b>	<b>(330)</b>	<b>52,670</b>
Increase (issue)	325,000	(1,256)	
Decrease (redemption)	(358,000)	1,556	
<b>As at June 30th 2011</b>	<b>20,000</b>	<b>(30)</b>	<b>19,970</b>

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During the six months ended June 30th 2011, the Group's proceeds from the issue of notes (without deducting the issue expenses) were PLN 323,744 thousand. During the six months ended June 30th 2011, the Group's note issue expenses were PLN 358,000 thousand.

Furthermore, in the period January 1st–June 30th 2011 LOTOS Asphalt Sp. z o.o. issued notes with a par value of PLN 132,000 thousand, which were acquired by other Group members (see Note 18 to these interim condensed consolidated financial statements). In the period January 1st–June 30th 2011, LOTOS Asphalt Sp. z o.o. redeemed notes worth (at par value) PLN 106,000 thousand from the Group members.

No other debt or equity securities were issued, redeemed or repaid in the period between January 1st and June 30th 2011.

### 11. Dividends

On June 27th 2011, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the Company's net profit for the year ended December 31st 2010. Pursuant to the resolution, the Company's net profit for the year ended December 31st 2010, totalling PLN 464,954 thousand, was excluded in whole from distribution to the Company Shareholders and allocated as follows:

- PLN 463,454 thousand was transferred to the Company's statutory reserve funds,
- PLN 1,500 thousand was transferred to the Special Account designated for financing corporate social responsibility (CSR) projects.

In these interim condensed financial statements, the Company presented profit after distribution under retained earnings. In addition, the allocation of profit to the Special Account was recognised as an expense in the six months ended June 30th 2011 and presented under short-term provisions.

### 12. Earnings/(loss) per share

	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net profit/(loss) from continuing operations attributable to owners of the Parent (PLN '000) (A)	888,680	(623,141)
Weighted average number of shares (in thousands) (B)	129,873	129,873
	=====	=====
Earnings/(loss) per share (PLN) (A/B)	6.84	(4.80)

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

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



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### 13. Business segments

PLN '000	Upstream segment	Downstream segment	Other <sup>(1)</sup>	Consolidation adjustments	Consolidated
	<b>6 months ended Jun 30 2011 (unaudited)</b>				
<b>Sales revenue:</b>	<b>314,145</b>	<b>13,204,282</b>	<b>10,799</b>	<b>(232,616)</b>	<b>13,296,610</b>
Intersegment sales	206,305	18,767	7,544	(232,616)	-
External sales	107,840	13,185,515	3,255	-	13,296,610
	-----	-----	-----	-----	-----
Operating profit/(loss) (EBIT)	<b>107,892</b>	<b>654,014</b>	<b>(106)</b>	<b>(28,119)</b>	<b>733,681</b>
	-----	-----	-----	-----	-----
Depreciation and amortisation	48,601	214,001	4,923	(664)	266,861
	=====	=====	=====	=====	=====
Operating profit before amortisation and depreciation (EBITDA)	<b>156,493</b>	<b>868,015</b>	<b>4,817</b>	<b>(28,783)</b>	<b>1,000,542</b>
	=====	=====	=====	=====	=====
	<b>Upstream segment</b>	<b>Downstream segment</b>	<b>Other<sup>(1)</sup></b>	<b>Consolidation adjustments</b>	<b>Consolidated</b>
PLN '000	<b>Jun 30 2011 (unaudited)</b>				
<b>Total assets</b>	<b>2,734,360</b>	<b>17,330,764</b>	<b>144,070</b>	<b>(695,194)</b>	<b>19,514,000</b>
	=====	=====	=====	=====	=====
- including net exploration and evaluation assets	78,475	-	-	-	78,475
	=====	=====	=====	=====	=====

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

### External sales – geographical structure

PLN '000	Upstream segment	Downstream segment	Other <sup>(1)</sup>	Consolidated
	<b>6 months ended Jun 30 2011 (unaudited)</b>			
<b>Domestic sales:</b>	<b>185</b>	<b>9,877,249</b>	<b>3,255</b>	<b>9,880,689</b>
- products	53	9,675,554	3,255	9,678,862
- goods for resale and materials	132	201,695	-	201,827
	-----	-----	-----	-----
<b>Export sales:</b>	<b>107,655</b>	<b>3,308,266</b>	<b>-</b>	<b>3,415,921</b>
- products	89,778	2,917,350	-	3,007,128
- goods for resale and materials	17,877	390,916	-	408,793
	=====	=====	=====	=====
<b>Total</b>	<b>107,840</b>	<b>13,185,515</b>	<b>3,255</b>	<b>13,296,610</b>
	=====	=====	=====	=====

<sup>(1)</sup> 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	Other <sup>(1)</sup>	Consolidation adjustments	Consolidated
	<b>6 months ended Jun 30 2010</b> <b>(restated)</b> <b>(unaudited)</b>				
<b>Sales revenue:</b>	<b>227,671</b>	<b>8,655,451</b>	<b>11,406</b>	<b>(246,910)</b>	<b>8,647,618</b>
Intersegment sales	227,494	16,260	3,156	(246,910)	-
External sales	177	8,639,191	8,250	-	8,647,618
	-----	-----	-----	-----	-----
Operating profit/(loss) (EBIT)	<b>74,498</b>	<b>370,455</b>	<b>(840)</b>	<b>(19,754)</b>	<b>424,359</b>
	-----	-----	-----	-----	-----
Depreciation and amortisation	31,050	135,656	5,153	(679)	171,180
	=====	=====	=====	=====	=====
Operating profit before amortisation and depreciation (EBITDA)	<b>105,548</b>	<b>506,111</b>	<b>4,313</b>	<b>(20,433)</b>	<b>595,539</b>
	=====	=====	=====	=====	=====

PLN '000	Upstream segment	Downstream segment	Other <sup>(1)</sup>	Consolidation adjustments	Consolidated
	<b>Dec 31 2010</b> <b>(restated)</b> <b>(audited)</b>				
<b>Total assets</b>	<b>2,103,955</b>	<b>16,060,515</b>	<b>148,131</b>	<b>(585,237)</b>	<b>17,727,364</b>
	=====	=====	=====	=====	=====
- including net exploration and evaluation assets	73,193	-	-	-	73,193

<sup>1)</sup> Includes LOTOS Ekoenergia Sp. z o.o., LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. and Energobaltic Sp. z o.o.

### External sales – geographical structure

PLN '000	Upstream segment	Downstream segment	Other <sup>(1)</sup>	Consolidated
	<b>6 months ended Jun 30 2010</b> <b>(restated)</b> <b>(unaudited)</b>			
<b>Domestic sales:</b>	<b>177</b>	<b>6,947,299</b>	<b>8,250</b>	<b>6,955,726</b>
- products	78	6,740,897	8,247	6,749,222
- goods for resale and materials	99	206,402	3	206,504
	-----	-----	-----	-----
<b>Export sales:</b>	<b>-</b>	<b>1,691,892</b>	<b>-</b>	<b>1,691,892</b>
- products	-	1,560,377	-	1,560,377
- goods for resale and materials	-	131,515	-	131,515
	=====	=====	=====	=====
<b>Total</b>	<b>177</b>	<b>8,639,191</b>	<b>8,250</b>	<b>8,647,618</b>
	=====	=====	=====	=====

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

**14. Material events occurring after the end of the interim period and not reflected in the financial statements for the interim period**

1. On July 11th 2011, Grupa LOTOS S.A. received a notification to the effect that its assets have been included in the list of assets, facilities, installations, equipment, and services comprising critical infrastructure (see Note 44.1 to the consolidated financial statements for 2010 prepared in accordance with the IFRS).
2. On July 29th 2011, by virtue of the decision of the Marshal of the Gdańsk Province, Grupa LOTOS S.A. obtained additional carbon dioxide (CO<sub>2</sub>) emission allowances for the installations newly placed in service (175 thousand tonnes for 2011 and 185 thousand tonnes for 2012). In total, taking into account the decision referred to above, Grupa LOTOS S.A. has been granted average annual allowance of 1,899 thousand tonnes of carbon dioxide (CO<sub>2</sub>) for each of 2011 and 2012.
3. In connection with the restructuring of the sea shipping business in the LOTOS Petrobaltic Group, on July 22nd 2011 Miliana Shipping Company Ltd. established two subsidiaries registered in the Republic of Cyprus: Miliana Shipmanagement Ltd. and Miliana Shipping Group Ltd. Miliana Shipping Company Ltd. is the sole shareholder in both companies. The Group holds indirectly through LOTOS Petrobaltic S.A. 99.94% of the share capital of each of these companies.
4. Following the information obtained from Talisman Energy concerning a delay in launching production from the YME field, released by the operator on July 28th 2011, LOTOS Petrobaltic S.A. informed that production from the field was expected to start in the second quarter of 2012, and reminded that the production platform which was to service the YME field had been installed on location (North Sea, 110 km South-West of Stavanger) on June 26th 2011. At present, work is under way on the platform, with support from the Rowan Stavanger platform, to enable the unit to launch production. The potential effect of the delay on the possibility to realise the asset (the expenditure incurred on the purchase of interests and on development of the YME field) has been presented in Note 17.5 to these interim condensed consolidated financial statements.

**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 2010 (see Note 2 to the consolidated financial statements for 2010, 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:

**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 non-controlling shareholders, on November 30th 2010 the General Shareholders Meeting of LOTOS Jasło S.A. adopted a resolution regarding a minority squeeze-out. Following the transactions carried out as part of the squeeze-out process and relevant entries being made in the share register of LOTOS Jasło S.A., on April 8th 2011 Grupa LOTOS S.A. held a 100% stake in LOTOS Jasło S.A.

**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 non-controlling shareholders, on December 1st 2010 the General Shareholders Meeting of LOTOS Czechowice S.A. adopted a resolution regarding a minority squeeze-out. Following the transactions carried out as part of the squeeze-out process and relevant entries being made in the share register of LOTOS Czechowice S.A., on April 7th 2011 Grupa LOTOS S.A. held a 100% stake in LOTOS Czechowice S.A.

**Accounting for the acquisition of shares in LOTOS Czechowice S.A. and LOTOS Jasło S.A. from non-controlling shareholders as part of the minority squeeze-out process**

In the period from January 1st to June 30th 2011, as part of the minority squeeze-out process described above Grupa LOTOS S.A. acquired 183,429 shares in LOTOS Czechowice S.A. with a total value of PLN 1,833 thousand, representing 2.45% of the company's share capital, and 112,908 shares in LOTOS Jasło S.A. with a total value of PLN 471 thousand, representing 1.88% of the company's share capital. As a result of the executed transactions, as at June 30th 2011 Grupa LOTOS S.A. held 100% of the share capital of LOTOS Czechowice S.A. and 100% of the share capital of LOTOS Jasło S.A.

In line with the revised IAS 27 Consolidated and Separate Financial Statements, the transactions described above have been accounted for as equity transactions, as a result of which an amount of PLN 2,773 thousand was recognised under retained earnings attributable to the Parent.

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Accounting for the acquisition of LOTOS Czechowice S.A. and LOTOS Jasło S.A. shares from non-controlling shareholders as part of the minority squeeze-out process as at June 30th 2011:

(PLN '000)

Value of non-controlling interests as at Jun 30 2011 (A)	5,072
Value of the acquired 2.45% of shares in LOTOS Czechowice S.A. and 1.88% of shares in LOTOS Jasło S.A. (B)	2,304
Costs related to the acquisition (C)	(5)
Excess of the value of non-controlling interests over the value of the acquired shares (A-B-C)	2,773

**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.

**Accounting for the acquisition of shares in LOTOS Petrobaltic S.A. from non-controlling shareholders**

By June 30th 2011, Grupa LOTOS S.A. acquired 57,242 shares in LOTOS Petrobaltic S.A. with an aggregate value of PLN 7,344 thousand, representing 0.62% of the company's share capital.

As a result of the executed transactions, as at June 30th 2011 Grupa LOTOS S.A. held a 99.94% stake in LOTOS Petrobaltic S.A., including 99.93% shares entered in the company's share register, which confer the right to vote at the company's General Shareholders Meeting. On July 22nd 2011, following subsequent entries in the share register of LOTOS Petrobaltic S.A., Grupa LOTOS S.A. obtained the possibility to exercise voting rights at the General Shareholders Meeting conferred by 99.94% of the company shares.

In line with the revised IAS 27 Consolidated and Separate Financial Statements, the transaction described above has been accounted for as an equity transaction, as a result of which an amount of PLN 1,495 thousand was recognised under retained earnings attributable to the Parent.

Accounting for the acquisition of shares in LOTOS Petrobaltic S.A. from non-controlling shareholders as at June 30th 2011:

(PLN '000)

Value of non-controlling interests as at Jun 30 2011 (A)	8,708
Value of the acquired 0.62% of shares in LOTOS Petrobaltic S.A. (B)	7,344
Costs related to the acquisition (C)	(131)
Excess of the value of non-controlling interests over the value of the acquired shares (A-B-C)	1,495

**LOTOS Gaz S.A. placed in liquidation**

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. These developments had no effect on the data disclosed in the interim condensed consolidated financial statements.

#### **Acquisition of shares in AB Geonafta by an indirect subsidiary**

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. gained control of AB Geonafta.

AB Geonafta is the parent undertaking of its own group, which comprises:

- UAB Minijos Nafta (50% of shares held by AB Geonafta),
- UAB Genciu Nafta (100% of shares held by AB Geonafta),
- UAB Manifoldas (50% of shares held by AB Geonafta).

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. As at the transaction date, the volume of crude oil reserves and resources (2P and 2C) attributable to the AB Geonafta Group was approximately 1 million tonnes.

The acquisition price of UAB Meditus, which holds 59.41% of shares in AB Geonafta, comprised EUR 56.8m, adjusted for net debt and a portion of the potential payment to be received from one of AB Geonafta's debtors.

Given the fact that as at the business combination date the Group held a 40.59% stake in AB Geonafta, acquired jointly with its group through the purchase of 100% shares in UAB Meditus by UAB LOTOS Baltija, the business combination was provisionally accounted for and presented as a business combination achieved in stages within the meaning of the revised IFRS 3 Business Combinations. In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss in finance income or expenses.

