

GRUPA LOTOS S.A.
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GRUPA LOTOS S.A.	PLN '000		EUR '000	
	6 months ended Jun 30 2012	6 months ended Jun 30 2011	6 months ended Jun 30 2012	6 months ended Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	15,355,456	12,521,607	3,634,772	3,156,204
Operating profit	126,991	491,959	30,060	124,003
Pre-tax profit	391,084	921,537	92,573	232,283
Net profit	370,904	793,094	87,796	199,908
Total comprehensive income	405,127	994,674	95,897	250,718
Net cash from operating activities	71,971	(329,627)	17,036	(83,086)
Net cash from investing activities	210,642	(61,916)	49,861	(15,607)
Net cash from financing activities	(200,538)	122,322	(47,469)	30,833
Total net cash flow	81,860	(275,305)	19,377	(69,394)
Basic earnings per share (PLN/EUR)	2.86	6.11	0.68	1.54
Diluted earnings per share (PLN/EUR)	-	-	-	-
	PLN '000		EUR '000	
	As at Jun 30 2012	As at Dec 31 2011	As at Jun 30 2012	As at Dec 31 2011
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	16,340,386	16,449,524	3,834,601	3,724,308
Equity	6,238,569	5,833,442	1,464,006	1,320,739

Items of the statement of financial position as at June 30th 2012, presented in the Financial Highlights, have been translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012, i.e. EUR 1 = PLN 4.2613. Items of the statement of comprehensive income and the statement of cash flows for the six months ended June 30th 2012, presented in the Financial Highlights, have been translated at the exchange rate of EUR 1 = PLN 4.2246 (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 2012).

Items of the statement of financial position as at December 31st 2011, presented in Financial Highlights, have been translated at the EUR/PLN mid-exchange rate quoted by the National Bank of Poland for December 31st 2011, i.e. EUR 1 = PLN 4.4168. 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, have been 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).



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 2012
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	4
INTERIM CONDENSED STATEMENT OF CASH FLOWS	5
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	6
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2012	7
1. General information	7
2. Changes in the composition of the Management and Supervisory Boards	7
3. Basis of preparation and presentation	8
3.1 Accounting policies	8
3.2 Exchange rates	8
3.3 Change of information presented in previous reporting periods, change in accounting policies and correction of errors	9
4. New standards and interpretations	9
5. Brief description of significant achievements or failures in the interim period	10
6. Seasonality and cyclicity of operations in the interim period	10
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	10
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	10
9. Issue, redemption or repayment of debt or equity securities	10
10. Dividends	11
11. Net earnings/(loss) per share	11
12. Business segments	11
13. Material events occurring after the end of the interim period and not reflected in the financial statements for the interim period	11
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	11
15. Changes in contingent liabilities, contingent assets, guarantees and other security instruments since the previous balance-sheet date	13
15.1 Promissory notes, bank guarantees or other types of security instruments	13
15.2 Material court, arbitration or administrative proceedings and other risks of the Company	15
15.2.1 Material settlements under court proceedings	16
16. Other information on selected items of the statement of comprehensive income and the statement of financial position	17
16.1 Expenses by nature	17
16.2 Finance income	17
16.3 Finance costs	18
16.4 Corporate income tax	18
16.5 Deferred income tax	19
16.6 Property, plant and equipment and intangible assets	20
16.7 Non-current financial assets	22
16.8 Inventories	22
16.9 Trade and other receivables	23
16.10 Current financial assets	24
16.11 Interest-bearing borrowings	24
16.11.1 Defaults under credit facilities or loans or breaches of material covenants of credit facility or loan agreements, with respect to which no remedial action was taken by the end of the reporting period	27
16.12 Provisions	27
16.13 Other financial liabilities	28
16.14 Trade payables, accruals and deferred income, and other liabilities	28
16.15 Cash structure, restricted cash and causes of differences between changes in certain items as shown in the statement of financial position and as shown in the statement of cash flows	29
16.16 Material transactions between Grupa LOTOS S.A. and related entities within the LOTOS Group	31
16.17 Financial instruments	35
16.17.1 Fair value of financial instruments	35
16.17.2 Items of income, expenses, gains and losses disclosed in the statements of comprehensive income by category of financial instrument	37
16.17.3 Sensitivity analysis with respect to market risk related to fluctuations in FX rates, interest rates and prices of carbon dioxide (CO ₂) emission allowances	38
16.17.3.1 Sensitivity analysis with respect to market risk related to fluctuations in FX rates	38
16.17.3.2 Sensitivity analysis with respect to market risk related to fluctuations in interest rates	39
16.17.3.3 Sensitivity analysis with respect to market risk related to fluctuations in prices of carbon dioxide (CO ₂) emission allowances	40
16.17.4 Maturity structure of financial liabilities and derivative financial instruments	41
17. Other information	43
18. Signatures of the Management Board members and the person responsible for keeping the accounting books of Grupa LOTOS S.A.	45

