



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

**GRUPA LOTOS S.A.**

**(THIS DOCUMENT IS AN APPENDIX TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS OF THE LOTOS GROUP)**

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

**GRUPA LOTOS S.A.**  
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**GRUPA LOTOS S.A.**  
**FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS**

GRUPA LOTOS S.A.	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	12,521,607	8,050,169	3,156,204	2,010,431
Operating profit	491,959	231,600	124,003	57,839
Pre-tax profit/(loss)	921,537	(723,928)	232,283	(180,792)
Net profit/(loss) from continuing operations	793,094	(539,612)	199,908	(134,762)
Total comprehensive income	994,674	(539,612)	250,718	(134,762)
Net cash provided by/(used in) operating activities	(329,627)	163,387	(83,086)	40,804
Net cash provided by/(used in) investing activities	(61,916)	(299,322)	(15,607)	(74,752)
Net cash provided by/(used in) financing activities	122,322	215,731	30,833	53,876
Total net cash flow	(275,305)	77,338	(69,394)	19,314
Basic earnings/(loss) per share (PLN/EUR)	6.11	(4.15)	1.54	(1.04)
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	16,027,011	14,678,065	4,020,220	3,706,301
Equity	6,939,727	5,945,053	1,740,763	1,501,162

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).

**GRUPA LOTOS S.A.**  
**INTERIM CONDENSED 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	6 months ended Jun 30 2010 (restated)
		(unaudited)	(unaudited)
Sales revenue		12,521,607	8,050,169
Cost of sales	16.1	(11,640,490)	(7,497,212)
<b>Gross profit</b>		<b>881,117</b>	<b>552,957</b>
Selling costs	16.1	(259,970)	(205,215)
General and administrative expenses	16.1	(127,335)	(111,799)
Other operating income		2,181	5,738
Other operating expenses		(4,034)	(10,081)
<b>Operating profit</b>		<b>491,959</b>	<b>231,600</b>
Finance income	16.2	476,141	253,850
Finance expenses	16.3	(46,563)	(1,209,378)
<b>Pre-tax profit/(loss)</b>		<b>921,537</b>	<b>(723,928)</b>
Corporate income tax	16.4	(128,443)	184,316
<b>Net profit/(loss) from continuing operations</b>		<b>793,094</b>	<b>(539,612)</b>
<b>Other comprehensive income</b>			
Cash flow hedge accounting		248,864	-
Income tax on other comprehensive income	16.4	(47,284)	-
<b>Other comprehensive income (net)</b>		<b>201,580</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>994,674</b>	<b>(539,612)</b>
<b>Net earnings/(loss) from continuing operations per share (PLN)</b>	11		
Weighted average number of shares (in thousands)		129,873	129,873
- basic		6.11	(4.15)
- diluted		-	-

The notes, attached on pp. 8 to 47, are an integral part of these interim condensed financial statements for the six months ended June 30th 2011

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

**GRUPA LOTOS S.A.**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
as at June 30th 2011 and December 31st 2010

(PLN '000)	Note	Jun 30 2011	Dec 31 2010
		(unaudited)	(restated) (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16.5	7,204,917	4,423,681
Tangible assets under construction	16.5	69,266	2,972,034
Intangible assets	16.5	81,749	48,655
Non-current financial assets	16.6	1,042,249	1,045,271
Prepayments and accrued income		3,731	3,311
<b>Total non-current assets</b>		<b>8,401,912</b>	<b>8,492,952</b>
<b>Current assets</b>			
Inventories, including:	16.7	5,064,888	4,298,500
- mandatory stocks	16.7	3,937,512	2,976,818
Trade and other receivables	16.8	2,239,610	1,721,759
Current income tax receivable		54,799	-
Prepayments and accrued income		21,088	22,503
Current financial assets	16.9	210,564	127,438
Cash and cash equivalents	16.13	8,207	14,913
<b>Total current assets</b>		<b>7,599,156</b>	<b>6,185,113</b>
<b>Assets held for sale</b>		25,943	-
<b>Total assets</b>		<b>16,027,011</b>	<b>14,678,065</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		5,296,926	4,503,832
<b>Total equity</b>		<b>6,939,727</b>	<b>5,945,053</b>
<b>Non-current liabilities</b>			
Interest-bearing loans	16.10	3,993,591	4,141,016
Long-term provisions		31,523	31,420
Deferred tax liabilities		261,871	104,869
Other financial liabilities	16.11	57,251	80,107
<b>Total non-current liabilities</b>		<b>4,344,236</b>	<b>4,357,412</b>
<b>Current liabilities</b>			
Trade payables, accruals and deferred income, and other liabilities	16.12	2,964,834	2,623,515
Current income tax payable		-	12,037
Interest-bearing loans	16.10	1,666,193	1,539,545
Short-term provisions		6,777	6,672
Other financial liabilities	16.11	105,244	193,831
<b>Total current liabilities</b>		<b>4,743,048</b>	<b>4,375,600</b>
<b>Total liabilities</b>		<b>9,087,284</b>	<b>8,733,012</b>
<b>Total equity and liabilities</b>		<b>16,027,011</b>	<b>14,678,065</b>

The notes, attached on pp. 8 to 47, are an integral part of these interim condensed financial statements for the six months ended June 30th 2011