When initially accounting for the business combination, the Group used the initial fair values of the identified acquired assets and assumed liabilities, which may differ from the fair values of identifiable acquired assets and assumed liabilities that will be used when finally accounting for the business combination (in accordance with the revised IFRS 3, a business combination must be accounted for within a year from the acquisition date). In addition, the Group is currently making analyses to determine an optimum tax strategy, the tax effect of which will also be reflected when finally accounting for the business combination.

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The Group initially accounted for the business combination as at February 3rd 2011 in the following manner:

(PLN '000)	<b>Feb 3 2011</b>
Consideration transferred (acquisition-date fair value) (A) <sup>(1)</sup>	172,775
Acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (B)	200,698
<b>Total (A+B)</b>	<b>373,473</b>
Equity interest in the acquiree	100%
Current assets, including:	74,222
Cash and cash equivalents	37,513
Non-current assets, including:	384,977
Intangible assets	291,836
Property, plant and equipment	85,281
<b>Total assets</b>	<b>459,199</b>
Provisions	16,019
Non-current liabilities	38,387
Current liabilities, and accruals and deferred income	31,320
<b>Total liabilities and provisions</b>	<b>85,726</b>
<b>Net assets</b>	<b>373,473</b>
<b>Company's share in net assets</b>	<b>373,473</b>
<b>Goodwill</b>	<b>-</b>

(A) Represents the acquisition-date fair value of the consideration transferred for 100% of shares in UAB Meditus, which holds 59.41% of shares in AB Geonafta.

(B) Represents the fair value of the 40.59% shares in AB Geonafta, held directly by LOTOS Petrobaltic S.A.

<sup>(1)</sup> For the purpose of provisionally accounting for the business combination, the consideration transferred of PLN 292,545 thousand (at acquisition-date fair value) was reduced by the value of the previously assumed liabilities of the shareholders selling UAB Meditus shares towards the acquirees, of LTL 105,571 thousand (PLN 119,770 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for February 3rd 2011).

As part of the business combination, the Group recognised identifiable intangible assets in the amount of PLN 291,836 thousand, representing licences awarded to AB Geonafta and its group companies, including UAB Genciu Nafta, UAB Minijos Nafta, and UAB Manifoldas, which confer the right to exploit crude oil reserves in Lithuania.

The increase in the value of the 40.59% interest in AB Geonafta previously held by LOTOS Petrobaltic S.A. which resulted from its acquisition-date fair value measurement was posted to finance income in the amount of PLN 104,738 thousand.

Until February 3rd 2011, the LOTOS Petrobaltic Group held 40.59% of shares in AB Geonafta. The share in the growth of net assets of the AB Geonafta Group in the period from January 1st 2011 until the business combination date amounted to PLN 2,896 thousand, and has been presented in the consolidated financial statements for the six months ended June 30th 2011 under "Share of investments in associates".

By June 30th 2011, UAB LOTOS Baltija paid its liabilities for the shares acquired in UAB Meditus, in the amount of LTL 229,437 thousand (PLN 264,908 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for June 30th 2011), including LTL 105,571 thousand (PLN 121,892 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for June 30th 2011) in connection with assuming previous liabilities of shareholders selling shares in UAB Meditus towards the acquirees.

After deducting the cash acquired in the business combination, amounting to LTL 33,066 thousand (PLN 38,178 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for June 30th 2011), the acquisition value of UAB Meditus as shown in the consolidated statement of cash flows for the six months ended June 30th 2011 amounted to PLN (104,330) thousand (LTL 90,800 thousand).

As at the balance-sheet date of June 30th 2011, the value of UAB LOTOS Baltija's liability under acquisition of shares in UAB Meditus amounted to LTL 28,426 thousand (PLN 32,821 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for June 30th 2011), including LTL 20,457 thousand (PLN 23,620 thousand, translated at the mid-exchange rate for LTL quoted by the National Bank of Poland for June 30th 2011) frozen in an escrow account for one year from the acquisition date to secure AB LOTOS Baltija's potential claims against the selling shareholders.

**Sale of investment areas, including an organised part of business and shares in PLASTEKOL Organizacja Odzysku S.A. by LOTOS Jasło S.A.**

On February 11th 2011, LOTOS Jasło S.A. entered into an agreement with an external partner concerning sale of five investment areas, including an organised part of business and a block of 95.5% of shares in PLASTEKOL Organizacja Odzysku S.A. The effect of the loss of control over the subsidiary has been presented in the statement of comprehensive income for the six months ended June 30th 2011 under "Loss of control over subsidiary", in the amount of PLN 679 thousand.

**Acquisition of shares in AB Geonafta by Grupa LOTOS S.A.**

On March 23rd 2011, LOTOS Petrobaltic S.A. and Grupa LOTOS S.A. executed an agreement whereby one share in AB Geonafta was transferred to Grupa LOTOS S.A. for LTL 3 thousand (PLN 3.5 thousand).

Following the transaction, the shareholder structure of AB Geonafta is as follows:

LOTOS Petrobaltic S.A. – 40.59%,

UAB Meditus – 59.41%,

Grupa LOTOS S.A. – 0.00062%.

**Change in the legal form of AB Meditus**

On May 10th 2011, a change in the legal form of UAB Meditus to AB Meditus was registered. Currently, the company operates under the name AB Meditus.

**Change in the legal form of AB LOTOS Baltija**

On May 23rd 2011, a change in the legal form of UAB LOTOS Baltija to AB LOTOS Baltija was registered. Currently, the company operates under the name AB LOTOS Baltija.

**Acquisition of one share in Miliana Shipping Company Ltd. by LOTOS Petrobaltic S.A.**

On June 24th 2011, LOTOS Petrobaltic S.A. acquired one share in Miliana Shipping Company Ltd. under the agreement of April 21st 2011 regarding the sale of one share in Miliana Shipping Company Ltd. by Aphrodite Offshore Services N.V. to LOTOS Petrobaltic S.A. for a price of USD 19.8 thousand (PLN 53.8 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for April 21st 2011).

LOTOS Petrobaltic S.A. currently holds 100% of shares in Miliana Shipping Company Ltd.



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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***

Jun 30 2011 (PLN '000)	Value of contingent liability in foreign currency	Currency of contingent liability	Value of contingent liability in PLN <sup>(1)</sup>	Contingent liability expiry date	Bank or other institution which issued the contingent liability instrument	Type of contingent liability instrument issued / information on debtor
<b>Beneficiary</b>						
<b>Contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.</b>						
Port Lotniczy Rzeszów–Jasionka Sp. z o.o.	4,116	PLN	4,116	Dec 31 2011	PKO BP S.A.	Bank guarantees
UOP CH SARL	700	USD	1,926	Jan 15 2012	Deutsche Bank	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	1,610	PLN	1,610	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	170	EUR	677	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	99	-	-	Bank guarantees
<b>Total contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.</b>			<b>8,428</b>			
<b>Contingent liability instruments issued by or upon the instructions of the LOTOS Group companies</b>						
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	21,806 <sup>(2)</sup>	PLN	21,806	Feb 20 2015	Bank Pekao S.A.	Bank guarantee
Other, including:	18,140	PLN	18,140	-	-	-
bank guarantees	4,596	PLN	4,596	-	-	-
bank performance bonds	11,694	PLN	11,694	-	-	-
<b>Total other contingent liability instruments issued by or upon the instructions of the LOTOS Group companies</b>			<b>39,946</b>			
<b>TOTAL FOR THE GROUP</b>			<b>48,374</b>			

<sup>(1)</sup> Contingent liabilities in foreign currencies were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2011.

<sup>(2)</sup> 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 2010 (PLN '000)	Value of contingent liability in foreign currency	Currency of contingent liability	Value of contingent liability in PLN <sup>(1)</sup>	Contingent liability expiry date	Bank or other institution which issued the contingent liability instrument	Type of contingent liability instrument issued / information on debtor
Beneficiary						
<b>Contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.</b>						
VITOL S.A.	9,130	USD	27,062	Jan 15 2011 <sup>(2)</sup>	Deutsche Bank	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
<b>Total contingent liability instruments issued by or upon the instructions of Grupa LOTOS S.A.</b>			<b>28,572</b>			
<b>Contingent liability instruments issued by or upon the instructions of the LOTOS Group companies</b>						
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 <sup>(3)</sup>	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	-	-	-
<b>Total other contingent liability instruments issued by or upon the instructions of the LOTOS Group companies</b>			<b>41,597</b>			
<b>TOTAL FOR THE GROUP</b>			<b>70,169</b>			

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

<sup>(2)</sup> Contingent liabilities expired upon the lapse of their validity term.

<sup>(3)</sup> 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.

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

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**Contingent liabilities under promissory notes**

Jun 30 2011 (PLN '000)	Amount of promissory note(s) in foreign currency	Currency of promissory note(s)	Amount of promissory note(s) in PLN <sup>(1)</sup>	Expiry date of promissory note(s)	Type
<b>Promissory notes issued by Grupa LOTOS S.A.</b>					
Head of the Customs Office in Gdańsk	240,000	PLN	240,000	Aug 19 2011 <sup>(2)</sup>	Lump sum security for a tax liability of PLN 800,000 thousand
PKO BP S.A.	200,000	PLN	200,000	Aug 25 2011	Security for a bank loan
<b>Total promissory notes issued by Grupa LOTOS S.A.</b>			<b>440,000</b>		
<b>Promissory notes issued by the LOTOS Group companies</b>					
Head of the Customs Office in Gdańsk	10,000	PLN	10,000	Apr 30 2012 <sup>(3)</sup>	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 29 2012 <sup>(4)</sup>	Security for excise duty
BRE Bank S.A.	50,000	PLN	50,000	Mar 15 2012 <sup>(5)</sup>	Security for a bank loan
PKO BP S.A.	60,000	PLN	60,000	Mar 16 2012 <sup>(6)</sup>	Security for a bank loan
Head of the Customs Office in Bielsko-Biała	13,174	PLN	13,174	Jun 30 2011 <sup>(7)</sup>	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	- <sup>(8)</sup>	Security for a bank loan
Stablewood Power Ventures (Wladyslawowo) Ltd.	13,000	USD	35,772	Jun 30 2013 <sup>(9)</sup>	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.	35,000	PLN	35,000	Apr 25 2012	Security for liabilities under bank loan agreements
Millennium Leasing Sp. z o.o.	11,192 <sup>(10)</sup>	EUR	44,618 <sup>(11)</sup>	-	Security for liabilities under lease agreements
NORDEA FINANCE POLSKA S.A.	18,582 <sup>(10)</sup>	EUR	74,079 <sup>(12)</sup>	-	Security for liabilities under lease agreements
Other (each with a unit value of less than PLN 1,000 thousand)	1,871	PLN	1,871	-	-
<b>Total promissory notes issued by the LOTOS Group companies</b>			<b>569,917</b>		
<b>TOTAL FOR THE GROUP</b>			<b>1,009,917</b>		

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

**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30th 2011**

- (1) Contingent liabilities in foreign currencies were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2011.  
(2) A new validity term for the excise duty security was set: until August 19th 2012.  
(3) The validity term (April 30th 2011) was extended until April 30th 2012.  
(4) The original validity term (February 28th 2011) was extended until February 29th 2012.  
(5) The validity term was extended until March 15th 2012 and the loan amount was increased from PLN 30,000 thousand to PLN 50,000 thousand.  
(6) The validity term was extended until March 16th 2012 and the loan amount was changed from PLN 100,000 thousand to PLN 60,000 thousand.  
(7) Contingent liability expired upon the lapse of its validity term.  
(8) Bank loan agreement of November 15th 2010.  
(9) 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.  
(10) The value of leased assets.  
(11) As at June 30th 2011, the value of liabilities under lease payments was PLN 26,302 thousand.  
(12) As at June 30th 2011, the value of liabilities under lease payments was PLN 44,670 thousand.

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 <sup>(1)</sup>	Expiry date of promissory note(s)	Type
<b>Promissory notes issued by Grupa LOTOS S.A.</b>					
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 <sup>(2)</sup>	Security for a bank loan
<b>Total promissory notes issued by Grupa LOTOS S.A.</b>			<b>440,000</b>		
<b>Promissory notes issued by the LOTOS Group companies</b>					
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 <sup>(3)</sup>	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 29 2012 <sup>(4)</sup>	Security for excise duty
BRE Bank S.A.	30,000	PLN	30,000	Mar 15 2012 <sup>(5)</sup>	Security for a bank loan
PKO BP S.A.	100,000	PLN	100,000	Apr 16 2011 <sup>(6)</sup>	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	- <sup>(7)</sup>	Security for a bank loan
Stablewood Power Ventures (Wladyslawowo) Ltd.	13,000	USD	38,533	Jun 30 2013 <sup>(8)</sup>	Security for cash liabilities under acquisition of shares and debt claims

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

**THE LOTOS GROUP**  
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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 <sup>(1)</sup>	Expiry date of promissory note(s)	Type
Beneficiary of promissory note					
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 2012 <sup>(9)</sup>	Security for liabilities under bank loan agreements
Millennium Leasing Sp. z o.o.	11,192 <sup>(10)</sup>	EUR	44,324 <sup>(11)</sup>	-	Security for liabilities under lease agreements
NORDEA FINANCE POLSKA S.A.	18,582 <sup>(10)</sup>	EUR	73,590 <sup>(12)</sup>	-	Security for liabilities under lease agreements
Other (each with a unit value of less than PLN 1,000 thousand)	1,490	PLN	1,490	-	-
<b>Total promissory notes issued by the LOTOS Group companies</b>			<b>581,514</b>		
<b>TOTAL FOR THE GROUP</b>			<b>1,021,514</b>		

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Contingent liability expired upon the lapse of its validity term.

<sup>(4)</sup> The original validity term (February 28th 2011) was extended until February 29th 2012.

<sup>(5)</sup> The validity term was extended until March 15th 2012.

<sup>(6)</sup> The validity term was extended until April 16th 2011.