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three and six months ended June 30th 2012

(PLN '000)	Note	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2011 (restated)	6 months ended Jun 30 2011 (restated)
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		7,830,466	15,355,456	6,309,558	12,521,607
Cost of sales	16.1	(7,813,640)	(14,823,187)	(5,986,988)	(11,660,007)
Gross profit		16,826	532,269	322,570	861,600
Distribution costs	16.1	(148,148)	(290,839)	(127,811)	(260,632)
Administrative expenses	16.1	(55,717)	(112,697)	(53,138)	(107,156)
Other income		995	2,462	1,381	2,181
Other expenses		(2,418)	(4,204)	(3,119)	(4,034)
Operating profit/(loss)		(188,462)	126,991	139,883	491,959
Finance income	16.2	290,125	312,052	301,168	476,141
Finance costs	16.3	(390,444)	(100,016)	(68,449)	(46,563)
Gain on disposal of investments	14	-	52,057	-	-
Pre-tax profit/(loss)		(288,781)	391,084	372,602	921,537
Corporate income tax	16.4	110,500	(20,180)	(27,094)	(128,443)
Net profit/(loss)		(178,281)	370,904	345,508	793,094
Other comprehensive income					
Cash flow hedge accounting		(299,581)	42,251	83,423	248,864
Income tax on other comprehensive income	16.4	56,920	(8,028)	(15,850)	(47,284)
Other comprehensive income (net)		(242,661)	34,223	67,573	201,580
Total comprehensive income		(420,942)	405,127	413,081	994,674
Net profit/(loss) per share (PLN)					
Weighted average number of shares ('000)		129,873	129,873	129,873	129,873
- basic	11	(1.37)	2.86	2.66	6.11
- diluted		-	-	-	-

The Notes to the interim condensed financial statements for the six months ended June 30th 2012, presented on pages 7 to 45, are an integral part of the statements.

(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 2012

(PLN '000)	Note	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	16.6	6,828,164	7,024,570
Tangible assets under construction	16.6	96,354	54,421
Intangible assets	16.6	81,352	83,354
Non-current financial assets	16.7	1,169,048	1,208,537
Prepayments and accrued income		3,823	3,900
Total non-current assets		8,178,741	8,374,782
Current assets			
Inventories, including:	16.8	5,544,819	5,637,321
- mandatory reserves	16.8	4,364,607	4,425,263
Trade and other receivables	16.9	2,226,995	2,223,332
Income tax receivable		5,732	73,512
Prepayments and accrued income		21,103	28,306
Current financial assets	16.10	212,584	82,730
Cash and cash equivalents		150,412	3,598
Total current assets		8,161,645	8,048,799
Assets held for sale		-	25,943
Total assets		16,340,386	16,449,524
EQUITY AND LIABILITIES			
Equity			
Share capital		129,873	129,873
Statutory reserve funds		1,311,348	1,311,348
Cash flow hedging reserve		(385,058)	(419,281)
Retained earnings		5,182,406	4,811,502
Total equity		6,238,569	5,833,442
Non-current liabilities			
Interest-bearing borrowings	16.11	4,632,815	4,786,893
Long-term provisions	16.12	40,891	41,036
Deferred tax liabilities	16.5	53,453	23,182
Other financial liabilities	16.13	80,846	127,364
Total non-current liabilities		4,808,005	4,978,475
Current liabilities			
Trade payables, accruals and deferred income, and other liabilities	16.14	3,533,697	3,817,503
Interest-bearing borrowings	16.11	1,613,966	1,682,149
Short-term provisions	16.12	7,775	8,521
Other financial liabilities	16.13	138,374	129,434
Total current liabilities		5,293,812	5,637,607
Total liabilities		10,101,817	10,616,082
Total equity and liabilities		16,340,386	16,449,524