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**GRUPA LOTOS S.A.**  
**INTERIM CONDENSED 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	6 months ended Jun 30 2010 (restated)
		(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit/(loss) from continuing operations</b>		<b>793,094</b>	<b>(539,612)</b>
Adjustments:			
Depreciation and amortisation	16.13	162,722	84,553
Foreign exchange (gains)/ losses		(148,724)	951,813
Interest and dividends		(204,888)	(251,819)
(Gain)/ loss from investing activities		1,024	(2,362)
Current income tax	16.4	128,443	(184,316)
Income tax paid		(85,561)	-
(Increase) in receivables	16.13	(358,713)	(420,089)
(Increase) in inventories	16.13	(766,388)	(742,279)
Increase in liabilities and accruals and deferred income	16.13	247,293	967,082
Increase / (decrease) in provisions	16.13	208	(247)
Decrease / (increase) in prepayments and accrued income	16.13	813	(1,746)
Settlement and valuation of financial instruments		(49,022)	302,409
Other adjustments	16.13	(49,928)	-
<b>Net cash provided by/(used in) operating activities</b>		<b>(329,627)</b>	<b>163,387</b>
<b>Cash flows from investing activities</b>			
(Purchase) of non-current financial assets		(9,555)	(10,891)
Dividends received		83,575	141,095
Interest received		1,100	237
Sale/ (purchase) of tangible and intangible assets	16.13	(118,528)	(390,500)
Prepayments for tangible assets under construction		-	(42,609)
Loans advanced		(722)	(2,000)
Other cash inflows/(outflows) on financial assets		(17,786)	5,346
<b>Net cash provided by/(used in) investing activities</b>		<b>(61,916)</b>	<b>(299,322)</b>
<b>Cash flows from financing activities</b>			
Increase in loans and borrowings		331,579	498,596
Repayment of loans and borrowings		(83,579)	(147,485)
Interest paid		(28,654)	(28,270)
Settlement of financial instruments	16.2, 16.3	(96,959)	(107,016)
Other items, net		(65)	(94)
<b>Net cash provided by/(used in) financing activities</b>		<b>122,322</b>	<b>215,731</b>
Effect of exchange rate fluctuations on cash held		(6,084)	(2,458)
<b>Change in net cash</b>	16.13	<b>(275,305)</b>	<b>77,338</b>
<b>Cash and cash equivalents at beginning of period</b>	16.13	<b>(187,066)</b>	<b>(460,751)</b>
<b>Cash and cash equivalents at end of period</b>	16.13	<b>(462,371)</b>	<b>(383,413)</b>
- restricted cash and cash equivalents	16.13	8,058	14,705

The notes, attached on pp. 8 to 47, are an integral part of these interim condensed financial statements for the six months ended June 30th 2011

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**GRUPA LOTOS S.A.**  
**INTERIM CONDENSED 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	Total equity
<b>Jan 1 2010 (restated) (audited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>4,038,878</b>	<b>5,480,099</b>
Total comprehensive income for the six months ended Jun 30 2010	-	-	-	(539,612)	(539,612)
<b>Jun 30 2010 (unaudited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>3,499,266</b>	<b>4,940,487</b>
<b>Jan 1 2011 (audited)</b>	<b>129,873</b>	<b>1,311,348</b>	-	<b>4,503,832</b>	<b>5,945,053</b>
Net profit from continuing operations for the six months ended Jun 30 2011	-	-	-	793,094	793,094
Other comprehensive income, net, for the six months ended Jun 30 2011	-	-	201,580	-	201,580
<b>Jun 30 2011 (unaudited)</b>	<b>129,873</b>	<b>1,311,348</b>	<b>201,580</b>	<b>5,296,926</b>	<b>6,939,727</b>

The notes, attached on pp. 8 to 47, are an integral part of these interim condensed financial statements for the six months ended June 30th 2011

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

**1. General information**

Grupa LOTOS S.A. is a joint-stock company with the registered office in Gdańsk at ul. Elbląska 135. Its shares are publicly traded on the Warsaw Stock Exchange.

The Company's interim condensed financial statements for the six months ended June 30th 2010 were approved for publication by the Company's Management Board on August 23rd 2011.

Grupa LOTOS S.A. is the Parent Undertaking of the LOTOS Group ("the Group") and a major investor in subordinated undertakings and their related undertakings, in which it holds shares. Accordingly, Grupa LOTOS S.A. has prepared interim condensed consolidated financial statements of its Group, which include these undertakings' financial data for the six months ended June 30th 2011, and which were approved for publication by the Management Board on August 23rd 2011.

**2. 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 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 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,



### **3. Basis of presentation**

These interim condensed financial statements of Grupa LOTOS S.A. 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 financial statements of Grupa LOTOS S.A.

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 financial statements have been prepared based on the assumption that the Company will continue as a going concern 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 Company continuing as a going concern.

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

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

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

1. As at June 30th 2010, the Company 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. 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 Company 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.
3. 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.
4. The Company 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 Company 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.

#### **4. Accounting policies**

The accounting policies and calculation methods adopted by the Company in the preparation of these interim condensed financial statements are the same as those used in the preparation of the financial statements for the year ended December 31st 2010 (see Note 10 to the financial statements for 2010, prepared in accordance with the IFRS), except to the extent that:

- Starting from January 1st 2011, the Company 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 Company'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 Company 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 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 Company 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 Company.

#### **4.1 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),

**GRUPA LOTOS S.A.**  
**Notes to the interim condensed financial statements**  
**for the six months ended June 30th 2011**

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- 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 Company 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 Company's financial assets. The Company 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 Company.

#### **5. 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).

#### **6. Seasonality and cyclicity of operations in the interim period**

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

#### **7. 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 155,212 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.

#### **8. 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**

There were no material changes in the estimates reported in prior interim periods of the current financial year or in prior financial years.

## 9. Issue, redemption and repayment of debt and equity securities

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

## 10. 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.

## 11. 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 (A)	793,094	(539,612)
Weighted average number of shares (in thousands) (B)	129,873	129,873
	=====	=====
Net earnings/(loss) per share (PLN) (A/B)	6.11	(4.15)

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

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

## 12. Business segments

As the segments are identified at the Group level, for segment results in the six months ended June 30th 2011, see Note 13 to the interim condensed consolidated financial statements for the six months ended June 30th 2011. Grupa LOTOS S.A. is included in the downstream segment.

## 13. 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 37.1 to the 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 1,889 thousand tonnes of carbon dioxide (CO<sub>2</sub>) for each of 2011 and 2012.

#### **14. 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 19 to the financial statements for 2010, prepared in accordance with the IFRS), the Group's structure was subject to the changes listed below.

##### **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.

In the period from January 1st 2011 to June 30th 2011, as part of the squeeze-out of non-controlling shareholders, Grupa LOTOS S.A. acquired 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 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.

In the period from January 1st to June 30th 2011, as part of the squeeze-out of non-controlling shareholders 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. As a result of the executed transactions, as at June 30th 2011 Grupa LOTOS S.A. held a 100% stake in LOTOS Czechowice S.A.

##### **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 financial statements, the share purchase process has not been completed.

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By June 30th 2011, Grupa LOTOS S.A. acquired 57,242 shares in LOTOS Petrobaltic S.A. from non-controlling interests, with an aggregate value of PLN 7,344 thousand, representing 0.62% of LOTOS Petrobaltic S.A.'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.

**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 these interim condensed consolidated financial statements.

**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%.

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**15. Changes in contingent liabilities or assets since the previous balance-sheet date**

**15.1 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</b>			<b>8,428</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.