<sup>(7)</sup> Bank loan agreement of November 15th 2010.

<sup>(8)</sup> 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.

<sup>(9)</sup> The agreement expired on April 26th 2011.

<sup>(10)</sup> The value of leased assets.

<sup>(11)</sup> As at December 31st 2010, the value of liabilities under lease payments was PLN 14,959 thousand.

<sup>(12)</sup> As at December 31st 2010, the value of liabilities under lease payments was PLN 43,381 thousand.

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

***Other material changes in contingent liabilities***

As at June 30th 2011, there were no material changes in other contingent liabilities.

***Commitments under investment agreements***

As at June 30th 2011, the Company's commitments under material agreements related to expenditure on property, plant and equipment (the 10+ Programme) amounted to PLN 12.4 m (PLN 29.8m as at December 31st 2010).

**16.2 Material court, arbitration or administrative proceedings and other risks relating to the Parent Undertaking or its subsidiaries**

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 2010 (see Note 38.4 to the 2010 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 issued a ruling dismissing the appeal lodged by Grupa LOTOS S.A. and PKN ORLEN S.A. On May 30th 2011, Grupa LOTOS S.A. filed a cassation complaint against the ruling, in which it appealed the ruling in its entirety, requesting its reversal. On the same day, a cassation complaint was received from PKN Orlen S.A. On June 17th 2011, a response to the cassation complaint filed by Grupa LOTOS S.A. was received, in which the President of the Competition and Consumer Protection Office requested that the complaint be dismissed and costs of proceedings be awarded to the Office. As at the date of approval of these interim condensed consolidated financial statements, the case was pending.

On March 10th 2011, using a previously created provision, the Company paid the liability of PLN 1,000 thousand, imposed by the court ruling of February 11th 2011.

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. On May 16th 2011, Grupa LOTOS S.A. sent its response to the summons to submit a representation concerning sustaining the motion for evidence from an expert's opinion and to pay a PLN 23 thousand advance towards the cost of the opinion. On May 18th 2011, a court paper was received from PETROECCO JV Sp. z o.o. which upheld the previous position on the above matter. 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 of 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. On February 17th 2011, a hearing was held before the Szczecin Court of Appeals, which, however, did not issue any ruling due to the complexity of the case. On July 13th 2011, the Supreme Court issued its decision concerning a legal issue presented by the Court of Appeals. As at the date of approval of these interim condensed consolidated financial statements, the date of hearing was not yet scheduled and 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 these interim condensed consolidated financial statements.

4. 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.

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. On August 25th 2010, LOTOS Paliwa Sp. z o.o. lodged a cassation complaint with the Supreme Administrative Court of Warsaw. On July 28th 2011, the Supreme Administrative Court dismissed the cassation complaint lodged by LOTOS Paliwa Sp. z o.o. 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.

5. 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 Grupa LOTOS S.A.'s side exercised due care. The proceedings were resumed on April 4th 2011 following preparation of an expert's opinion. By virtue of a decision issued by the District Prosecutor's Office of Warszawa Śródmieście Północ, on May 27th 2011 the investigation was discontinued. On June 12th 2011, LOTOS Gaz S.A. w likwidacji (in liquidation) filed a complaint against the District Prosecutor's Office's decision.

**17. Other explanatory information on selected items of the statements of comprehensive income and statements of financial position**

**17.1 Costs by type**

PLN '000	Note	6 months ended Jun 30 2011	6 months ended Jun 30 2010 (restated)
		(unaudited)	(unaudited)
Depreciation and amortisation	17.14	266,861	171,180
Raw materials and energy used		11,228,989	7,479,232
Contracted services		527,611	433,039
Taxes and charges		81,246	57,606
Salaries and wages		233,101	213,164
Social security and other benefits		71,960	66,258
Other costs by type		80,261	66,678
Goods for resale and materials sold		566,795	268,866
<b>Total</b>		<b>13,056,824</b>	<b>8,756,023</b>
Change in products and adjustments to cost of sales		(482,264)	(560,875)
<b>Total operating expenses:</b>		<b>12,574,560</b>	<b>8,195,148</b>
Cost of sales		11,892,972	7,624,106
Selling costs		468,566	393,824
General and administrative expenses		213,022	177,218

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**17.2 Finance income**

PLN '000	6 months ended Jun 30 2011 <u>(unaudited)</u>	6 months ended Jun 30 2010 <u>(unaudited)</u>
Dividend received	514	688
Interest	8,534	9,226
Foreign exchange gains	218,165	-
- on foreign-currency denominated credit facilities	180,014	-
- on foreign-currency denominated loans	8,524	-
- realised foreign exchange differences on foreign-currency transactions in bank accounts	34,730	-
- on debt securities	1,323	-
- other foreign exchange differences	(6,426)	-
Gain on disposal of investments	958	-
Revaluation of financial assets, including:	164,145	-
- fair-value measurement of equity interest in AB Geonafta as at its acquisition-date	104,738	-
- valuation of derivative financial instruments	149,893	-
- settlement of derivative financial instruments	(90,486)	-
Other	42	-
	=====	=====
<b>Total</b>	<b>392,358</b>	<b>9,914</b>
	=====	=====

**17.3 Finance expenses**

PLN '000	6 months ended Jun 30 2011 <u>(unaudited)</u>	6 months ended Jun 30 2010 <u>(restated)</u> <u>(unaudited)</u>
Interest	93,248	89,249
- discount on provision for Offshore Oil and Gas Facilities	4,824	4,621
Bank fees	8,278	6,959
Amounts capitalised as part of the cost of qualifying assets	(26,647)	(68,323)
Foreign exchange losses	-	902,652
- on foreign-currency denominated credit facilities	-	987,679
- on foreign-currency denominated loans	-	(31,923)
- realised foreign exchange differences on foreign-currency transactions in bank accounts	-	(47,780)
- on debt securities	-	(6,642)
- other foreign exchange differences	-	1,318
Revaluation of financial assets, including:	1,000	322,007
- valuation of derivative financial instruments	1,000	214,991
- settlement of derivative financial instruments	-	107,016
Other	1,070	3,491
	=====	=====
<b>Total</b>	<b>76,949</b>	<b>1,256,035</b>
	=====	=====

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**17.4 Income tax**

The main components of the tax expense for the six months ended June 30th 2011 and the six months ended June 30th 2010 are as follows:

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
Corporate income tax	54,316	42,069
Deferred tax	109,346	(242,381)
	=====	=====
<b>Total tax charged to consolidated profit</b>	<b>163,662</b>	<b>(200,312)</b>
	=====	=====
Income tax expense recognised in the statement of changes in equity	-	-
Income tax expense recognised in other comprehensive income (net)	47,615 <sup>(1)</sup>	-

<sup>(1)</sup> Including PLN 47,284 thousand related to cash flow hedge accounting.

For entities operating in Poland, the current and deferred portion of income tax was calculated at the rate of 19% of the corporate income tax base. In the case of foreign subsidiary LOTOS Exploration and Production Norge AS, the marginal tax rate is 78% of the tax base. LOTOS Exploration and Production Norge AS's activities are subject to taxation under two parallel tax systems: the corporate income tax system (28% tax rate) and the petroleum tax system (additional tax rate of 50%). For the Lithuanian subsidiaries of the AB LOTOS Baltija Group, the current and deferred tax was calculated using a 15% tax rate.

The change in deferred tax assets and liabilities disclosed in the statement of comprehensive income in the six months ended June 30th 2011 is primarily attributable to the fact that as of January 1st 2011 Grupa LOTOS S.A. has applied the accounting method to measure the foreign exchange differences for the purpose of corporate income tax settlements as well as settlements related to accelerated tax depreciation of new items of property, plant and equipment.

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

**17.5 Property, plant and equipment, prepayments for tangible assets under construction and intangible assets**

PLN '000	<u>Jun 30 2011</u> <u>(unaudited)</u>	<u>Dec 31 2010</u> <u>(audited)</u>
Land	397,386	398,030
Buildings and structures	3,646,919	2,851,534
Plant and equipment	4,502,010	2,535,512
Vehicles and other tangible assets	465,797	388,722
	=====	=====
<b>Total property, plant and equipment</b>	<b>9,012,112</b>	<b>6,173,798</b>
	=====	=====
Tangible assets under construction	1,455,523	4,197,422
Prepayments for tangible assets under construction	10,241	16,262
	=====	=====
<b>Total tangible assets under construction</b>	<b>1,465,764</b>	<b>4,213,684</b>
	=====	=====
<b>Intangible assets</b>	<b>415,615</b>	<b>94,825</b>
	=====	=====
<b>Total</b>	<b>10,893,491</b>	<b>10,482,307</b>

As at June 30th 2011, financing costs capitalised in tangible assets under construction amounted to PLN 27,604 thousand (as at December 31st 2010: PLN 155,474 thousand).

The Group presents and discloses exploration and evaluation assets in accordance with IFRS 6.

As at June 30th 2011, the net value of oil and gas facilities decommissioning asset amounted to PLN 111,109 thousand.

As at June 30th 2011, the net value of exploration and evaluation assets amounted to PLN 78,475 thousand.

In the six months ended June 30th 2011, the cost of depreciation/amortisation of exploration and evaluation assets amounted to PLN 1,014 thousand.

In the six months ended June 30th 2011, the cost of depreciation/amortisation of assets in respect of which technical feasibility and commercial viability of extracting a mineral resource have been demonstrated amounted to PLN 9,573 thousand.

In the six months ended June 30th 2011, impairment losses on exploration and evaluation assets amounted to PLN 287 thousand.

In the six months ended June 30th 2011, costs of direct purchases of materials and investment services related to exploration and evaluation assets amounted to PLN 5,291 thousand, including direct cash flows from investing activities related to exploration and evaluation assets of PLN 2,730 thousand. As at June 30th 2011, investment liabilities amounted to PLN 2,561 thousand.

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**Changes to property, plant and equipment, prepayments for tangible assets under construction and intangible assets**

PLN '000	Property, plant and equipment	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
<b>Gross book value as at Jan 1 2011 (audited)</b>	<b>8,205,689</b>	<b>4,334,037</b>	<b>16,262</b>	<b>12,555,988</b>	<b>200,872</b>	<b>12,756,860</b>
Increase, including:	3,370,880	(2,735,339)	(6,001)	629,540	339,323	968,863
- transfer from investments	3,022,397	(3,060,936)	-	(38,539)	38,539	-
- change in Group structure	398,543	8,330	-	406,873	193,172	600,045
Decrease	(12,280)	(75,145)	(20)	(87,445)	(275)	(87,720)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Jun 30 2011 (unaudited)</b>	<b>11,564,289</b>	<b>1,523,553</b>	<b>10,241</b>	<b>13,098,083</b>	<b>539,920</b>	<b>13,638,003</b>
<b>Gross book value as at Jan 1 2010 (restated) (audited)</b>	<b>5,136,460</b>	<b>6,160,361</b>	<b>153,536</b>	<b>11,450,357</b>	<b>160,898</b>	<b>11,611,255</b>
Increase, including:	1,716,673	(824,438)	(100,482)	791,753	33,250	825,003
- transfer from investments	1,685,691	(1,689,726)	-	(4,035)	4,035	-
Decrease	(16,816)	(855)	-	(17,671)	(94)	(17,765)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Jun 30 2010 (unaudited)</b>	<b>6,836,317</b>	<b>5,335,068</b>	<b>53,054</b>	<b>12,224,439</b>	<b>194,054</b>	<b>12,418,493</b>
<b>Accumulated depreciation/amortisation as at Jan 1 2011 (audited)</b>	<b>2,027,081</b>	-	-	<b>2,027,081</b>	<b>77,724</b>	<b>2,104,805</b>
Increase, including:	530,916	-	-	530,916	18,678	549,594
- change in Group structure	320,502	-	-	320,502	1,948	322,450
Decrease	(11,313)	-	-	(11,313)	(274)	(11,587)
	-----	-----	-----	-----	-----	-----
<b>Accumulated depreciation/amortisation as at Jun 30 2011 (unaudited)</b>	<b>2,546,684</b>	-	-	<b>2,546,684</b>	<b>96,128</b>	<b>2,642,812</b>
<b>Accumulated depreciation/amortisation as at Jan 1 2010 (audited)</b>	<b>1,685,039</b>	-	-	<b>1,685,039</b>	<b>65,733</b>	<b>1,750,772</b>
Increase	176,953	-	-	176,953	5,920	182,873
Decrease	(13,944)	-	-	(13,944)	(91)	(14,035)
	-----	-----	-----	-----	-----	-----
<b>Accumulated depreciation/amortisation as at Jun 30 2010 (unaudited)</b>	<b>1,848,048</b>	-	-	<b>1,848,048</b>	<b>71,562</b>	<b>1,919,610</b>
<b>Impairment losses as at Jan 1 2011 (audited)</b>	<b>4,810</b>	<b>136,615</b>	-	<b>141,425</b>	<b>28,323</b>	<b>169,748</b>
Increase	1,059	654	-	1,713	313	2,026
Decrease	(376)	(69,239)	-	(69,615)	(459)	(70,074)

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PLN '000	Property, plant and equipment	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
<b>Impairment losses as at Jun 30 2011 (unaudited)</b>	5,493	68,030	-	73,523	28,177	101,700
<b>Impairment losses as at Jan 1 2010 (audited)</b>	12,792	73,581	-	86,373	5,925	92,298
Increase	(476)	600	-	124	22,021	22,145
Decrease	(568)	-	-	(568)	(6)	(574)
<b>Impairment losses as at Jun 30 2010 (unaudited)</b>	11,748	74,181	-	85,929	27,940	113,869
<b>Net book value as at Jun 30 2011 (unaudited)</b>	9,012,112	1,455,523	10,241	10,477,876	415,615	10,893,491
<b>Net book value as at Jan 1 2011 (audited)</b>	6,173,798	4,197,422	16,262	10,387,482	94,825	10,482,307
<b>Net book value as at Jun 30 2010 (unaudited)</b>	4,976,521	5,260,887	53,054	10,290,462	94,552	10,385,014

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

Implementation of the 10+ Programme is an element of the LOTOS Group's development strategy. The Programme was designed to increase the throughput capacity of the Gdańsk Refinery by approximately 75%, that is to 10.5m tonnes of crude oil per annum, with deeper conversion of hydrocarbon feedstock.