The Notes to the interim condensed financial statements for the six months ended June 30th 2012, presented on pages 7 to 45, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2012

(PLN '000)	Note	6 months ended Jun 30 2012 <u>(unaudited)</u>	6 months ended Jun 30 2011 <u>(unaudited)</u>
Cash flows from operating activities			
Net profit		370,904	793,094
Adjustments:			
Depreciation and amortisation expense	16.15	209,437	162,722
Foreign exchange (gains)/losses		(21,715)	(148,724)
Interest and dividends		(222,231)	(204,888)
(Gain)/loss from investing activities		(51,702)	1,024
Current income tax	16.4	20,180	128,443
Income tax paid		(5,230)	(85,561)
Decrease/(Increase) in receivables	16.15	10,588	(358,713)
Decrease/(Increase) in inventories		92,502	(766,388)
(Decrease)/ increase in liabilities and accruals and deferred income	16.15	(352,639)	247,293
(Decrease)/Increase in provisions	16.15	(891)	208
Decrease in prepayments and accrued income	16.15	7,098	813
Settlement and valuation of financial instruments		14,957	(49,022)
Other adjustments	16.15	713	(49,928)
Net cash from operating activities		71,971	(329,627)
Cash flows from investing activities			
Sale of non-current financial assets		78,000	-
Sale of property, plant and equipment and intangible assets		23	93
Dividends received		273,077	83,575
Interest received		2,886	1,100
Repayment of loans advanced	16.16	650	-
Loans advanced	16.16	(62,720)	(722)
Purchase of non-current financial assets	16.15	(3)	(9,555)
Other cash outflows on financial assets	16.15	(33,056)	(17,786)
Purchase of property, plant and equipment and intangible assets	16.15	(42,263)	(118,621)
Prepayments for tangible assets under construction		(5,953)	-
Other cash from investing activities		1	-
Net cash from investing activities		210,642	(61,916)
Cash flows from financing activities			
Increase in borrowings and other debt instruments		170,882	331,579
Repayment of borrowings and other debt instruments		(267,603)	(83,579)
Interest paid		(65,319)	(28,654)
Settlement of financial instruments		(38,498)	(96,959)
Decrease in finance lease liabilities		-	(65)
Net cash from financing activities		(200,538)	122,322
Effect of exchange rate fluctuations on cash held		(215)	(6,084)
Change in net cash	16.15	81,860	(275,305)
Cash at beginning of period	16.15	(165,987)	(187,066)
Cash at end of period	16.15	(84,127)	(462,371)
- restricted cash	16.15	726	8,058

The Notes to the interim condensed financial statements for the six months ended June 30th 2012, presented on pages 7 to 45, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended June 30th 2012

(PLN '000)	Share capital	Statutory reserve funds	Cash flow hedging reserve	Retained earnings	Total equity
Jan 1 2012 (audited)	129,873	1,311,348	(419,281)	4,811,502	5,833,442
Net profit for the six months ended June 30th 2012	-	-	-	370,904	370,904
Other comprehensive income, net, for the 6 months ended Jun 30 2012	-	-	34,223	-	34,223
Jun 30 2012 (unaudited)	129,873	1,311,348	(385,058)	5,182,406	6,238,569
Jan 1 2011 (audited)	129,873	1,311,348	-	4,503,832	5,945,053
Net profit for the six months ended June 30th 2011	-	-	-	793,094	793,094
Other comprehensive income, net, for the 6 months ended Jun 30 2011	-	-	201,580	-	201,580
Jun 30 2011 (unaudited)	129,873	1,311,348	201,580	5,296,926	6,939,727

The Notes to the interim condensed financial statements for the six months ended June 30th 2012, presented on pages 7 to 45, are an integral part of the statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2012

1. General information

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

These interim condensed financial statements for the six months ended June 30th 2012 were approved for publication by the Management Board on August 20th 2012.