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
<b>Beneficiary</b>						
<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</b>			<b>28,572</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.

*(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)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount in PLN <sup>(1)</sup>	Expiry date of promissory note(s)	Type
Beneficiary of promissory note					
<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>		

<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> A new validity term for the excise duty security was set: until August 19th 2012.

Dec 31 2010 (PLN '000)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount in PLN <sup>(1)</sup>	Expiry date of promissory note(s)	Type
Beneficiary of promissory note					
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</b>			<b>440,000</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.

*(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 12.4m (PLN 29.8m as at December 31st 2010).

**15.2 Material court, arbitration or administrative proceedings and other risks relating to the Company**

The following changes occurred with respect to pending court, arbitration, or administrative proceedings or with respect to other risks of the Company since the end of the previous financial year, i.e. December 31st 2010 (see Note 31.4 to the 2010 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

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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 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

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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 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 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 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 financial statements.

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

**16.1 Costs by type**

PLN '000	Note	6 months ended Jun 30 2011 <u>(unaudited)</u>	6 months ended Jun 30 2010 (restated) <u>(unaudited)</u>
Depreciation and amortisation	16.13	162,722	84,553
Raw materials and energy used		11,226,061	7,528,156
Contracted services		417,764	349,534
Taxes and charges		47,172	34,961
Salaries and wages		70,121	63,600
Social security and other benefits		20,157	19,120
Other costs by type		26,456	15,372
Goods for resale and materials sold		407,289	159,648
		=====	=====
<b>Total</b>		<b>12,377,742</b>	<b>8,254,944</b>
		=====	=====
Change in products and adjustments to cost of sales		(349,947)	(440,718)
		=====	=====
<b>Total operating expenses:</b>		<b>12,027,795</b>	<b>7,814,226</b>
		=====	=====
Cost of sales		11,640,490	7,497,212
Selling costs		259,970	205,215
General and administrative expenses		127,335	111,799

**16.2 Finance income**

PLN '000	6 months ended Jun 30 2011 <u>(unaudited)</u>	6 months ended Jun 30 2010 <u>(unaudited)</u>
Dividend received:	240,479	251,936
- from related undertakings	239,969	251,256
- from other undertakings	510	680
Interest	2,466	1,914
Foreign exchange gains	184,896	-
- on foreign-currency denominated credit facilities	159,720	-
- on foreign-currency denominated loans advanced	(4,508)	-
- realised foreign exchange differences on foreign-currency transactions in bank accounts	36,268	-
- other foreign exchange differences	(6,584)	-
Revaluation of financial assets:	48,300	-
- valuation of derivative financial instruments	145,981	-
- settlement of derivative financial instruments	(96,959)	-
- other	(722)	-
	=====	=====
<b>Total</b>	<b>476,141</b>	<b>253,850</b>
	=====	=====

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16.3 Finance expenses	6 months ended Jun 30 2011	6 months ended Jun 30 2010 (restated)
PLN '000	(unaudited)	(unaudited)
Interest	60,941	61,183
Foreign exchange losses	-	908,292
- on foreign-currency denominated credit facilities and loans	-	954,064
- realised foreign exchange differences on foreign-currency transactions in bank accounts	-	(43,157)
- other foreign exchange differences	-	(2,615)
Revaluation of financial assets:	-	297,009
- valuation of derivative financial instruments	-	195,393
- settlement of derivative financial instruments	-	107,016
- other	-	(5,400)
Bank fees	6,249	5,187
Other	867	776
Amounts capitalised as part of the cost of qualifying assets	(21,494)	(63,069)
<b>Total</b>	<b>46,563</b>	<b>1,209,378</b>

#### 16.4 Corporate 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	18,725	-
Deferred tax	109,718	(184,316)
<b>Total tax charged to profit</b>	<b>128,443</b>	<b>(184,316)</b>
Tax expense recognised in the statement of changes in equity	-	-
Tax expense recognised in total other comprehensive income (net)	47,284 <sup>(1)</sup>	-

<sup>(1)</sup> Relates to cash flow hedge accounting.

The current and deferred portion of income tax was calculated at the rate of 19% of the corporate income tax base.

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.

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**16.5 Property, plant and equipment and intangible assets**

PLN '000	Jun 30 2011 (unaudited)	Dec 31 2010 (audited)
Land	178,019	178,071
Buildings and structures	2,711,251	1,873,751
Plant and equipment	4,173,065	2,267,997
Vehicles and other tangible assets	142,582	103,862
	=====	=====
<b>Total property, plant and equipment</b>	<b>7,204,917</b>	<b>4,423,681</b>
	=====	=====
Tangible assets under construction	67,010	2,965,876
Prepayments for tangible assets under construction	2,256	6,158
	=====	=====
<b>Total tangible assets under construction</b>	<b>69,266</b>	<b>2,972,034</b>
	=====	=====
Intangible assets	81,749	48,655
	=====	=====
<b>Total</b>	<b>7,355,932</b>	<b>7,444,370</b>

As at June 30th 2011, financing costs capitalised in tangible assets under construction and prepayments for tangible assets under construction amounted to PLN 7,328 thousand (as at December 31st 2010: PLN 142,378 thousand).

**Changes to property, plant and equipment 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>5,598,331</b>	<b>3,037,852</b>	<b>6,158</b>	<b>8,642,341</b>	<b>102,027</b>	<b>8,744,368</b>
Increase, including:						
- transfer from investments	2,940,659	(2,898,500)	(3,902)	38,257	36,481	74,738
	2,938,616	(2,975,005)	-	(36,389)	36,389	-
Decrease	(5,426)	(69,244)	-	(74,670)	(4)	(74,674)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Jun 30 2011 (unaudited)</b>	<b>8,533,564</b>	<b>70,108</b>	<b>2,256</b>	<b>8,605,928</b>	<b>138,504</b>	<b>8,744,432</b>
<b>Gross book value as at Jan 1 2010 (restated) (audited)</b>	<b>2,640,370</b>	<b>5,163,089</b>	<b>150,699</b>	<b>7,954,158</b>	<b>91,071</b>	<b>8,045,229</b>
Increase, including:						
- transfer from investments	1,626,691	(1,024,857)	(104,155)	497,679	3,105	500,784
	1,623,489	(1,626,594)	-	(3,105)	3,105	-
Decrease	(8,162)	(35)	-	(8,197)	-	(8,197)
	-----	-----	-----	-----	-----	-----
<b>Gross book value as at Jun 30 2010 (unaudited)</b>	<b>4,258,899</b>	<b>4,138,197</b>	<b>46,544</b>	<b>8,443,640</b>	<b>94,176</b>	<b>8,537,816</b>