As at December 31st 2010, the 10+ Programme reached a 100% completion status, meaning it was completed as scheduled for all the work connected with the engineering design, procurement and construction of all the basic and auxiliary installations.

In H1 2011, work on the 10+ Programme units included mainly work related to start up of the MHC and the ROSE units, as well as additional work related to operational recommendations for the CDU/VDU unit and extension of the utilities and off-sites.

In June 2011, a week-long test was conducted at the Company to check whether the objectives of the 10+ Programme were met with respect to processing of crude oil with a certain level of efficiency and generation of a specific product quantity and structure. The result of the refinery operation test was a requirement of the agreement with the banks, which advanced loans for execution of the 10+ Programme and needed evidence that the modernised refinery meets the requirements defined in the loan agreement.

Credit Agricole, representing a syndicate of banks financing the 10+ Programme, confirmed the positive result of the refinery's test operation and recognised July 25th 2011 as the date of successful completion of the 10+ Programme. As a result of successful completion of the test and fulfillment of the requirements set forth in the loan agreement, the interest on the loan was lowered.

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***Prospects for development of the B-4 and B-6 gas fields***

The item "Tangible assets under construction" includes expenditure incurred by LOTOS Petrobaltic S.A. on gas exploration at the B-4 and B-6 fields, on which an impairment loss was recognised in 2010 (the impairment loss was charged to other operating expenses). As at June 30th 2011, this expenditure amounted to PLN 48,399 thousand (including PLN 47,806 thousand on exploration and evaluation of mineral resources). According to the findings of the analyses which have been carried out, significant capital expenditure is required to obtain profitable commercial production of hydrocarbons. Given the results of the activities carried out to date with the aim of finding a partner for a joint development of the B-4 and B-6 gas fields, the Management Board of LOTOS Petrobaltic S.A. made a decision to intensify the process. LOTOS Petrobaltic S.A. does not plan to incur any material expenditure on development of the B-4 and B-6 gas fields, until there are any concrete arrangements regarding the terms of potential cooperation with a business partner as part of a joint venture.

***Information on interests in Norwegian production and exploration licences***

The item "Tangible assets under construction" includes expenditure of NOK 2,422,541 thousand (i.e. PLN 1,242,279 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011) incurred by LOTOS Exploration and Production Norge AS on the purchase of interests in Norwegian production licences and on development of the YME field, after adjustment for the tax effect connected with the YME field purchase transaction, of NOK 75,966 thousand (i.e. PLN 38,955 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011).

The Group tested these assets for impairment based on a discounted cash flow analysis of LOTOS Exploration and Production Norge AS's interests in the hydrocarbon reserves held under the acquired production licences covering the YME field development project. As at June 30th 2011, the carrying value of these interests amounted to NOK 2,470 million (i.e. PLN 1,266 million, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011), taking into account the tax effect connected with the YME field purchase transaction.

The YME field impairment test as at June 30th 2011 was carried out assuming a change in crude oil prices by +/-15%/bbl relative to Brent crude oil spot and forward prices as at June 30th 2011, a +/-15% change on the USD/NOK forward rate as at June 30th 2011, and a +/-15% change in the YME field reserves, analysing a weighted average cost of capital of 6.5% and 9% subject to a 78% marginal tax rate (applicable in Norway).

The Group determines the recoverable amount of the YME field based on the values in use, using the discounted cash flow method. Future cash flows were calculated by LOTOS Exploration and Production Norge AS based on 10-year production volume and cost forecasts prepared by Talisman Energy AS (the field operator).

As at June 30th 2011, the carrying value of the assets related to the YME field did not exceed any of the recoverable amount ranges determined assuming a +/-15%/bbl change in crude oil prices, a +/-15% change in the USD/NOK exchange rate and a +/-15% change in the field reserves, and analysing a weighted average cost of capital of 6.5% after tax. Therefore, in the opinion of the Management Board, the tests demonstrated no need to recognise impairment losses.

On July 28th 2011, Talisman Energy reported that the planned launch of production from the YME field would be postponed to the second quarter of 2012 (see Note 14 to these interim condensed consolidated financial statements). Due to lack of detailed complementary data, the Group estimated the effect of this information on the YME field impairment test as at June 30th 2011 on the basis of its internal information and previously adopted macroeconomic assumptions.

According to the Group, if the most conservative approach is adopted and it is assumed that production from the field will commence on June 30th 2012, and provided that all other factors taken into account in the test (in particular the crude oil market prices) remain unchanged, the test will demonstrate no need to recognise impairment. However, given that there is limited information on the potential delay in the launch of production, which may have a material effect on the results of the impairment test, the Group intends to carry out a further test to determine the field's recoverable amount once detailed information is confirmed and a report to be prepared by a special work schedule optimisation committee established by the YME field operator has been obtained. Results of the test will be reflected in the Group's consolidated financial statements for the year ended December 31st 2011.



### **Sensitivity to changes in the adopted assumptions**

Calculation of the YME field's recoverable amount is most sensitive to the following variables:

- Volatility in crude oil prices
- Volume of recoverable crude oil reserves in the YME field
- Date of commencement of production from the YME field
- NOK/USD exchange rate fluctuations
- Discount rates

Due to high market volatility, in particular with respect to crude oil prices, the adopted assumptions might be subject to reasonable changes, as a result of which the YME field's carrying amount may exceed its recoverable amount. Therefore, it is uncertain whether the assets recognised in connection with the YME field will be realised, as the projected cash flows depend on a number of future developments, in particular regarding crude price fluctuations.

Given the specific structure of the project, involving significant tax benefits and the related tax shield, and provided that the assumptions adopted as at June 30th 2011 remain unchanged, the major part of the project's recoverable amount will be absorbed in 2012-2015. Therefore, when applying the activity depreciation method (which consists in charging to expenses the depreciation attributable to a unit of produced crude oil) the carrying amount of the YME field related assets may be decreasing at a slower rate than their recoverable amount, which may entail the necessity to make charges to expenses to decrease the assets' carrying amount to the extent it exceeds their recoverable amount.

As at June 30th 2011, LOTOS Exploration and Production Norge AS held:

- production licences PL 316 and PL 316B – 20% interest in the YME field,
  - exploration licence – 45% interest in licence PL 455 (see Note 18 to these interim condensed consolidated financial statements),
  - exploration licences – 10% interest in licences PL 497 and PL 497B,
  - exploration licence – 25% interest in licence PL 498,
  - exploration licences – 25% interest in licences PL 503 and PL 503B (see Note 18 to these interim condensed consolidated financial statements),
  - exploration licence – 20% interest in licence PL 515,
- all of which have been discussed at greater length in Note 1 to the consolidated financial statements for 2010, prepared in accordance with the IFRS.

Furthermore, under “Intangible assets” LOTOS Exploration and Production Norge AS recognised expenditure of NOK 67,870 thousand as at June 30th 2011 (PLN 34,943 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011), after adjustment for a tax effect of NOK 271 thousand (PLN 139 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011), incurred on exploration licences and seismic surveys, particularly in connection with the PL 455 and the PL 503 licences. As at June 30th 2011, the gross value (before impairment) of intangible assets related to exploration licences amounted to NOK 122,613 thousand (PLN 62,876 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2011).

Pro-rata to the interests held in the licences, LOTOS Exploration and Production Norge AS has the right to a share in the production from a given field, as well as an obligation to participate in the investment expenditure and to proportionately cover such expenditure should any of the other interest holders fail to pay its share. LOTOS Exploration and Production Norge AS has the obligation to secure adequate funds to cover any expenses connected with the operation of the projects.

**17.6 Non-current financial assets**

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(restated) (audited)</b>
Shares in other undertakings	9,793	9,915
Positive valuation of derivative financial instruments:		
- futures (CO <sub>2</sub> emissions)	9,791	19,408
- interest rate swap (IRS)	811	580
Other non-current financial assets	8,980	18,828
- decommissioning fund	42,969	24,776
- deposits <sup>(1)</sup>	22,072	21,668
- security deposits (margins) <sup>(2)</sup>	15,077	-
	5,820	3,108
<b>Total</b>	<b>62,553</b>	<b>54,099</b>

<sup>(1)</sup> Deposits in an amount of PLN 15,077 thousand have been reserved for financing an overhaul shutdown planned at Grupa LOTOS S.A. in 2013.

<sup>(2)</sup> Security deposits (margins) include (among other items) an amount of PLN 3,708 thousand (as at December 31st 2010: PLN 998 thousand) which has been provided by Grupa LOTOS S.A. as margin to Marex Financial, a brokerage firm, to enable execution of transactions on the ICE Futures Internet platform.

**17.7 Inventories**

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Finished products	1,442,214	1,171,917
Semi-finished products and work in progress	573,759	449,497
Goods for resale	259,972	251,531
Materials	2,994,971	2,633,846
<b>Net inventories</b>	<b>5,270,916</b>	<b>4,506,791</b>

Gross value of mandatory stocks is as follows:

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Mandatory stocks	3,939,352	2,980,241

**17.8 Trade and other receivables**

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables, including:	2,053,731	1,740,890
- from related undertakings	65	-
Receivables from the state budget other than corporate income tax	167,604 <sup>(1)</sup>	39,914
Receivables under franchise agreements, including:	1,927	1,919
- investment receivables under start-up packages	1,927	1,919
Security deposits receivable	7,844	4,896
Investment receivables	890	2,298
Other receivables <sup>(2)</sup> , including:	34,617	32,022
- from related undertakings	1	-
<b>Net receivables</b>	<b>2,266,613</b>	<b>1,821,939</b>
Impairment losses on receivables	184,249	182,213
<b>Gross receivables</b>	<b>2,450,862</b>	<b>2,004,152</b>

<sup>(1)</sup> Including PLN 94,781 thousand of input VAT of on the Company's crude oil imports.

<sup>(2)</sup> Including excise duty of PLN 20,276 thousand (December 31st 2010: PLN 20,911 thousand) due to inter-warehouse transfers.

**Impairment losses on receivables**

PLN '000	<b>for the six months ended</b>	<b>for the six months ended</b>
	<b>Jun 30 2011</b>	<b>Jun 30 2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>At beginning of period</b>	<b>182,354</b>	<b>180,497</b>
Increase, including:	5,849	13,704
- changes in Group structure	305	-
Reversal	(1,644)	(7,077)
Use	(2,195)	(1,036)
<b>At end of period</b>	<b>184,364<sup>(1)</sup></b>	<b>186,088</b>

<sup>(1)</sup> Including an impairment loss on non-current investment receivables of PLN 115 thousand as at June 30th 2011 (December 31st 2010: PLN 141 thousand).

**17.9 Current financial assets**

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(restated)</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Positive valuation of derivative financial instruments:	91,945	49,962
- commodity swaps (commodities and petroleum products)	17,656	1,472
- futures (CO <sub>2</sub> emissions)	-	35
- currency forward and spot contracts	64,404	37,541
- forward rate agreements (FRAs)	-	655
- interest rate swap (IRS)	9,885	10,259
Deposits <sup>(1)</sup>	82,729	5,932
Shares in other undertakings	12	12
	=====	=====
<b>Total</b>	<b>174,686</b>	<b>55,906</b>
	=====	=====

<sup>(1)</sup> Deposits include, *inter alia*:

- a deposit made by Grupa LOTOS S.A. in an amount of PLN 5,512 thousand (December 31st 2010: PLN 5,932 thousand) as security for payment of interest on the loan for financing of inventories,
- a deposit made by Grupa LOTOS S.A. in an amount of PLN 49,928 thousand as security for payment of interest on the loans contracted to finance the 10+ Programme,
- a deposit made by the LOTOS Petrobaltic Group in an amount of PLN 23,620 thousand, reserved for payment of amounts due for purchased interests (see Note 15 to these interim condensed consolidated financial statements).

**17.10 Interest-bearing loans and borrowings**

PLN '000	<b>Jun 30 2011</b>	<b>Dec 31 2010</b>
	<b>(unaudited)</b>	<b>(restated)</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Bank loans	6,530,109	6,293,802
Borrowings	70,861	32,992
	=====	=====
<b>Total</b>	<b>6,600,970</b>	<b>6,326,794</b>
	=====	=====
including:		
non-current portion	4,381,275	4,403,453
current portion	2,219,695	1,923,341

**Bank loans and borrowings as at June 30th 2011, by currency and by maturity**

<b>(unaudited)</b>	<b>EUR loans</b>	<b>USD loans</b>	<b>NOK loans</b>	<b>PLN loans</b>	<b>Total</b>
PLN '000					
H2 2011	22,348	1,292,469	23,735	555,871	1,894,423
2012	175,443	427,312	-	75,616	678,371
2013	2,350	238,112	-	58,479	298,941
2014	2,350	325,002	-	58,535	385,887
2015	2,350	337,534	-	6,019	345,903
2016	-	368,029	-	42,965	410,994
beyond 2016	-	2,568,264	-	18,187	2,586,451
<b>Total</b>	<b>204,841</b>	<b>5,556,722</b>	<b>23,735</b>	<b>815,672</b>	<b>6,600,970</b>

The above table presents loans by maturity date.

**Bank loans and borrowings as at December 31st 2010, by currency and by maturity**

<b>(restated) (audited)</b>	<b>EUR loans</b>	<b>USD loans</b>	<b>NOK loans</b>	<b>PLN loans</b>	<b>Total</b>
PLN '000					
2011	19,656	1,648,044	23,624	232,017	1,923,341
2012	2,334	238,365	-	61,006	301,705
2013	2,334	242,190	-	58,506	303,030
2014	2,334	330,567	-	27,093	359,994
2015	10,270	343,314	-	19,457	373,041
beyond 2015	-	2,986,580	-	79,103	3,065,683
<b>Total</b>	<b>36,928</b>	<b>5,789,060</b>	<b>23,624</b>	<b>477,182</b>	<b>6,326,794</b>

The above table presents loans by maturity date.