Grupa LOTOS S.A. is the Parent of the LOTOS Group ("the Group") and a major investor in subordinates and their related parties, controlled by the Company. Accordingly, Grupa LOTOS S.A. prepared interim condensed consolidated financial statements of its Group, which include these entities' financial data for the six months ended June 30th 2012, and which were approved for publication by the Management Board on August 20th 2012.

2. Changes in the composition of the Management and Supervisory Boards

As at January 1st 2012, the composition of Grupa LOTOS S.A. Management Board 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 Sokółowski – Vice-President of the Management Board, Chief Operation Officer,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

On June 21st 2012, the Supervisory Board of Grupa LOTOS S.A. resolved to appoint the following persons to the Management Board of the eighth joint term of office, with effect as of June 28th 2012:

Paweł Olechnowicz as President of the Management Board,
Mariusz Machajewski as Vice-President of the Management Board, Chief Financial Officer,
Zbigniew Paszkowicz as Vice-President of the Management Board, Chief Exploration & Production Officer,
Marek Sokółowski as Vice-President of the Management Board, Chief Operation Officer,
Maciej Szozda as Vice-President of the Management Board, Chief Commercial Officer.

As at the date of approval of these interim condensed financial statements, the composition of the Management Board of Grupa LOTOS S.A. of the eighth term of office was as follows:

Paweł Olechnowicz – President of the Management Board, Chief Executive Officer,
Mariusz Machajewski – Vice-President of the Management Board, Chief Financial Officer,
Zbigniew Paszkowicz – Vice-President of the Management Board, Chief Exploration & Production Officer,
Marek Sokółowski – Vice-President of the Management Board, Chief Operation Officer,
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at January 1st 2012, the composition of Grupa LOTOS S.A. Supervisory Board of the eighth term of office 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.

On January 27th 2012 Mr Rafał Wardziński, Deputy Chairman of the Supervisory Board of Grupa LOTOS S.A., submitted his resignation as member of the Supervisory Board of Grupa LOTOS S.A.

On February 29th 2012, the Extraordinary General Meeting of Grupa LOTOS S.A. resolved to change the composition of the Company's Supervisory Board and appointed Ms Agnieszka Trzaskalska and Mr Marcin Majeranowski as Members of the Supervisory Board, and removed from office Mr Leszek Starosta.

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

Wiesław Skwarko – Chairman of the Supervisory Board,
Marcin Majeranowski – 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,
Agnieszka Trzaskalska – Member of the Supervisory Board.

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

3. Basis of preparation and 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 the Company. These financial statements present the Company's financial position as at June 30th 2012 and December 31st 2011, as well as its operating results and cash flows for the three and six months ended June 30th 2012 and June 30th 2011.

The International Financial Reporting Standards ("IFRS") 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 on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements no circumstances have been identified that might pose a threat to the Company's continuing as a going concern.

These interim condensed financial statements should be read in conjunction with the audited 2011 financial statements of Grupa LOTOS S.A. prepared in accordance with IFRS and published on April 20th 2012.

The financial information as at June 30th 2012 and for the six months ended on that date, as well as the comparative financial data for the six months ended June 30th 2011, contained in these interim condensed financial statements, have been reviewed by an auditor. The financial information for the three months ended June 30th 2012 and the comparative financial data for the three months ended June 30th 2011, contained in these interim condensed financial statements, have not been reviewed by an auditor. The financial information as at December 31st 2011 has been audited by a qualified auditor, who issued an opinion on the financial statements on April 17th 2012.

The functional and the 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 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 2011 (see Note 10 to the financial statements for 2011, prepared in accordance with the IFRS).

The following new standards, amendments to the existing standards and interpretations which have been adopted by the European Union are effective in periods beginning after January 1st 2012:

- Amendments to IFRS 7 Financial Instruments: Disclosures: Transfers of Financial Assets (effective for annual periods beginning on or after July 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.