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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>Accumulated depreciation/amortisation as at Jan 1 2011 (audited)</b>	<b>1,174,650</b>	-	-	<b>1,174,650</b>	<b>53,372</b>	<b>1,228,022</b>
Increase	159,394	-	-	159,394	3,387	162,781
Decrease	(5,397)	-	-	(5,397)	(4)	(5,401)
	-----	-----	-----	-----	-----	-----
<b>Accumulated depreciation/amortisation as at Jun 30 2011 (unaudited)</b>	<b>1,328,647</b>	-	-	<b>1,328,647</b>	<b>56,755</b>	<b>1,385,402</b>
<b>Accumulated depreciation/amortisation as at Jan 1 2010 (audited)</b>	<b>975,683</b>	-	-	<b>975,683</b>	<b>47,143</b>	<b>1,022,826</b>
Increase	81,674	-	-	81,674	2,987	84,661
Decrease	(8,095)	-	-	(8,095)	-	(8,095)
	-----	-----	-----	-----	-----	-----
<b>Accumulated depreciation/amortisation as at Jun 30 2010 (unaudited)</b>	<b>1,049,262</b>	-	-	<b>1,049,262</b>	<b>50,130</b>	<b>1,099,392</b>
<b>Impairment losses as at Jan 1 2011 (audited)</b>	-	<b>71,976</b>	-	<b>71,976</b>	-	<b>71,976</b>
Increase	-	361	-	361	-	361
Decrease	-	(69,239)	-	(69,239)	-	(69,239)
	-----	-----	-----	-----	-----	-----
<b>Impairment losses as at Jun 30 2011 (unaudited)</b>	-	<b>3,098</b>	-	<b>3,098</b>	-	<b>3,098</b>
<b>Impairment losses as at Jan 1 2010 (audited)</b>	-	<b>57,746</b>	-	<b>57,746</b>	-	<b>57,746</b>
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Impairment losses as at Jun 30 2010 (unaudited)</b>	-	<b>57,746</b>	-	<b>57,746</b>	-	<b>57,746</b>
<b>Net book value as at Jun 30 2011 (unaudited)</b>	<b>7,204,917</b>	<b>67,010</b>	<b>2,256</b>	<b>7,274,183</b>	<b>81,749</b>	<b>7,355,932</b>
	=====	=====	=====	=====	=====	=====
<b>Net book value as at Jan 1 2011 (audited)</b>	<b>4,423,681</b>	<b>2,965,876</b>	<b>6,158</b>	<b>7,395,715</b>	<b>48,655</b>	<b>7,444,370</b>
	=====	=====	=====	=====	=====	=====
<b>Net book value as at Jun 30 2010 (unaudited)</b>	<b>3,209,637</b>	<b>4,080,451</b>	<b>46,544</b>	<b>7,336,632</b>	<b>44,046</b>	<b>7,380,678</b>
	=====	=====	=====	=====	=====	=====

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

***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 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 fulfilment of the requirements set forth in the loan agreement, the interest on the loan was lowered.

**16.6 Non-current financial assets**

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(restated) (audited)
Shares in subsidiary undertakings <sup>(1)</sup>	769,658	780,850
Additional contributions to equity	237,700	237,700
Shares in other undertakings	6,315	6,315
Deposits <sup>(2)</sup>	15,077	-
Security deposits (margins) <sup>(3)</sup>	3,708	998
Positive valuation of derivative financial instruments:	9,791	19,408
- interest rate swap (IRS)	8,980	18,828
- futures (CO <sub>2</sub> emissions)	811	580
	=====	=====
<b>Total</b>	<b>1,042,249</b>	<b>1,045,271</b>
	=====	=====

<sup>(1)</sup> For details see Note 14 to these interim condensed financial statements.

<sup>(2)</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>(3)</sup> A security deposit (margin) of PLN 3,708 thousand (as at December 31st 2009: PLN 998 thousand) has been transferred to Grupa LOTOS S.A.'s account held with Marex Financial, a brokerage firm, to enable execution of transactions on the ICE Futures Internet platform.



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**16.7 Inventories**

PLN '000	<u>Jun 30 2011</u> <u>(unaudited)</u>	<u>Dec 31 2010</u> <u>(audited)</u>
Finished products	1,288,881	1,027,149
Semi-finished products and work in progress	518,859	432,756
Goods for resale	254,771	251,724
Materials	3,002,377	2,586,871
	=====	=====
<b>Net inventories</b>	<b>5,064,888</b>	<b>4,298,500</b>
	=====	=====

Gross value of mandatory stocks

PLN '000	<u>Jun 30 2011</u> <u>(unaudited)</u>	<u>Dec 31 2010</u> <u>(audited)</u>
Mandatory stocks	3,937,512	2,976,818
	=====	=====

**16.8 Trade and other receivables**

PLN '000	<u>Jun 30 2011</u> <u>(unaudited)</u>	<u>Dec 31 2010</u> <u>(audited)</u>
Trade receivables, including:	1,965,967	1,699,108
- from related undertakings	1,501,322	1,222,999
Receivables from the state budget other than corporate income tax	94,781 <sup>(1)</sup>	-
Other receivables <sup>(2)</sup> , including:	178,862	22,651
- dividends receivable from related undertakings	156,904	-
	=====	=====
<b>Net receivables</b>	<b>2,239,610</b>	<b>1,721,759</b>
Impairment losses on receivables	86,549	85,986
	=====	=====
<b>Gross receivables</b>	<b>2,326,159</b>	<b>1,807,745</b>
	=====	=====

<sup>(1)</sup> Input VAT related to the Company's crude oil imports.

<sup>(2)</sup> Including excise duty of PLN 19,151 thousand (December 31st 2010: PLN 20,465 thousand) due to inter-warehouse transfers.