***Bank loans contracted by the Parent Undertaking***

As at June 30th 2011, the Company had drawn under the investment term loan facility USD 1,550,000 thousand (in nominal terms) (i.e. PLN 4,265,135 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 30th 2011). As at December 31st 2010, the Company had drawn under the investment term loan facility USD 1,464,596 thousand (in nominal terms) (i.e. PLN 4,341,209 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for December 31st 2010). The working capital loan was made available to Grupa LOTOS S.A. in the form of overdraft facilities which are used by the Company on an as-needed basis. By the date of these interim condensed financial statements, funds drawn under the facility were used by Grupa LOTOS S.A. according to its needs.

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Loans and borrowings as at June 30th 2011:

Bank name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion) <sup>(1)</sup>		Outstanding loan amount (non-current portion) <sup>(1)</sup>		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion		
Bank consortium (1)	-	-	USD 400,000	1,102,530	USD 400,658	-	-	Dec 20 2011	-	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, submission to enforcement
Bank consortium (2)	-	-	USD 1,125,000	144,561	USD 52,438	2,940,814	USD 1,066,612	Apr 15 2012	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement
Bank consortium (3)	-	-	USD 425,000	59,510	USD 21,697	1,052,777	USD 384,120	Apr 15 2012	Jan 15 2021	fixed interest rate	
Bank consortium (4)	-	USD 200,000 or equivalent		354,946	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				115,566	USD 41,998	-	-			3M LIBOR USD + bank's margin	
				66	EUR 16	-	-			3M EURIBOR + bank's margin	
Pekao S.A.	Warsaw	150,000		6,808	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank's margin	power of attorney over bank account, submission to enforcement
PKO BP S.A.	Warsaw	200,000		50,079	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank's margin	submission to enforcement, blank promissory note
Bank consortium (5)	Warsaw	340,000	-	43,474	-	108,618	-	Jun 30 2012	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Kredyt Bank S.A.	Warsaw	60,000	-	6,000	-	17,988	-	Jun 30 2012	Jun 30 2015	1M WIBOR + bank's margin	mortgage
PKO BP S.A.	Warsaw	20,000	-	1,500	-	17,375	-	Jun 30 2012	Dec 31 2019	1M WIBOR + bank's margin	mortgage

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Bank name; form of incorporation	Registered office	Loan amount as per agreement		Outstanding loan amount (current portion) <sup>(1)</sup>		Outstanding loan amount (non-current portion) <sup>(1)</sup>		Maturity date		Financial terms and conditions (interest rate, interest payment schedule etc.)	Type of security
		PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion		
Pekao S.A.	Warsaw	20,000	-	1,500	-	17,375	-	Jun 30 2012	Dec 31 2019	1M WIBOR + bank's margin	mortgage
PKO BP S.A.	Warsaw	25,000	-	9,164	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	none
Nordea Bank Polska S.A.	Gdynia	50,000	-	49,054	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	blank promissory note
BRE Bank S.A.	Warsaw	35,000	-	16,636	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note
Pekao S.A.	Kraków	26,837	EUR 7,060	2,349	EUR 589	8,223	EUR 2,063	Apr 30 2012	Oct 31 2015	1M EURIBOR + bank's margin	mortgage
Pekao S.A.	Kraków	44,754	-	32	-	112	-	Apr 30 2012	Oct 31 2015	1M WIBOR + bank's margin	mortgage
National Fund for Environmental Protection and Water Management	Warsaw	35,000	-	6,500	-	15,306	-	Jun 30 2012	Dec 20 2014	0.8 of the promissory note rediscount rate	bank guarantee, promissory note
BRE Bank S.A.	Warsaw	50,000	-	27,839	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note
ING Bank Śląski S.A.	Warsaw	35,000	-	28,464	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	representation on submission to enforcement
Bank Ochrony Środowiska S.A.	Warsaw	68,000	-	-	-	22,312	-	-	Jun 30 2016	1M WIBOR + bank's margin	mortgage, assignment of tangible assets, assignment of rights under insurance policy, promissory note, assignment of rights under sale agreements
Bank Ochrony Środowiska S.A.	Warsaw	14,688	-	-	-	9,490	-	-	Jun 30 2016		
Bank Ochrony Środowiska S.A.	Warsaw	5,100	-	-	-	5,100	-	-	Dec 20 2016		
DnB NOR Bank ASA	Stavanger, Norway	-	NOK 180,000	23,735	NOK 46,284	-	-	Dec 22 2011	-	9M NIBOR + bank's margin	tax receivable - refunded exploration expenses
PKO BP S.A.	Warsaw	-	USD 47,500	13,363	USD 4,836	89,800	USD 32,500	Jun 30 2012	Dec 31 2012	1M LIBOR USD + bank's margin	pledge, guarantee blank promissory note

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		PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion		
PKO BP S.A.	Warsaw	-	USD 32,500	13,815	USD 5,000	75,985	USD 27,500	Overdraft facility	Overdraft facility	1M LIBOR USD + bank's margin	pledge, guarantee
Pekao S.A.	Warsaw	160,000 or equivalent in USD or EUR		115,874	USD 42,110	-	-	Nov 15 2011	-	3M LIBOR USD + bank's margin	blank promissory note
				21,108	EUR 5,295	-	-		-	3M EURIBOR + bank's margin	
Nordea Bank Polska S.A., Nordea Bank Finland Plc Lithuania Branch	Gargždai, Lithuania	-	EUR 43,000	173,095	EUR 43,360	-	-	Apr 14 2012	-	6M EURIBOR + bank's margin	mortgage, pledge, surety, representation of submission to enforcement
Funds in bank deposits securing payment of interest and principal instalments				(167,873)	USD (61,007)	-	-				
<b>TOTAL</b>				<b>601,996</b>	-	<b>213,676</b>	-				
				<b>1,397,346</b>	<b>USD 507,730</b>	<b>4,159,376</b>	<b>USD 1,510,732</b>				
				<b>196,618</b>	<b>EUR 49,260</b>	<b>8,223</b>	<b>EUR 2,063</b>				
				<b>23,735</b>	<b>NOK 46,284</b>	-	-				
				<b>2,219,695</b>	-	<b>4,381,275</b>	-				

<sup>(1)</sup> Measured at amortised cost, including arrangement fees.

<sup>(2)</sup> Not treated as cash equivalents.

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

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

Bank consortium (3): Banco Bilbao Vizcaya Argentaria S.A. and BNP Paribas S.A.

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

Bank consortium (5): Pekao S.A., PKO BP S.A.



**17.11 Provisions**

PLN '000	<u>Jun 30 2011</u> <u>(unaudited)</u>	<u>Dec 31 2010</u> <u>(audited)</u>
<b>Long-term provisions</b>		
Provision for land reclamation	57,078	40,986
Length-of-service awards and retirement severance pays	94,856	95,370
Provision for Offshore Oil and Gas Facilities	189,148	183,950
Other provisions	464	416
	-----	-----
<b>Total long-term provisions</b>	<b>341,546</b>	<b>320,722</b>
	=====	=====
<b>Short-term provisions</b>		
Provision for land reclamation	130	130
Length-of-service awards and retirement severance pays	12,237	12,459
Provision for Offshore Oil and Gas Facilities	2,400	2,400
Other provisions	4,469	5,229
	-----	-----
<b>Total short-term provisions</b>	<b>19,236</b>	<b>20,218</b>
	=====	=====
<b>Total</b>	<b>360,782</b>	<b>340,940</b>
	=====	=====

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The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of- service awards and retirement severance pays	Provision for Offshore Oil and Gas Facilities	Other provisions <sup>(1)</sup>	Total
<b>Jan 1 2010 (restated) (audited)</b>	<b>29,400</b>	<b>98,694</b>	<b>162,426</b>	<b>23,434</b>	<b>313,954</b>
Increase, including:	131	8,272	5,854	4,016	18,273
- foreign exchange differences on translation of foreign operations	-	-	1,365	-	1,365
Release	(2)	(601)	-	(2,274)	(2,877)
Use	-	(5,206)	(2)	(1,058)	(6,266)
	=====	=====	=====	=====	=====
<b>Jun 30 2010 (unaudited)</b>	<b>29,529</b>	<b>101,159</b>	<b>168,278</b>	<b>24,118</b>	<b>323,084</b>
<b>Jan 1 2011 (audited)</b>	<b>41,116</b>	<b>107,829</b>	<b>186,350</b>	<b>5,645</b>	<b>340,940</b>
Increase, including:	16,172	8,405	5,200	2,004	31,781
- changes in Group structure	14,088	532	-	83	14,703
- currency translation differences on foreign operations	78	4	376	-	458
Release	(80)	(2,465)	-	(549)	(3,094)
Use, including:	-	(6,676)	(2)	(2,167)	(8,845)
- changes in Group structure	-	-	-	(364)	(364)
	=====	=====	=====	=====	=====
<b>Jun 30 2011 (unaudited)</b>	<b>57,208</b>	<b>107,093</b>	<b>191,548</b>	<b>4,933</b>	<b>360,782</b>

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(1) "Other provisions" include the following:

PLN '000	Special Account	Provision for business risk	Restructuring provision	Other	Total
<b>Jan 1 2010 (audited)</b>	<b>1,463</b>	<b>12,300</b>	<b>2,464</b>	<b>7,207</b>	<b>23,434</b>
Increase	1,000	-	-	3,016	4,016
Release	-	-	(254)	(2,020)	(2,274)
Use	(646)	-	-	(412)	(1,058)
	=====	=====	=====	=====	=====
<b>Jun 30 2010 (unaudited)</b>	<b>1,817</b>	<b>12,300</b>	<b>2,210</b>	<b>7,791</b>	<b>24,118</b>
	=====	=====	=====	=====	=====
<b>Jan 1 2010 (audited)</b>	<b>497</b>	<b>197</b>	<b>1,144</b>	<b>3,807</b>	<b>5,645</b>
Increase, including:	1,500	-	-	504	2,004
- change in Group structure	-	-	-	83	83
Release	-	-	-	(549)	(549)
Use, including:	(413)	-	(46)	(1,708)	(2,167)
- change in Group structure	-	-	-	(364)	(364)
	=====	=====	=====	=====	=====
<b>Jun 30 2011 (unaudited)</b>	<b>1,584</b>	<b>197</b>	<b>1,098</b>	<b>2,054</b>	<b>4,933</b>
	=====	=====	=====	=====	=====

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**17.12 Other financial liabilities**

PLN '000	Jun 30 2011	Dec 31 2010 (restated)
	(unaudited)	(audited)
Negative valuation of derivative financial instruments:	164,515	279,807
- commodity swaps (commodities and petroleum products)	5,791	3,517
- futures (CO <sub>2</sub> emissions)	948	463
- currency forward and spot contracts	57,557	41,654
- forward rate agreements (FRAs)	-	340
- interest rate swap (IRS)	98,196	227,897
- currency swap	2,023	5,936
Lease liabilities	121,254	74,255
<b>Total financial liabilities</b>	<b>285,769</b>	<b>354,062</b>
Non-current liabilities	167,906	151,666
Current liabilities	117,863	202,396

**17.13 Trade payables, accruals and deferred income, and other liabilities**

PLN '000	Jun 30 2011	Dec 31 2010 (restated)
	(unaudited)	(audited)
Trade payables, including:	2,174,820	1,832,545
- to related undertakings	4,291	-
Liabilities to the state budget other than corporate income tax	775,542	759,184
Special accounts	22,275	21,871
Salaries and wages payable	12,369	13,052
Accrued expenses	83,510	110,136
Deferred income, including:	59,249	48,315
- subsidies	44,573	40,012
- other	14,676	8,303
Investment liabilities	145,555	166,675
Liabilities to insurers	6,903	22,201
Other liabilities	26,960	26,938
<b>Total</b>	<b>3,307,183</b>	<b>3,000,917</b>
Non-current portion	38,440	40,141
Current portion	3,268,743	2,960,776

**17.14 Cash structure, restricted cash and causes of differences between the changes in certain items of the statement of financial position and changes as shown by the statement of cash flows**

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(restated) (audited)
Cash at bank	336,550	381,995
Cash in hand	5,039	273
Other cash	376	333
Overdraft facilities	(608,274)	(264,368)
	=====	=====
<b>Total cash and cash equivalents</b>	<b>(266,309)</b>	<b>118,233</b>
	=====	=====

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

As at June 30th 2011, restricted cash amounted to PLN 27,090 thousand, and included mainly:

- PLN 8,058 thousand held in an account dedicated to servicing payments connected with the 10+ Programme investments,
- PLN 18,320 thousand in a bank account on which a hold has been placed by a court enforcement officer in connection with court proceedings concerning WANDEKO.