3.2 Exchange rates

The following exchange rates were applied for the purposes of the balance-sheet valuation:

	Mid-exchange rate quoted by the NBP for:	
	Jun 30 2012	Dec 31 2011
USD	3.3885	3.4174
EUR	4.2613	4.4168

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

3.3 Change of information presented in previous reporting periods, change in accounting policies and correction of errors

1. In the statement of comprehensive income for the year ended December 31st 2011, the Company reclassified some of cost items previously disclosed under administrative expenses (perpetual usufruct charges, property insurance, licence charges) to distribution costs and cost of sales. As a result of this change, for the six months ended June 30th 2011 administrative expenses fell PLN 20.179 thousand (PLN 9.674 thousand for the three months ended June 30th 2011), while distribution costs rose by PLN 662 thousand (PLN 284 thousand for the three months ended June 30th 2011), and cost of sales went up by PLN 19.517 thousand (PLN 9.390 thousand for the three months ended June 30th 2011). This change also affected the comparative data presented in Note 16.1 Expenses by nature.
2. As of January 1st 2012, the Company changed the rules for the presentation of costs related to crude purchases, by reclassifying costs which had earlier been disclosed as services into raw material and consumables used. This presentation change had no effect on the comparative data presented in this statement of comprehensive income. However, this change affected the comparative data presented in Note 16.1 Expenses by nature. Consequently, for the three and six months ended June 30th 2011, services fell PLN 23.300 thousand and PLN 46.025 thousand, respectively, and raw material and consumables used increased by PLN 23.300 thousand and PLN 46.025 thousand, respectively.
3. In the statement of cash flows for the year ended December 31st 2011, the Company changed the policy of presentation of sale and purchase of property, plant and equipment and intangible assets, which had previously been presented on a net basis in cash flows from investing activities under "Sale/(Purchase) of tangible and intangible assets". As a result of this change, in cash flows from investing activities for the six months ended June 30th 2011 sale of property, plant and equipment and intangible assets was presented as "Sale of property, plant and equipment and intangible assets" totalling PLN 93 thousand, while purchase of property, plant and equipment and intangible assets was presented as "Purchase of property, plant and equipment and intangible assets" totalling PLN (118.621) thousand. The change did not affect the comparative data presented in the interim condensed statement of cash flows under "Net cash from investing activities".

4. New standards and interpretations

New standards, amendments to the existing standards and interpretations which have been adopted by the European Union:

- Amendment to IAS 19 Employee Benefits (effective for periods beginning on or after January 1st 2013),
- Amendment 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 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: Classification and Measurement (effective for periods beginning on or after January 1st 2015),
- 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),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for periods beginning on or after January 1st 2013),
- Amendments to IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2013),

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

- Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards: Government Loans (effective for annual periods beginning on or after January 1st 2013),
- Amendments introduced as part of the Improvements to IFRSs (published in May 2012) (effective for annual periods beginning on January 1st 2013),
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance (effective for annual periods beginning on or after January 1st 2013).

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 interim condensed financial statements, the first phase of IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after January 1st 2015), had not been endorsed by the European Union. During the next phases, the International Accounting Standards Board will focus on hedge accounting and impairment. 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. Brief description of significant achievements or failures in the interim period

Except for those described in these interim condensed financial statements, there were no other achievements or failures.

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 2012, the effect of the gain on remeasurement of borrowings and other debt instruments denominated in foreign currencies, recognised in the statement of comprehensive income, amounted to PLN 71,886 thousand and has been presented in finance income (PLN 29,635 thousand) and in other comprehensive income, net (PLN 42,251 thousand).

In the period January 1st – June 30th 2012, foreign exchange gains recognised in the cash flow hedging reserve amounted to PLN 42,251 thousand and related exclusively to the gain on valuation of borrowings denominated in foreign currencies, used as hedging instruments, before the PLN 8,028 thousand adjustment for a tax effect.

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 estimates reported in prior interim periods of the current financial year or prior financial years.

9. Issue, redemption or repayment of debt or equity securities

No debt or equity securities were issued, redeemed or repaid in the period January 1st – June 30th 2012.