**Impairment losses on receivables**

PLN '000	<u>6 months ended</u> <u>Jun 30 2011</u> <u>(unaudited)</u>	<u>6 months ended</u> <u>Jun 30 2010</u> <u>(unaudited)</u>
<b>At beginning of period</b>	<b>85,986</b>	<b>83,912</b>
Increase <sup>(1)</sup>	959	4,887
Reversal	-	(2,633)
Use	(396)	(105)
	=====	=====
<b>At end of period</b>	<b>86,549</b>	<b>86,061</b>
	=====	=====

<sup>(1)</sup> Including amounts charged to other operating expenses (2011: PLN 2 thousand, 2010: PLN 4,887 thousand) and to interest under finance expenses.

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**16.9 Current financial assets**

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(restated) (audited)
Positive valuation of derivative financial instruments:		
- commodity swaps (commodities and petroleum products)	91,945	49,961
- futures (CO <sub>2</sub> emissions)	17,656	1,472
- currency forward and spot contracts	-	35
- forward rate agreements (FRAs)	64,404	37,540
- interest rate swap (IRS)	-	655
Additional contributions to equity	9,885	10,259
Deposits <sup>(1)</sup>	4,280	9,380
Loans advanced to related undertakings	55,440	5,932
	58,899	62,165
	=====	=====
<b>Total</b>	<b>210,564</b>	<b>127,438</b>
	=====	=====

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

- deposits in an amount of PLN 5,512 thousand (December 31st 2010: PLN 5,932 thousand) serving as security for payment of interest on the loan for financing of inventories,
- deposits in an amount of PLN 49,928 thousand serving as security for payment of interest on the loans contracted to finance the 10+ Programme,

**16.10 Interest-bearing loans**

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(restated) (audited)
Bank loans	5,659,784	5,680,561
	=====	=====
<b>Total</b>	<b>5,659,784</b>	<b>5,680,561</b>
	=====	=====
including:		
non-current portion	3,993,591	4,141,016
current portion	1,666,193	1,539,545

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

(unaudited)	EUR loans	USD loans	PLN loans	Total
PLN '000				
H2 2011	66	1,176,594	411,833	1,588,493
2012	-	234,351	-	234,351
2013	-	238,112	-	238,112
2014	-	325,002	-	325,002
2015	-	337,534	-	337,534
2016	-	368,029	-	368,029
beyond 2016	-	2,568,263	-	2,568,263
	=====	=====	=====	=====
<b>Total</b>	<b>66</b>	<b>5,247,885</b>	<b>411,833</b>	<b>5,659,784</b>
	=====	=====	=====	=====

The above table presents loans by maturity date.

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**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>PLN loans</b>	<b>Total</b>
PLN '000				
2011	17,322	1,415,730	106,493	1,539,545
2012	-	238,365	-	238,365
2013	-	242,190	-	242,190
2014	-	330,567	-	330,567
2015	-	343,314	-	343,314
beyond 2015	-	2,986,580	-	2,986,580
	=====	=====	=====	=====
<b>Total</b>	<b>17,322</b>	<b>5,556,746</b>	<b>106,493</b>	<b>5,680,561</b>
	=====	=====	=====	=====

The above table presents loans by maturity date.

**Bank loans**

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 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		
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 (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	submission to enforcement
				115,566	USD 41,998	-	-			3M LIBOR USD + bank's margin	
				66	16 EUR	-	-			3M EURIBOR + bank's margin	
Funds in bank deposits securing payment of interest and principal instalments				(167,873)	USD (61,007)	-	-				
<b>Total</b>				<b>411,833</b>	-	-	-				
				<b>1,254,294</b>	<b>USD 455,784</b>	<b>3,993,591</b>	<b>USD 1,450,732</b>				
				<b>66</b>	<b>EUR 16</b>	-	-				
				<b>1,666,193</b>	-	<b>3,993,591</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.

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**16.11 Other financial liabilities**

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(restated) (audited)
Negative valuation of derivative financial instruments:	162,492	273,871
- 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
Lease liabilities	3	67
	=====	=====
<b>Total</b>	<b>162,495</b>	<b>273,938</b>
	=====	=====
Non-current liabilities	57,251	80,107
Current liabilities	105,244	193,831

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

PLN '000	Jun 30 2011	Dec 31 2010
	(unaudited)	(audited)
Trade payables, including:		
- to related undertakings	2,192,652	1,729,709
Liabilities to the state budget other than corporate income tax	192,238	74,001
Special accounts	711,553	727,265
Salaries and wages payable	197	197
Accruals and deferred income	2,410	2,749
Deferred income - subsidies	16,538	38,879
Investment liabilities, including:	30,398	25,275
- to related undertakings	8,800	73,982
Liabilities to insurers	1,040	2,672
Other liabilities	2,182	21,644
	104	3,815
	=====	=====
<b>Total</b>	<b>2,964,834</b>	<b>2,623,515</b>
	=====	=====

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**16.13 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	8,179	14,895
Cash in hand	28	18
Overdraft facilities	(470,578)	(201,979)
<b>Total cash and cash equivalents</b>	<b>(462,371)</b>	<b>(187,066)</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 Company'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 8,058 thousand (cash held in an account dedicated to servicing payments connected with the 10+ Programme investments).

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	(572,650)	(459,806)
Change in income tax receivables	54,799	-
Change in receivables related to positive valuation of derivative financial instruments	2,234	-
Set-off of corporate income tax receivables against VAT liabilities	-	(71,120)
Change in dividends receivable	156,904	110,841
Other	-	(4)
Change in receivables as disclosed in the statement of cash flows	(358,713)	(420,089)

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<b>Liabilities</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	197,062	2,339,438
Change in non-current and current loans and borrowings	20,777	(1,275,441)
Adjustment for funds dedicated to repayment of loans/credit facilities	(159,208)	(467)
Adjustment for funds dedicated to payment of interest		
Change in income tax liabilities	12,037	-
Change in investment liabilities	65,277	(16,137)
Change in liabilities related to acquisition of shares	(95)	-
Change in liabilities related to negative valuation of derivative financial instruments	111,379	(151,898)
Change in finance lease liabilities	64	94
Set-off of corporate income tax receivables against VAT liabilities	-	71,124
Other	-	369
	-----	-----
Change in liabilities and accruals and deferred income as disclosed in the statement of cash flows	247,293	967,082
<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	157,210	(62,176)
Change in deferred tax liabilities	(157,002)	61,929
	-----	-----
Change in provisions as shown by the statement of cash flows	208	(247)
<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	995	(124,133)
Change in fees and commissions on revolving credit facilities, amortised over time	(182)	-
Change in deferred tax assets	-	122,387
	-----	-----
Change in prepayments and accrued income as shown by the statement of cash flows	813	(1,746)
<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	(6,706)	16,588
Change in interest-bearing overdraft facilities	(268,599)	60,750
	-----	-----
Change in cash as shown by the statement of cash flows	(275,305)	77,338