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

**Causes of differences between changes in certain items as shown by the statement of financial position and changes as shown by the statement of cash flows**

Receivables	6 months ended Jun 30 2011	6 months ended Jun 30 2010
PLN '000	(unaudited)	(unaudited)
Balance-sheet change in net non-current and current receivables	(496,449)	(239,585)
Change in income tax receivables	47,163	(62,016)
Change in investment receivables	(961)	3,432
Change in receivables related to sale of shares	600	-
Change in Group structure	19,209	-
Other	(19,625)	12,658
	-----	-----
Change in receivables as disclosed in the statement of cash flows	(450,063)	(285,511)
	-----	-----
Inventories	6 months ended Jun 30 2011	6 months ended Jun 30 2010
PLN '000	(unaudited)	(unaudited)
Change in inventories as shown by the balance sheet	(764,125)	(783,627)
Change in Group structure	14,974	-
Reclassification of inventories into assets held for sale	(61,889)	-
Other	4,280	-
	-----	-----
Change in inventories as shown by the statement of cash flows	(806,760)	(783,627)
	-----	-----

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<b>Liabilities, accruals and deferred income</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010 (restated)</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in non-current and current liabilities, and accruals and deferred income	487,101	2,546,723
Change in non-current and current loans and borrowings	(274,176)	(1,449,434)
Adjustment for deposits dedicated to repayment of loans	(159,208)	(467)
Adjustment for deposits dedicated to payment of interest	(23,620)	-
Adjustment for deposits dedicated to payment of amounts due for purchased interests	50,672	(41,110)
Change in investment liabilities	8,588	(7,100)
Change in liabilities related to acquisition of shares	32,700	-
Change in liabilities related to issue of notes	(70,512)	-
Change in Group structure	(46,999)	(11,816)
Finance lease liabilities	(7,825)	(8,978)
Change in income tax liabilities	7,562	71,120
Set-off of corporate income tax receivables against VAT liabilities	115,292	(171,496)
Change in liabilities related to negative valuation of derivative financial instruments	9,664	(1,916)
Other	-----	-----
Change in liabilities and accruals and deferred income as shown by the statement of cash flows	129,239	925,526
<b>Provisions</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in provisions	179,835	(58,578)
Change in Group structure	(14,139)	-
Change in deferred tax liabilities	(159,993)	67,708
Other	993	-
	-----	-----
Change in provisions as shown by the statement of cash flows	6,696	9,130
<b>Prepayments and accrued income</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in prepayments and accrued income	(19,799)	(196,153)
Change in Group structure	707	-
Change in deferred tax assets	2,271	178,377
Other	(2,332)	(1,344)
	-----	-----
Change in prepayments and accrued income as shown by the statement of cash flows	(19,153)	(19,120)
<b>Cash</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010 (restated)</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in cash	(40,636)	91,184
Change in interest-bearing overdraft facilities	(343,906)	(7,076)
	-----	-----
Change in cash as shown by the statement of cash flows	(384,542)	84,108

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**Causes of differences between the items disclosed in the notes to the financial statements and the items as shown by the statement of cash flows**

<b>Depreciation/amortisation</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Increase depreciation in property, plant and equipment and intangible assets as shown in changes to property, plant and equipment and intangible assets	549,594	182,873
Change in Group structure	(322,450)	-
Reclassification into assets held for sale	18,345	-
Transfers	18,735	(1,613)
Foreign exchange differences on translation of foreign operations	2,696	(9,731)
Other	(59)	(349)
	-----	-----
Depreciation/amortisation as disclosed in the statement of cash flows	266,861	171,180
<b>Sale/(purchase) of property, plant and equipment, tangible assets under construction and intangible assets</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2010</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Increase in property, plant and equipment and intangible assets as shown in changes to property, plant and equipment and intangible assets	(968,863)	(825,003)
Prepayments for tangible assets under construction	2,593	46,170
Change in investment liabilities	(50,672)	41,110
Change in investment receivables	961	(3,432)
Acquisition of tangible assets under a lease agreement	48,910	13,260
Capitalised borrowing costs	26,647	68,323
Reclassification into assets held for sale	(42,099)	-
Transfers	(19,984)	(1,807)
Change in Group structure	703,071	-
Foreign exchange differences on translation of foreign operations	9,980	72,781
Income from sale of property, plant and equipment, tangible assets under construction and intangible assets	9,634	5,134
Other	(536)	(18,871)
	-----	-----
Sale/(purchase) of property, plant and equipment, tangible assets under construction and intangible assets as shown in the statement of cash flows	(280,358)	(602,335)

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**Other items relating to statement of cash flows**

“Other adjustments” to operating cash flow include the following:

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
Cash reserved for payment of interest, relating to future periods	(53,544)	-
Other	(1,104)	97
<b>Total other adjustments</b>	<b>(54,648)</b>	<b>97</b>

**17.15 Transactions with related undertakings**

Transactions with related undertakings are executed on market terms.

PLN '000	for 6 months ended Jun 30 2011 (unaudited)		Jun 30 2011 (unaudited)	
	Sales to related undertakings (incl. excise duty and fuel charge)	Purchases from related undertakings (incl. excise duty and fuel charge)	Receivables from related undertakings	Payables to related undertakings
Associated undertakings accounted for using the equity method	-	-	-	-
Related undertakings consolidated using the proportional consolidation method	3,014	11,649	66	4,291
Non-consolidated undertakings	-	-	-	-
<b>Total</b>	<b>3,014</b>	<b>11,649</b>	<b>66</b>	<b>4,291</b>

In the period from January 1st to June 30th 2011, the total value of finance expenses from transactions with equity-accounted related undertakings amounted to PLN 15 thousand and comprised interest on loans.

In the period from January 1st to June 30th 2011, the total value of other operating income from transactions with related undertakings consolidated using the proportional consolidation method amounted to PLN 230 thousand (other operating income).

As at June 30th 2010 and in the period from January 1st to June 30th 2010 there were no transactions with equity-accounted associated undertakings, other than the transaction described below:

1. On May 17th 2010, the Annual General Shareholders Meeting of AB Geonafta (an associated undertaking) approved the financial statements for 2009 and resolved to allocate LTL 20,880 thousand of the profit earned in 2009 for dividend payment. For 2009, LOTOS Petrobaltic S.A. received a dividend of LTL 8,475 thousand (i.e. PLN 9,775 thousand, translated at the bank sell rate effective for the day of dividend receipt, i.e. May 24th 2010).



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**Entity with a significant influence over the Group**

As at June 30th 2011 and June 30th 2010, the State Treasury held 53.19% of shares in Grupa Lotos S.A.

In the period from January 1st to June 30th 2011 and in the period from January 1st to June 30th 2010, there were no transactions between the LOTOS Group and the State Treasury.

**Remuneration of the Management the Supervisory Board of Grupa LOTOS S.A. and information on loans and other similar benefits granted to members of the Company's management and supervisory staff**

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
<b>Management Board</b>		
Short-term employee benefits (salaries)	757	653
Length-of-service awards	-	-
Share-based employee benefits	-	-
<b>Supervisory Board</b>		
Short-term employee benefits (salaries)	168	116
<b>Management Board – subsidiary undertakings<sup>(1)</sup></b>		
Short-term employee benefits (salaries)	1,295	161
	=====	=====
<b>Total remuneration paid<sup>(2)</sup></b>	<b>2,220</b>	<b>930</b>
	=====	=====

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

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

As at June 30th 2011, the Company maintained a provision for length-of-service awards and retirement severance payments for the members of Grupa LOTOS S.A.'s Management Board in the amount of PLN 260 thousand.

Moreover, pursuant to the Act on Remunerating Persons Who Manage Certain Legal Entities, the Company has also created a provision for annual bonuses expected to be paid to members of the Management Board of Grupa LOTOS S.A. for 2011, in the amount of PLN 124 thousand as at June 30th 2011 (for 2010: PLN 249 thousand, shown in the above table under six months ended June 30th 2011).

As at June 30th 2011 and June 30th 2010 as well as in the period January 1st–June 30th 2011 and January 1st–June 30th 2010, the Company did not grant any loans or similar benefits to members of its management and supervisory staff.

**Remuneration paid or payable to other members of the key management staff**

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
Short-term employee benefits (salaries)	14,794	10,489
	=====	=====
<b>Total remuneration paid to key management staff (other than members of Management and Supervisory Boards of Grupa LOTOS S.A.)</b>	<b>14,794</b>	<b>10,489</b>

As at June 30th 2011, the Group maintained a provision for length-of-service awards and retirement severance payments for the key management staff in the amount of PLN 6,133 thousand.

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The Group has also created a provision for annual bonuses expected to be paid to members of the key management staff for 2011, in the amount of PLN 3,667 thousand as at June 30th 2011 (for 2010: PLN 6,188 thousand, shown in the above table under six months ended June 30th 2011).

As at June 30th 2011, loans and similar benefits granted by the Group to members of key management staff totalled PLN 29 thousand (as at June 30th 2010: PLN 50 thousand).

In the period January 1st–June 30th 2011 and January 1–June 30th 2010, the Group did not grant any loans or similar benefits to members of key management staff.

**Other transactions with Members of the Company's Management or Supervisory Boards, their spouses, siblings, ascendants, descendants or other close persons**

In the period of six months ended June 30th 2011, the Company executed no material agreements with members of the Management and Supervisory Boards<sup>(1)</sup>, advanced no loans, made no advances, issued no guarantees and concluded no agreements to or with any such persons which would provide for considerable benefits to Grupa LOTOS S.A. or its subsidiary or associated undertakings.

Based on representations submitted by members of the Company's Management and Supervisory Boards, in the period of six months ended June 30th 2011 Grupa LOTOS S.A. did not become aware of any transactions concluded with Grupa LOTOS S.A. or a member of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

<sup>(1)</sup> Taking into account changes in the composition of the Supervisory Board (see Note 3 to these financial statements).

**Other transactions with parties related through members of the Management and Supervisory Boards**

Below are presented transactions concluded in the period of six months ended June 30th 2011 (based on representations submitted by members of the Management and Supervisory Boards concerning transactions with related parties).

Type of relationship	Sale	Purchase	Receivables	Liabilities
(PLN '000)				
Supervisory staff	43	-	5	-
Management staff	-	-	-	-
<b>TOTAL</b>	<b>43</b>	<b>-</b>	<b>5</b>	<b>-</b>

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**17.16 Fair value of financial instruments**

Jun 30 2011 (unaudited)	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
PLN '000						
Shares:	-	-	9,805	-	-	9,805
- non-current portion	-	-	9,793	-	-	9,793
- current portion	-	-	12	-	-	12
Decommissioning fund	-	22,072	-	-	-	22,072
Deposits:	-	97,806	-	-	-	97,806
- non-current portion	-	15,077	-	-	-	15,077
- current portion	-	82,729	-	-	-	82,729
Security deposits (margins)	-	5,820	-	-	-	5,820
Derivative financial instruments:	101,736	-	-	-	-	101,736
- non-current portion	9,791	-	-	-	-	9,791
- current portion	91,945	-	-	-	-	91,945
Trade and other receivables (net of receivables from the state budget):	-	2,132,233	-	-	-	2,132,233
- non-current portion	-	33,224	-	-	-	33,224
- current portion	-	2,099,009	-	-	-	2,099,009
Cash and cash equivalents	-	341,965	-	-	-	341,965
Trade and other payables (net of liabilities to the state budget):	-	-	-	-	(2,366,607)	(2,366,607)
- non-current portion	-	-	-	-	(25,089)	(25,089)
- current portion	-	-	-	-	(2,341,518)	(2,341,518)
Loans and borrowings:	-	-	-	-	(6,600,970)	(6,600,970)
- non-current portion	-	-	-	-	(4,381,275)	(4,381,275)
- current portion	-	-	-	-	(2,219,695)	(2,219,695)
Notes:	-	-	-	-	(19,970)	(19,970)
- non-current portion	-	-	-	-	-	-
- current portion	-	-	-	-	(19,970)	(19,970)
Financial liabilities:	-	-	-	(164,515)	(121,254)	(285,769)
Lease liabilities:	-	-	-	-	(121,254)	(121,254)
- non-current portion	-	-	-	-	(110,655)	(110,655)
- current portion	-	-	-	-	(10,599)	(10,599)
Derivative financial instruments:	-	-	-	(164,515)	-	(164,515)
- non-current portion	-	-	-	(57,251)	-	(57,251)
- current portion	-	-	-	(107,264)	-	(107,264)
<b>Total</b>	<b>101,736</b>	<b>2,599,896</b>	<b>9,805</b>	<b>(164,515)</b>	<b>(9,108,801)</b>	<b>(6,561,879)</b>

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Dec 31 2010 (restated) (audited)	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
PLN '000						
Shares:	-	-	9,927	-	-	9,927
- non-current portion	-	-	9,915	-	-	9,915
- current portion	-	-	12	-	-	12
Decommissioning fund	-	21,668	-	-	-	21,668
Deposits:	-	5,932	-	-	-	5,932
- non-current portion	-	-	-	-	-	-
- current portion	-	5,932	-	-	-	5,932
Security deposits (margins)	-	3,108	-	-	-	3,108
Derivative financial instruments:	69,370	-	-	-	-	69,370
- non-current portion	19,408	-	-	-	-	19,408
- current portion	49,962	-	-	-	-	49,962
Trade and other receivables (net of receivables from the state budget):	-	1,810,637	-	-	-	1,810,637
- non-current portion	-	28,612	-	-	-	28,612
- current portion	-	1,782,025	-	-	-	1,782,025
Cash and cash equivalents	-	382,601	-	-	-	382,601
Trade and other payables (net of liabilities to the state budget):	-	-	-	-	(2,061,584)	(2,061,584)
- non-current portion	-	-	-	-	(26,211)	(26,211)
- current portion	-	-	-	-	(2,035,373)	(2,035,373)
Loans and borrowings:	-	-	-	-	(6,326,794)	(6,326,794)
- non-current portion	-	-	-	-	(4,403,453)	(4,403,453)
- current portion	-	-	-	-	(1,923,341)	(1,923,341)
Notes:	-	-	-	-	(52,670)	(52,670)
- non-current portion	-	-	-	-	-	-
- current portion	-	-	-	-	(52,670)	(52,670)
Financial liabilities:	-	-	-	(279,807)	(74,255)	(354,062)
Lease liabilities:	-	-	-	-	(74,255)	(74,255)
- non-current portion	-	-	-	-	(71,559)	(71,559)
- current portion	-	-	-	-	(2,696)	(2,696)
Derivative financial instruments:	-	-	-	(279,807)	-	(279,807)
- non-current portion	-	-	-	(80,107)	-	(80,107)
- current portion	-	-	-	(199,700)	-	(199,700)
<b>Total</b>	<b>69,370</b>	<b>2,223,946</b>	<b>9,927</b>	<b>(279,807)</b>	<b>(8,515,303)</b>	<b>(6,491,867)</b>

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**17.17 Items of income, expenses, gains and losses disclosed in the statement of comprehensive income by category of financial instrument**

6 months ended Jun 30 2011 (unaudited)	Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
PLN '000					
Interest income/(expenses)	-	8,312	-	(88,036) <sup>(1)</sup>	(79,724)
Foreign exchange gains/(losses)	-	(111,375)	-	304,876	193,501
Impairment losses reversed/(recognised)	-	(2,520)	-	-	(2,520)
Gains/(losses) on fair value measurement of derivative financial instruments	148,893	-	-	-	148,893
Gains/(losses) on realisation of derivative financial instruments	(90,486)	-	-	-	(90,486)
Gains/(losses) on fair-value measurement of hedging instruments	-	-	-	248,864	248,864
Gains/(losses) on disposal	-	-	-	-	-
	=====	=====	=====	=====	=====
<b>Total</b>	<b>58,407</b>	<b>(105,583)</b>	<b>-</b>	<b>465,704</b>	<b>418,528</b>
	=====	=====	=====	=====	=====

<sup>(1)</sup> Including PLN 23,036 thousand capitalised as part of the cost of qualifying assets.