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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**

**Depreciation/amortisation**

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
Depreciation/amortisation as disclosed in changes to property, plant and equipment and intangible assets	162,781	84,661
Depreciation directly related to expenditure on tangible assets under construction	(59)	(108)
	-----	-----
Depreciation/amortisation as disclosed in the statement of cash flows	162,722	84,553

**Sale/(purchase) of property, plant and equipment, tangible assets under construction and intangible assets**

PLN '000	6 months ended Jun 30 2011	6 months ended Jun 30 2010
	(unaudited)	(unaudited)
Increase in property, plant and equipment and intangible assets as shown in changes to property, plant and equipment and intangible assets	(74,738)	(500,784)
Prepayments for tangible assets under construction	-	42,609
Change in investment liabilities, including realised foreign exchange differences	(64,705)	15,800
Capitalised borrowing costs	21,494	63,069
Income from sale of property, plant and equipment, tangible assets under construction and intangible assets	93	5
Other	(672)	(11,199)
	-----	-----
Sale/(purchase) of property, plant and equipment, tangible assets under construction and intangible assets as shown in the statement of cash flows	(118,528)	(390,500)

**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	(49,928)	-
	-----	-----
Total other adjustments	(49,928)	-

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**16.14 Material transactions concluded by Grupa LOTOS S.A. with related parties within the LOTOS Group**

Transactions with related undertakings are executed on market terms,

PLN '000	6 months ended Jun 30 2011 (unaudited)		as at 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
Consolidated undertakings	9,120,764	671,114	1,658,226	193,278
Non-consolidated undertakings	-	-	-	-
<b>Total</b>	<b>9,120,764</b>	<b>671,114</b>	<b>1,658,226</b>	<b>193,278</b>

In the period from January 1st to June 30th 2011, total income from sales of property, plant and equipment to related undertakings amounted to PLN 1 thousand.

In the period from January 1st to June 30th 2011, total value of purchases of property, plant and equipment and intangible assets from related undertakings amounted to PLN 18,967 thousand.

In the period from January 1st to June 30th 2011, total value of finance income from transactions with related undertakings amounted to PLN 241,224 thousand (including PLN 239,969 thousand of dividend income, PLN 1,282 thousand of interest on advanced loans with respect to which an impairment loss of PLN 40 thousand had been recognised, and PLN 13 thousand of other realised interest).

In the period from January 1st to June 30th 2011, total value of finance expenses from transactions with related undertakings amounted to PLN 722 thousand and resulted from recognition of an impairment loss on financial assets of related undertakings (shown with a minus sign under finance income).

In the period from January 1st to June 30th 2011, the Company advanced loans to a related undertaking in the amount of PLN 722 thousand.

As at June 30th 2010, loans advanced to related undertakings totalled PLN 58,899 thousand.

PLN '000	6 months ended Jun 30 2010 (unaudited)		as at Dec 31 2010 (audited)	
	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
Consolidated undertakings	6,684,280	592,051	1,222,999	76,673
Non-consolidated undertakings	-	-	-	-
<b>Total</b>	<b>6,684,280</b>	<b>592,051</b>	<b>1,222,999</b>	<b>76,673</b>

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In the period from January 1st to June 30th 2010, total income from sales of property, plant and equipment to related undertakings amounted to PLN 5 thousand.

In the period from January 1st to June 30th 2010, total value of purchases of property, plant and equipment and intangible assets from related undertakings amounted to PLN 33,487 thousand.

In the period from January 1st to June 30th 2010, total value of finance income from transactions with related undertakings amounted to PLN 259,282 thousand (including PLN 251,256 thousand of dividend income, PLN 6,400 thousand (shown with a minus sign under finance expenses) of reversal of an impairment loss on financial assets of related undertakings, PLN 1,135 thousand of interest on advanced loans, and PLN 491 thousand of other realised interest).

In the period from January 1st to June 30th 2010, total value of finance expenses from transactions with related undertakings amounted to PLN 1,000 thousand and resulted from recognition of an impairment loss on financial assets of related undertakings.

In the period from January 1st to June 30th 2010, the Company was returned an amount of PLN 6,400 thousand it had earlier paid for shares in connection with a share capital increase at a related undertaking.

In the period from January 1st to June 30th 2010, the Company reversed PLN 6,400 thousand of impairment losses on financial assets from related undertakings.

In the period from January 1st to June 30th 2011, the Company recognised impairment losses on receivables from related undertakings in the amount of PLN 4,477 thousand.

In the period from January 1st to June 30th 2010, the Company advanced a loan to a related undertaking in the amount of PLN 2,000 thousand.

As at June 30th 2010, loans advanced to related undertakings totalled PLN 46,130 thousand.

<b>Areas of transactions with related undertakings</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>
Sale of property, plant and equipment and intangible assets	1	5
Purchase of property, plant and equipment and intangible assets	18,967	33,487
Finance income	241,224	259,282
Finance expenses	722	1,000
Other operating income	342	531
Other operating expenses	-	4,476

**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.

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**Remuneration of the Management the Supervisory Board 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)	13,228	9,382
	=====	=====
<b>Total remuneration paid to key management staff (other than members of Management and Supervisory Boards)</b>	<b>13,228</b>	<b>9,382</b>
	=====	=====

As at June 30th 2011, the Company maintained a provision for length-of-service awards and retirement severance payments for the key management staff in the amount of PLN 4,369 thousand.

The Company 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 2,316 thousand as at June 30th 2011 (for 2010: PLN 4,375 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 Company to members of key management staff totalled PLN 29 thousand (as at June 30th 2010: PLN 50 thousand).