6 months ended Jun 30 2010 (unaudited)	Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
PLN '000					
Interest income/(expenses)	-	9,226	-	(84,496) <sup>(1)</sup>	(75,270)
Foreign exchange gains/(losses)	-	111,305	-	(1,259,103)	(1,147,798)
Impairment losses reversed/(recognised)	-	(6,469)	-	-	(6,469)
Gains/(losses) on fair value measurement of derivative financial instruments	(214,991)	-	-	-	(214,991)
Gains/(losses) on realisation of derivative financial instruments	(107,016)	-	-	-	(107,016)
Gains/(losses) on fair-value measurement of hedging instruments	-	-	-	-	-
Gains/(losses) on disposal	-	-	-	-	-
	=====	=====	=====	=====	=====
<b>Total</b>	<b>(322,007)</b>	<b>114,062</b>	<b>-</b>	<b>(1,343,599)</b>	<b>(1,551,544)</b>
	=====	=====	=====	=====	=====

<sup>(1)</sup> Including PLN 59,196 thousand capitalised as part of the cost of qualifying assets.

**17.18 Sensitivity analysis with respect to market risk related to fluctuations in FX rates, interest rates, prices of carbon dioxide (CO<sub>2</sub>) emission allowances and prices of commodities and petroleum products**

Below is presented an analysis of the Group's sensitivity to currency risk as at June 30th 2011, along with the effects on the financial performance assuming a 4% increase or decrease in the USD/PLN and EUR/PLN currency exchange rates and constant levels of all other variables.

Jun 30 2011 (unaudited)	Carrying value in a foreign currency, translated into PLN as at the balance-sheet date	+4% change in exchange rate, effect on year's result		-4% change in exchange rate, effect on year's result	
		USD	EUR	USD	EUR
PLN '000					
Trade and other receivables	231,110	6,027	3,210	(6,027)	(3,210)
Financial assets – derivative financial instruments	101,736	(28,646)	18,727	28,646	(18,727)
Deposits	55,440	2,217	-	(2,217)	-
Security deposits (margins)	3,708	-	148	-	(148)
Cash and cash equivalents	139,581	2,293	779	(2,293)	(779)
Trade and other payables	(1,937,237)	(74,578)	(1,502)	74,578	1,502
Loans and borrowings	(5,761,563)	(224,966)	(1,269)	224,966	1,269
Financial liabilities – derivative financial instruments	(164,515)	719	9,375	(719)	(9,375)
Finance lease liabilities	(119,871)	-	(4,795)	-	4,795
	=====	=====	=====	=====	=====
<b>Total</b>	<b>(7,451,611)</b>	<b>(316,934)</b>	<b>24,673</b>	<b>316,934</b>	<b>(24,673)</b>
	=====	=====	=====	=====	=====

As at June 30th 2011, the Company held futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances (EUA – Emissions Unit Allowance), measured at fair value.

As at June 30th 2011, the financial assets related to positive valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances amounted to PLN 811 thousand.

As at June 30th 2011, the financial liabilities related to negative valuation of the futures for the purchase of carbon dioxide emission allowances were PLN 948 thousand.

A change in the price of carbon dioxide (CO<sub>2</sub>) emission allowances up or down by 10% could potentially lead to a change in the fair value of financial assets and liabilities related to the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances of PLN 2,170 (2,170) thousand.

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Below is presented an analysis of the Group's sensitivity to currency risk as at December 31st 2010, along with the effects on the financial performance assuming a 4% increase or decrease in the USD/PLN and EUR/PLN currency exchange rates and constant levels of all other variables.

Dec 31 2010 (restated) (audited) PLN '000	Carrying value in a foreign currency, translated into PLN as at the balance-sheet date	+4% change in exchange rate, effect on year's result		-4% change in exchange rate, effect on year's result	
		USD	EUR	USD	EUR
Trade and other receivables	213,769	6,404	2,144	(6,404)	(2,144)
Financial assets – derivative financial instruments	69,370	(56,694)	14,855	56,694	(14,855)
Deposits	5,932	237	-	(237)	-
Security deposits (margins)	998	-	40	-	(40)
Cash and cash equivalents	58,384	1,223	1,113	(1,223)	(1,113)
Trade and other payables	(1,630,563)	(61,098)	(4,123)	61,098	4,123
Loans and borrowings	(5,825,988)	(235,520)	(1,478)	235,520	1,478
Financial liabilities – derivative financial instruments	(279,807)	10,783	27,526	(10,783)	(27,526)
Finance lease liabilities	(72,475)	-	(2,897)	-	2,897
	=====	=====	=====	=====	=====
<b>Total</b>	<b>(7,460,380)</b>	<b>(334,665)</b>	<b>37,180</b>	<b>334,665</b>	<b>(37,180)</b>
	=====	=====	=====	=====	=====

As at December 31st 2010, the Parent Undertaking held futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances (EUA – Emissions Unit Allowance), measured at fair value.

As at December 31st 2010, the financial assets related to positive valuation of the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances amounted to PLN 615 thousand.

As at December 31st 2010, the financial liabilities related to negative valuation of the futures for the purchase of carbon dioxide emission allowances were PLN 463 thousand.

A change in the price of carbon dioxide (CO<sub>2</sub>) emission allowances up or down by 10% could potentially lead to a change in the fair value of financial assets and liabilities related to the futures for the purchase of carbon dioxide (CO<sub>2</sub>) emission allowances of PLN (176) 176 thousand.

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Below is presented an analysis of the Group's sensitivity to interest rate risk as at June 30th 2011, assuming a 0.2% increase or decrease in the interest rate.

Jun 30 2011 (unaudited)	Carrying value	Change	
		+0.2%	-0.2%
PLN '000			
Cash and cash equivalents	341,965	684	(684)
Decommissioning fund	22,072	44	(44)
Financial assets – derivative financial instruments <sup>(1)</sup>	18,865	(847)	852
Deposits	97,806	196	(196)
Security deposits (margins)	5,820	12	(12)
Loans and borrowings	(6,600,970)	(11,019)	11,019
Finance lease liabilities	(121,254)	(243)	243
Financial liabilities – derivative financial instruments <sup>(1)</sup>	(98,196)	10,063	(10,177)
<b>Total</b>	<b>(6,333,892)</b>	<b>(1,110)</b>	<b>1,001</b>

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

As at June 30th 2011, the carrying value of financial assets and liabilities (cash and cash equivalents, decommissioning fund, deposits, security deposits (margins), derivative financial instruments, liabilities under loans and borrowings, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (6,333,892) thousand net.

A change in interest rates up or down by 0.2% could potentially lead to a change in the value of financial assets and liabilities as at June 30th 2011 of PLN (1,110) 1,001 thousand net.

Below is presented an analysis of the Group's sensitivity to interest rate risk as at December 31st 2010, assuming a 0.2% increase or decrease in the interest rate.

Dec 31 2010 (restated) (audited)	Carrying value	Change	
		+0.2%	-0.2%
PLN '000			
Cash and cash equivalents	382,601	765	(765)
Decommissioning fund	21,668	43	(43)
Financial assets – derivative financial instruments <sup>(1)</sup>	29,742	(1,358)	1,366
Deposits	5,932	12	(12)
Security deposits (margins)	3,108	6	(6)
Loans and borrowings	(6,326,794)	(10,565)	10,565
Finance lease liabilities	(74,255)	(149)	149
Financial liabilities – derivative financial instruments <sup>(1)</sup>	(228,237)	13,690	(13,839)
<b>Total</b>	<b>(6,186,235)</b>	<b>2,444</b>	<b>(2,585)</b>

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

As at December 31st 2010, the carrying value of financial assets and liabilities (cash and cash equivalents, decommissioning fund, deposits, security deposits (margins), derivative financial instruments, liabilities under loans and borrowings, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (6,186,235) thousand net.

A change in interest rates up or down by 0.2% could potentially lead to a change in the value of financial assets and liabilities as at December 31st 2010 of PLN 2,444 (2,585) thousand net.



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**17.19 Maturity structure of financial liabilities and derivative financial instruments**

Maturity structure of financial liabilities as at June 30th 2011:

(unaudited) PLN '000	Note	Carrying value	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank loans and borrowings (other than overdraft facilities)		5,852,548	5,941,779	1,256,157	296,453	458,807	1,073,592	2,856,770
Overdraft facilities		748,422	748,422	641,986	30,452	75,984	-	-
Notes	10	19,970	19,970	19,970	-	-	-	-
Finance lease liabilities	17.12	121,254	121,254	6,133	4,466	10,094	42,739	57,822
Trade and other payables (net of liabilities to the state budget)		2,366,607	2,366,607	2,325,378	16,140	24,301	788	-
<b>Total</b>		<b>9,108,801</b>	<b>9,198,032</b>	<b>4,249,624</b>	<b>347,511</b>	<b>569,186</b>	<b>1,117,119</b>	<b>2,914,592</b>

Maturity structure of financial liabilities as at December 31st 2010:

(restated) (audited) PLN '000	Note	Carrying value	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank loans and borrowings (other than overdraft facilities)		6,051,963	6,144,837	75,277	1,576,180	359,355	1,009,547	3,124,478
Overdraft facilities		274,831	275,548	255,198	20,350	-	-	-
Notes	10	52,670	52,670	52,670	-	-	-	-
Finance lease liabilities	17.12	74,255	74,255	1,250	1,446	5,693	27,081	38,785
Trade and other payables (net of liabilities to the state budget)		2,061,584	2,061,584	2,012,750	22,623	24,918	1,293	-
<b>Total</b>		<b>8,515,303</b>	<b>8,608,894</b>	<b>2,397,145</b>	<b>1,620,599</b>	<b>389,966</b>	<b>1,037,921</b>	<b>3,163,263</b>

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

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Maturity structure of derivative financial instruments as at June 30th 2011:

<b>(unaudited)</b>	<b>Note</b>	<b>Carrying value*</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Commodity swap	17.9, 17.12	11,865	11,865	11,865	-	-	-	-
Futures (CO <sub>2</sub> emissions)	17.6, 17.12	(137)	(137)	(946)	-	809	-	-
Currency forward and spot contracts	17.9, 17.12	6,847	6,847	2,327	4,520	-	-	-
Forward rate agreements (FRAs)	17.9, 17.12	-	-	-	-	-	-	-
Interest rate swap (IRS)	17.6, 17.9, 17.12	(79,331)	(79,331)	1,240	(32,302)	(40,156)	(16,052)	7,939
Currency swap	17.12	(2,023)	(2,023)	(2,007)	(16)	-	-	-
<b>Total</b>		<b>(62,779)</b>	<b>(62,779)</b>	<b>12,479</b>	<b>(27,798)</b>	<b>(39,347)</b>	<b>(16,052)</b>	<b>7,939</b>

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

Maturity structure of derivative financial instruments as at December 31st 2010:

<b>(restated audited)</b>	<b>Note</b>	<b>Carrying value*</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Commodity swap	17.9, 17.12	(2,045)	(2,045)	(423)	(1,622)	-	-	-
Futures (CO <sub>2</sub> emissions)	17.6, 17.9, 17.12	152	152	-	35	117	-	-
Currency forward and spot contracts	17.9, 17.12	(4,113)	(4,113)	4,045	(8,158)	-	-	-
Forward rate agreements (FRAs)	17.6, 17.9, 17.12	315	315	315	-	-	-	-
Interest rate swap (IRS)	17.6, 17.12	(198,810)	(198,810)	(139,329)	1,335	(25,386)	(39,215)	3,785
Currency swap	17.12	(5,936)	(5,936)	(5,936)	-	-	-	-
<b>Total</b>		<b>(210,437)</b>	<b>(210,437)</b>	<b>(141,328)</b>	<b>(8,410)</b>	<b>(25,269)</b>	<b>(39,215)</b>	<b>3,785</b>

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

## 18. Other information

1. On January 10th 2011, Grupa LOTOS S.A. entered into an agreement with BP Europa SE of Hamburg, operating in Poland through BP Europa SE Polish Branch of Kraków, on sale of liquid fuels by Grupa LOTOS S.A. to BP Europa SE Polish Branch of Kraków. The agreement was concluded for a specified period from January 10th to December 31st 2011. Its estimated net value is approx. PLN 1.7bn. The maximum value of contractual penalties is estimated at approximately PLN 29m. 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.
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, licence PL 503B located in the Norwegian Sea. The remaining 75% interest in the licence 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 PL 503 and the adjacent licence PL 503B described above (i.e. an area of approximately 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 estimated cost of the work, attributable to the 25% interest in the licence, amounts to approximately NOK 17.5m (i.e. approximately PLN 8.7m, translated using the mid-exchange rate for NOK quoted by the National Bank of Poland for January 19th 2011).
3. On February 21st 2011, the Management Board of Grupa LOTOS S.A. was notified that LOTOS Exploration and Production Norge AS had relinquished the 50% interest in licence PL 556 in the Norwegian Sea, awarded to it as part of the APA 2009 licence round. As the operator of licence PL 556 (the remaining 50% interest in the licence having been awarded to Skeie Energy AS), LOTOS Exploration and Production Norge AS had recommended that no commitments be made to undertake exploratory drilling as part of another phase of the field development process. LOTOS Exploration and Production Norge AS's recommendation and decision to relinquish its rights to licence PL 556 were based on an evaluation of the geological potential of the licence area, made as part of the first exploration phase which ended on February 19th 2011.
4. On February 28th 2011, 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 March 2011. The agreement provided for supplies of the crude through the Druzhba Pipeline. The aggregate value of agreements concluded between the two companies in the period from the publication of the most recent report (Current Report No. 32/2010 of December 13th 2010) until February 28th 2011 reached approximately USD 301.3m (i.e. PLN 866.69m, translated using the mid-exchange rate for USD quoted by the National Bank of Poland for February 28th 2011), i.e. the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). The largest transaction (in terms of value) was the agreement of February 28th 2011 providing for the supplies of REBCO crude oil, whose value amounted to USD 197.0m (i.e. PLN 566.67m, translated using the mid-exchange rate for USD quoted by the National Bank of Poland for February 28th 2011). 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 applied in agreements of such type.
5. On April 6th 2011, Grupa LOTOS S.A. signed an agreement with Eminent Energy Ltd of Nicosia on the supply of REBCO crude oil through the Druzhba Pipeline to Grupa LOTOS S.A. in April 2011. The aggregate net value of agreements concluded between the two companies in the twelve months to April 6th 2011 totalled approximately USD 240.56m (PLN 670.27m), and reached the value of a significant agreement, as it exceeded 10% of Grupa LOTOS S.A.'s equity. The largest transaction (in terms of value) concluded between the two companies was the agreement of April 6th 2011 providing for the supplies of REBCO crude to Grupa LOTOS S.A. in April 2011. Its estimated net value amounted to USD 84.82m (i.e. PLN 237.38m, translated using the mid-exchange rate for USD quoted by the National Bank of Poland for April 6th 2011). 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 applied in agreements of such type.
6. On April 20th 2011, Grupa LOTOS S.A. signed an agreement with Statoil ASA of Stavanger, Norway ("Statoil ASA") on the supply of crude oil to Grupa LOTOS S.A. The aggregate value of the agreements concluded between Grupa LOTOS S.A. and Statoil ASA and its subsidiary undertakings in the twelve months to April

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20th 2011 totalled approximately PLN 791.3m, reaching the value of a significant agreement, as it exceeded 10% of Grupa LOTOS S.A.'s equity. In terms of value, the largest of those agreements was the crude oil supply agreement executed by Grupa LOTOS S.A. and Statoil ASA on January 12th 2011. Its value was estimated at PLN 285.9m (translated using the USD mid-exchange rate quoted by the National Bank of Poland for January 12th 2011). The agreement does not include any condition precedent or specify any date of events giving rise to a claim (*dies a quo*), and it does not provide for any contractual penalties.

7. On June 10th 2011, the value of agreements executed between Grupa LOTOS S.A. and Petracco Oil Company Ltd of Guernsey in the period from the publication of Grupa LOTOS S.A.'s Current Report No. 10/2011 of March 1st 2011 to June 10th 2011 totalled approximately USD 306.6m (i.e. PLN 834.4m, translated at the USD mid-exchange rate quoted by the National Bank of Poland for June 10th 2011), reaching the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). In value terms, the largest of the agreements was the crude oil supply agreement of May 25th 2011, valued at USD 108.5m (i.e. PLN 304.9m, translated using the USD mid-exchange rate quoted by the National Bank of Poland for May 25th 2011). 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 applied in agreements of such type.
8. On May 5th 2011, LOTOS Petrobaltic S.A. received the decision of the Minister of the Environment of April 27th 2011 which amended the Sambia - E licence by extending the licence term until December 14th 2014.
9. The exploration and appraisal licence for the Wolin area expired on June 14th 2011. As there was no need to extend the licence, LOTOS Petrobaltic S.A. sent a licence expiry request to the Ministry of the Environment.
10. On June 30th 2011, LOTOS Exploration and Production Norge AS acquired a 25% interest in licence PL 455 from Noreco, the licence operator. Concurrently, the Norwegian authorities agreed for LOTOS Exploration and Production Norge AS to assume operatorship of the licence. Following the transaction, LOTOS Exploration and Production Norge AS holds a 45% interest in licence PL455 (up from 20%) and E&P Holding – a 55% interest (up from 30%). E&P Holding's former name was Skeie Energy.

***Loans advanced within the Group***

1. On January 8th 2011, Grupa LOTOS S.A. signed an annex to the agreement under which a loan was advanced to LOTOS Gaz S.A. Under the annex, the principal amount of the loan is to be repaid by December 31st 2011. The original agreement was executed on June 29th 2010 and provided for a loan of PLN 2,000 thousand. Security for the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement) will be provided in the form of an assignment by LOTOS Gaz S.A. of future accounts receivable related to payment of the price for the sale of its assets, subject to a condition precedent that LOTOS Gaz S.A. fails to discharge its obligations towards Grupa LOTOS S.A. w likwidacji (in liquidation). By June 30th 2011, LOTOS Gaz S.A. repaid PLN 1,100 thousand under the loan.
2. 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 is intended for financing 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. LOTOS Petrobaltic S.A. disbursed the total amount of the loan to UAB LOTOS Baltija by March 31st 2011.
3. 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 is intended for financing 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. By June 30th 2011, LOTOS Petrobaltic S.A. disbursed EUR 7,170 thousand to UAB LOTOS Baltija.
4. By June 30th 2011, LOTOS Czechowice S.A. disbursed PLN 3,000 thousand to RCEkoenergia Sp. z o.o. under a loan agreement concluded on July 27th 2010 between RCEkoenergia Sp. z o.o. and LOTOS Czechowice S.A. The PLN 5,900 thousand loan was advanced to finance investment projects related to the modernisation of the CHP plant in 2010-2011. Repayment of the loan is secured with RCEkoenergia

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Sp. z o.o.'s assets (a mortgage of PLN 8,850 thousand) and a blank promissory note up to PLN 5,900 thousand.

5. The agreement concluded on February 4th 2011 between AB Meditus and AB LOTOS Baltija, providing for a loan of EUR 9,798 thousand (i.e. PLN 38,382 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for February 3rd 2011), came into force on February 3rd 2011. The principal amount of the loan is to be repaid by AB Meditus by April 15th 2012.
6. On March 8th 2011, Grupa LOTOS S.A. signed an agreement to grant a loan of PLN 247 thousand to LOTOS Gaz S.A. w likwidacji (in liquidation). The original repayment date of the principal amount of the loan, in accordance with an annex to the agreement, was changed to June 30th 2012. Security for the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement) will be provided in the form of an assignment by LOTOS Gaz S.A. w likwidacji (in liquidation) of future accounts receivable related to payment of the price for the sale of its assets.
7. On March 29th 2011, Grupa LOTOS S.A. signed an agreement to grant a loan of PLN 352 thousand to LOTOS Gaz S.A. w likwidacji (in liquidation). The original repayment date of the principal amount of the loan, in accordance with an annex to the agreement, was changed to June 30th 2012. Security for the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement) will be provided in the form of an assignment by LOTOS Gaz S.A. w likwidacji (in liquidation) of future accounts receivable related to payment of the price for the sale of its assets.
8. On March 31st 2011, LOTOS Jasło S.A. repaid early in full the PLN 10,000 thousand loan advanced to it by LOTOS Czechowice S.A. on May 25th 2010. In accordance with the annex of September 30th 2010, the loan and all unpaid interest accrued on the loan was to be repaid in four instalments, with the last instalment to be paid by April 30th 2012.
9. On May 26th 2011, Grupa LOTOS S.A. signed an agreement to grant a loan of PLN 123 thousand to LOTOS Gaz S.A. w likwidacji (in liquidation). The principal amount along with interest 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 Gaz S.A. w likwidacji (in liquidation) for the benefit of Grupa LOTOS S.A.
10. On June 21st 2011, 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 the implementation of the YME Production Project were changed and repayment by instalments was introduced. The annexes covered the following loans:
  - USD 50,000 thousand loan of August 26th 2008 (PLN 113,370 thousand, translated at the exchange rate quoted by the National Bank of Poland for August 26th 2008). The loan is to be repaid by instalments, with the last instalment payable on or before March 31st 2013.
  - USD 10,000 thousand loan of December 19th 2008 (PLN 29,130 thousand, translated at the USD exchange rate quoted by the National Bank of Poland for December 19th 2008). The repayment date was set for April 30th 2013.
  - USD 55,000 thousand loan of January 15th 2009 (PLN 176,605 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for January 15th 2009). The loan is to be repaid by instalments, with the last instalment repayable on or before December 31st 2013.
  - USD 7,500 thousand loan of March 9th 2009 (PLN 28,094 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for March 9th 2009). The loan repayment date was set for December 31st 2013.
  - USD 2,500 thousand loan of April 1st 2009 (PLN 8,806 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for April 1st 2009). The loan repayment date was set for December 31st 2013.
  - USD 11,000 thousand loan of May 19th 2009 (PLN 35,355 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for May 19th 2009), the loan repayment date was set for December 31st 2013.
  - USD 10,500 thousand loan of June 9th 2009 (PLN 34,004 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for June 9th 2009). The loan is to be repaid by instalments, with the last instalment payable on or before March 31st 2014.
  - USD 6,000 thousand loan of July 13th 2009 (PLN 18,960 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for July 13th 2009). The loan repayment date was set for March 31st 2014.

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- USD 20,000 thousand loan of June 14th 2010 (PLN 66,780 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for June 14th 2010). The loan is to be repaid by instalments, with the last instalment payable on or before December 31st 2014 (the final repayment date remained unchanged).
- USD 15,000 thousand loan of August 16th 2010 (PLN 46,945 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for August 16th 2010). The loan is to be repaid by instalments, with the last instalment payable on or before September 30th 2015.
- USD 15,000 thousand loan of November 10th 2010 (PLN 42,330 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for November 10th 2010). The loan is to be repaid by instalments, with the last instalment payable on or before September 30th 2015.

The loans are secured with blank promissory notes with “protest waived” clauses and promissory note declarations issued by LOTOS Exploration and Production Norge AS for the benefit of LOTOS Petrobaltic S.A.

As at June 30th 2011, the total carrying value of intra-Group loans stood at PLN 759,833 thousand, and the total nominal value of the intra-Group loans was as follows:

- loans denominated in PLN: PLN 5,723 thousand,
- loans denominated in USD: USD 222,500 thousand (PLN 612,253 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for June 30th 2011),
- loans denominated in EUR: EUR 21,968 thousand (PLN 87,578 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for March 31st 2011).

Moreover, on July 14th 2011 LOTOS Petrobaltic S.A. signed an agreement to grant LOTOS Exploration and Production Norge AS a loan of USD 15,000 thousand (PLN 42,464 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for July 14th 2011). The loan is to be repaid by June 30th 2016. 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. On July 15th 2011, LOTOS Petrobaltic S.A. disbursed to LOTOS Exploration and Production Norge AS the first tranche of USD 3,000 thousand (PLN 8,564 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for July 15th 2011) and on August 18th 2011 – the second tranche of USD 10,000 thousand (PLN 28,722 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for August 18th 2011).

On August 5th 2011, Grupa LOTOS S.A. signed an agreement to grant a loan of PLN 160 thousand to LOTOS Gaz S.A. w likwidacji (in liquidation). The principal amount along with interest is to be repaid by 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 Gaz S.A. w likwidacji (in liquidation) for the benefit of Grupa LOTOS S.A.

#### ***Supplementary information on intra-group transactions***

- On December 21st 2010, LOTOS Petrobaltic S.A. and UAB LOTOS Baltija entered into an agreement whereby LOTOS Petrobaltic S.A. agreed to issue a surety of up to EUR 47,300 thousand (PLN 188,935 thousand, translated at the EUR mid-exchange rate quoted by the National Bank of Poland for December 21st 2010) for the benefit of Nordea Bank Polska S.A. and Nordea Bank Finland PLC Lithuania Branch in respect of the liabilities of UAB LOTOS Baltija under an agreement for a loan of EUR 43,000 thousand (PLN 171,759 thousand, translated at the EUR exchange rate quoted by the National Bank of Poland for December 21st 2010) executed between UAB LOTOS Baltija and the above banks. The surety remains valid until June 14th 2012. The liability is related to the transaction consisting in the acquisition of shares in AB Geonafra by an indirect subsidiary, which has been described at greater length in Note 15 to these interim condensed consolidated financial statements.
- In connection with the fact that LOTOS Exploration & Production Norge AS signed an annex to the loan agreement of December 17th 2010, on June 22nd 2011 LOTOS Petrobaltic S.A. issued a new surety for the benefit of Bank PKO BP S.A. in respect of the liabilities of LOTOS Exploration & Production Norge AS under the agreement on the loan granted by the bank to LOTOS Exploration & Production Norge AS. Under the annex, the debt limit was increased to USD 80,000 thousand (PLN 220,808 thousand, translated at the USD exchange rate quoted by the National Bank of Poland for June 22nd 2011). The surety was granted for the lower of USD 80,000 thousand and PLN 239,201 thousand. The surety remains valid until January 31st 2013. The above surety of June 22nd 2011 replaced a previous surety granted under the agreement of December 21st 2010 between LOTOS Petrobaltic S.A. and LOTOS Exploration & Production Norge AS, under which LOTOS Petrobaltic S.A. agreed to grant Bank PKO BP S.A. a surety of up to USD 65,000 thousand (PLN

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197,405 thousand, translated at the USD exchange rate quoted by the National Bank of Poland for December 21st 2010) in respect of the liabilities of LOTOS Exploration & Production Norge AS under the loan agreement of December 17th 2010.

To secure any potential claims of LOTOS Petrobaltic S.A. against LOTOS Exploration & Production Norge AS which may arise in connection with the surety, LOTOS Exploration & Production Norge AS issued a blank promissory note with a "protest waived" clause and a promissory note declaration.

- During the six months ended June 30th 2011, LOTOS Czechowice S.A. and LOTOS Serwis Sp. z o.o. purchased notes issued by LOTOS Asphalt Sp. z o.o. as part of the Note Issue Programme described at greater length in Note 10 to these interim condensed consolidated financial statements. As at June 30th 2011, the liabilities of LOTOS Asphalt Sp. z o.o. under intra-group note issues amounted to PLN 26,000 thousand (at par value), including:
  - PLN 15,000 thousand towards LOTOS Czechowice S.A.
  - PLN 11,000 thousand towards LOTOS Serwis S.A.

**19. 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