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In the period January 1st–June 30th 2011 and January 1–June 30th 2010, the Company 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 2 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):

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

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**16.15 Fair value of financial instruments**

Jun 30 2011 (unaudited) PLN '000	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares:	-	-	6,315	-	-	6,315
- non-current portion	-	-	6,315	-	-	6,315
- current portion	-	-	-	-	-	-
Deposits:	-	70,517	-	-	-	70,517
- non-current portion	-	15,077	-	-	-	15,077
- current portion	-	55,440	-	-	-	55,440
Security deposits (margins)	-	3,708	-	-	-	3,708
Loans and advances:	-	58,899	-	-	-	58,899
- non-current portion	-	-	-	-	-	-
- current portion	-	58,899	-	-	-	58,899
Financial assets – 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)	-	2,144,829	-	-	-	2,144,829
Cash and cash equivalents	-	8,207	-	-	-	8,207
Trade and other payables (net of liabilities to the state budget)	-	-	-	-	(2,206,148)	(2,206,148)
Loans and borrowings:	-	-	-	-	(5,659,784)	(5,659,784)
- non-current portion	-	-	-	-	(3,993,591)	(3,993,591)
- current portion	-	-	-	-	(1,666,193)	(1,666,193)
Financial liabilities:	-	-	-	(162,492)	(3)	(162,495)
Lease liabilities:	-	-	-	-	(3)	(3)
- non-current portion	-	-	-	-	-	-
- current portion	-	-	-	-	(3)	(3)
Derivative financial instruments:	-	-	-	(162,492)	-	(162,492)
- non-current portion	-	-	-	(57,251)	-	(57,251)
- current portion	-	-	-	(105,241)	-	(105,241)
<b>Total</b>	<b>101,736</b>	<b>2,286,160</b>	<b>6,315</b>	<b>(162,492)</b>	<b>(7,865,935)</b>	<b>(5,634,216)</b>

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Dec 31 2010 (restated) (audited) PLN '000	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Shares:	-	-	6,315	-	-	6,315
- non-current portion	-	-	6,315	-	-	6,315
- current portion	-	-	-	-	-	-
Deposits:	-	5,932	-	-	-	5,932
- non-current portion	-	-	-	-	-	-
- current portion	-	5,932	-	-	-	5,932
Security deposits (margins)	-	998	-	-	-	998
Loans and advances:	-	62,165	-	-	-	62,165
- non-current portion	-	-	-	-	-	-
- current portion	-	62,165	-	-	-	62,165
Financial assets – derivative financial instruments:	69,369	-	-	-	-	69,369
- non-current portion	19,408	-	-	-	-	19,408
- current portion	49,961	-	-	-	-	49,961
Trade and other receivables (net of receivables from the state budget)	-	1,721,759	-	-	-	1,721,759
Cash and cash equivalents	-	14,913	-	-	-	14,913
Trade and other payables (net of liabilities to the state budget)	-	-	-	-	(1,831,899)	(1,831,899)
Loans and borrowings:	-	-	-	-	(5,680,561)	(5,680,561)
- non-current portion	-	-	-	-	(4,141,016)	(4,141,016)
- current portion	-	-	-	-	(1,539,545)	(1,539,545)
Financial liabilities:	-	-	-	(273,871)	(67)	(273,938)
Lease liabilities:	-	-	-	-	(67)	(67)
- non-current portion	-	-	-	-	-	-
- current portion	-	-	-	-	(67)	(67)
Derivative financial instruments:	-	-	-	(273,871)	-	(273,871)
- non-current portion	-	-	-	(80,107)	-	(80,107)
- current portion	-	-	-	(193,764)	-	(193,764)
<b>Total</b>	=====	=====	=====	=====	=====	=====
	<b>69,369</b>	<b>1,805,767</b>	<b>6,315</b>	<b>(273,871)</b>	<b>(7,512,527)</b>	<b>(5,904,947)</b>
	=====	=====	=====	=====	=====	=====

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**16.16 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)	-	2,466	-	(60,829) <sup>(1)</sup>	(58,363)
Foreign exchange gains/(losses)	-	(54,530)	-	216,189	161,659
Reversal/(recognition) of impairment losses	-	(724)	-	-	(724)
Gains/(losses) on realisation of derivative financial instruments	(96,959)	-	-	-	(96,959)
Gains/(losses) on fair value measurement of derivative financial instruments	145,981	-	-	-	145,981
Gains/(losses) on fair value measurement of hedging instruments	-	-	-	248,864	248,864
Gains/(losses) on sale	-	-	-	-	-
	=====	=====	=====	=====	=====
<b>Total</b>	<b>49,022</b>	<b>(52,788)</b>	<b>-</b>	<b>404,224</b>	<b>400,458</b>
	=====	=====	=====	=====	=====

<sup>(1)</sup> Including PLN 19,289 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)	-	1,914	-	(61,072) <sup>(1)</sup>	(59,158)
Foreign exchange gains/(losses)	-	(97)	-	(1,019,116)	(1,019,213)
Reversal/(recognition) of impairment losses	-	(3,566)	-	-	(3,566)
Gains/(losses) on realisation of derivative financial instruments	(107,016)	-	-	-	(107,016)
Gains/(losses) on fair value measurement of derivative financial instruments	(195,393)	-	-	-	(195,393)
Gains/(losses) on fair value measurement of hedging instruments	-	-	-	-	-
Gains/(losses) on sale	-	-	-	-	-
	=====	=====	=====	=====	=====
<b>Total</b>	<b>(302,409)</b>	<b>(1,749)</b>	<b>-</b>	<b>(1,080,188)</b>	<b>(1,384,346)</b>
	=====	=====	=====	=====	=====

<sup>(1)</sup> Including PLN 57,148 thousand capitalised as part of the cost of qualifying assets.

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**16.17 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 Company'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) PLN '000	Note	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		130,024	4,991	210	(4,991)	(210)
Loans and advances	16.9	58,899	2,356	-	(2,356)	-
Deposits	16.9	55,440	2,217	-	(2,217)	-
Security deposits (margins)	16.6	3,708	-	148	-	(148)
Financial assets – derivative financial instruments		101,736	(28,646)	18,727	28,646	(18,727)
Cash and cash equivalents		6,905	271	6	(271)	(6)
Trade and other payables		(1,830,658)	(72,821)	(405)	72,821	405
Loans and borrowings		(5,247,951)	(213,438)	(3)	213,438	3
Financial liabilities – derivative financial instruments	16.11	(162,492)	800	9,375	(800)	(9,375)
<b>Total</b>		<b>(6,884,389)</b>	<b>(304,270)</b>	<b>28,058</b>	<b>304,270</b>	<b>(28,058)</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 Company'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	Note	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		156,464	6,150	110	(6,150)	(110)
Loans and advances	16.9	62,165	2,486	-	(2,486)	-
Deposits	16.9	5,932	237	-	(237)	-
Security deposits (margins)	16.6	998	-	40	-	(40)
Financial assets – derivative financial instruments		69,369	(56,694)	14,855	56,694	(14,855)
Cash and cash equivalents		14,162	505	62	(505)	(62)
Trade and other payables		(1,561,973)	(59,343)	(3,137)	59,343	3,137
Loans and borrowings		(5,574,068)	(225,982)	(692)	225,982	692
Financial liabilities – derivative financial instruments	16.11	(273,871)	10,783	27,526	(10,783)	(27,526)
		=====	=====	=====	=====	=====
<b>Total</b>		<b>(7,100,822)</b>	<b>(321,858)</b>	<b>38,764</b>	<b>321,858</b>	<b>(38,764)</b>
		=====	=====	=====	=====	=====

As at December 31st 2010, 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 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.

**GRUPA LOTOS S.A.**  
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Below is presented an analysis of the Company'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)	Note	Carrying value	Change	
			+0.2%	-0.2%
PLN '000				
Loans and advances	16.9	58,899	118	(118)
Deposits	16.6,16.9	70,517	141	(141)
Security deposits (margins)	16.6	3,708	7	(7)
Cash and cash equivalents		8,207	16	(16)
Financial assets – derivative financial instruments <sup>(1)</sup>	16.6, 16.9	18,865	(847)	852
Loans and borrowings	16.10	(5,659,784)	(9,135)	9,135
Finance lease liabilities	16.11	(3)	(0)	0
Financial liabilities – derivative financial instruments <sup>(1)</sup>	16.11	(98,196)	10,063	(10,177)
<b>Total</b>		<b>(5,597,787)</b>	<b>363</b>	<b>(472)</b>

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

As at June 30th 2011, the carrying value of financial assets and liabilities (loans and advances, deposits, security deposits (margins), cash and cash equivalents, derivative financial instruments, liabilities under loans and borrowings, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (5,597,787) 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 363 (472) thousand net.

Below is presented an analysis of the Company'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)	Note	Carrying value	Change	
			+0,2%	-0,2%
PLN '000				
Loans and advances	16.9	62,165	124	(124)
Deposits	16.9	5,932	12	(12)
Security deposits (margins)	16.6	998	2	(2)
Cash and cash equivalents		14,913	30	(30)
Financial assets – derivative financial instruments <sup>(1)</sup>	16.6, 16.9	29,742	(1,358)	1,366
Loans and borrowings	16.10	(5,680,561)	(9,288)	9,288
Finance lease liabilities	16.11	(67)	(0)	0
Financial liabilities – derivative financial instruments <sup>(1)</sup>	16.11	(228,237)	13,690	(13,839)
<b>Total</b>		<b>(5,795,115)</b>	<b>3,212</b>	<b>(3,353)</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 (loans and advances, deposits, security deposits (margins), cash and cash equivalents, derivative financial instruments, liabilities under loans and borrowings, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (5,795,115) 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 3,212 (3,353) thousand net.

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

**GRUPA LOTOS S.A.**  
**Notes to the interim condensed financial statements**  
**for the six months ended June 30th 2011**

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

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

<b>(unaudited)</b> PLN '000	<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>
Secured bank loans (other than overdraft facilities)		5,132,319	5,220,364	1,063,563	79,332	255,482	970,318	2,851,669
Overdraft facilities		527,465	527,465	527,465	-	-	-	-
Finance lease liabilities	16.11	3	3	3	-	-	-	-
Trade and other payables (net of liabilities to the state budget)		2,206,148	2,206,148	2,206,148	-	-	-	-
<b>Total</b>		<b>7,865,935</b>	<b>7,953,980</b>	<b>3,797,179</b>	<b>79,332</b>	<b>255,482</b>	<b>970,318</b>	<b>2,851,669</b>

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

<b>(restated)</b> <b>(audited)</b> PLN '000	<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>
Secured bank loans (other than overdraft facilities)		5,478,582	5,571,456	44,606	1,295,907	243,542	935,965	3,051,436
Overdraft facilities		201,979	201,979	201,979	-	-	-	-
Finance lease liabilities	16.11	67	67	47	20	-	-	-
Trade and other payables (net of liabilities to the state budget)		1,831,899	1,831,899	1,831,899	-	-	-	-
<b>Total</b>		<b>7,512,527</b>	<b>7,605,401</b>	<b>2,078,531</b>	<b>1,295,927</b>	<b>243,542</b>	<b>935,965</b>	<b>3,051,436</b>

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

**GRUPA LOTOS S.A.**  
**Notes to the interim condensed financial statements**  
**for the six months ended June 30th 2011**

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

<b>(unaudited)</b> PLN '000	<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>
Commodity swap	16.9, 16.11	11,865	11,865	11,865	-	-	-	-
Futures (CO <sub>2</sub> emissions)	16.6, 16.11	(137)	(137)	(946)	-	809	-	-
Currency forward and spot contracts	16.9, 16.11	6,847	6,847	2,327	4,520	-	-	-
Forward rate agreements (FRAs)	16.9, 16.11	-	-	-	-	-	-	-
Interest rate swap (IRS)	16.6, 16.9, 16.11	(79,331)	(79,331)	1,240	(32,302)	(40,156)	(16,052)	7,939
<b>Total</b>		<b>(60,756)</b>	<b>(60,756)</b>	<b>14,486</b>	<b>(27,782)</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> PLN '000	<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>
Commodity swap	16.9, 16.11	(2,045)	(2,045)	(423)	(1,622)	-	-	-
Futures (CO <sub>2</sub> emissions)	16.6, 16.9, 16.11	152	152	-	35	117	-	-
Currency forward and spot contracts	16.9, 16.11	(4,114)	(4,114)	4,044	(8,158)	-	-	-
Forward rate agreements (FRAs)	16.9, 16.11	315	315	315	-	-	-	-
Interest rate swap (IRS)	16.6, 16.9, 16.11	(198,810)	(198,810)	(139,329)	1,335	(25,386)	(39,215)	3,785
<b>Total</b>		<b>(204,502)</b>	<b>(204,502)</b>	<b>(135,393)</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.

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## **17. 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 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.
3. 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.
4. 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 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.
5. On June 10th 2011, the value of agreements executed between Grupa LOTOS S.A. and Petraco 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.

***Loans advanced to subsidiary undertakings***

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. By June 30th 2011, LOTOS Gaz S.A. repaid PLN 1,100 thousand under the loan.
2. 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.
3. 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.
4. 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.

Furthermore, 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.

**18. 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