10. Dividends

On June 28th 2012, the General Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the Company's net profit for the year ended December 31st 2011. The General Meeting resolved not to distribute the Company's net profit for the year ended December 31st 2011, totalling PLN 307,670 thousand, to the Company shareholders, and to allocate the profit as follows:

- PLN 306,170 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. Further, the allocation of profit to the Special Account was recognised as an expense in the six months ended June 30th 2012 and presented under short-term provisions (see Note 16.12 to these interim condensed financial statements).

11. Net earnings/(loss) per share

	3 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2012 (unaudited)	3 months ended Jun 30 2011 (unaudited)	6 months ended Jun 30 2011 (unaudited)
Net profit/(loss) (A)	(178,281)	370,904	345,508	793,094
Weighted average number of shares (in thousands) (B)	129,873	129,873	129,873	129,873
Net earnings/(loss) per share (PLN) (A/B)	(1.37)	2.86	2.66	6.11

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

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

During the six months ended June 30th 2012 and six months ended June 30th 2011, the Company did not discontinue any activities.

12. Business segments

As operating segments are identified at the Group level, the financial results of business segments for the six months ended June 30th 2012 were presented in Note 13 to the interim condensed consolidated financial statements for the six months ended June 30th 2012. Grupa LOTOS S.A. is presented as a part of 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

There were no material events that occurred after the end of the interim period but would not be reflected in these interim condensed financial statements.

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 2011 (see Note 19 to the financial statements for 2011, prepared in accordance with the IFRS), the Group's structure was subject to the changes listed below.

Acquisition of Series A shares in LOTOS Petrobaltic S.A. and increase of the share capital of LOTOS Petrobaltic S.A.

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

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

the shares through donation directly from such persons. The offer was valid until January 30th 2011. The purchase price was PLN 126 per share. The voluntary share purchase process was completed at the end of March 2012.

With respect to the remaining shares held by non-controlling shareholders, excluding the shares held by the State Treasury, on May 8th 2012 the Extraordinary General Meeting of LOTOS Petrobaltic S.A. adopted a resolution regarding a minority squeeze-out by a majority shareholder, that is Grupa LOTOS S.A.

In the period from January 1st to March 31st 2012, as part of the voluntary share purchase process, Grupa LOTOS S.A. acquired 26 shares in LOTOS Petrobaltic S.A. with an aggregate value of PLN 3 thousand, representing 0.0003% of the company's share capital.

On February 2nd 2012, the increase in the share capital of LOTOS Petrobaltic S.A. was registered. In exercise of its pre-emptive rights, on December 15th 2011 Grupa LOTOS S.A. subscribed for new Series C shares. The share capital of LOTOS Petrobaltic S.A. was increased by PLN 2,800 thousand, i.e. from PLN 96,600 thousand to PLN 99,400 thousand, through the issue of 280,000 registered Series C shares with a par value of PLN 10 per share. Grupa LOTOS S.A. was allocated 279,996 shares.

As a result of the executed transactions, consisting in the purchase of shares in LOTOS Petrobaltic S.A. from non-controlling shareholders and the increase in the share capital of LOTOS Petrobaltic S.A., as at June 30th 2012 Grupa LOTOS S.A. held a 99.95% interest in LOTOS Petrobaltic S.A., including 9,934,851 shares conferring the right to vote at the company's General Meeting.

Sale of shares in LOTOS Parafiny Sp. z o.o. to a third party

On January 10th 2012, 100% of shares in LOTOS Parafiny Sp. z o.o. were sold to a third party, namely to Krokus Chem Sp. z o.o., in which Fundusz Nova Polonia Natexis LPiI and the management staff of LOTOS Parafiny Sp. z o.o. hold interests. On November 30th 2011, Grupa LOTOS S.A. and Krokus Chem Sp. z o.o. signed a preliminary agreement to sell 100% of shares in LOTOS Parafiny Sp. z o.o.

As an additional element of the transaction, on November 29th 2011 the parties executed a seven-year agreement for supply of slack waxes by Grupa LOTOS S.A. to LOTOS Parafiny Sp. z o.o. The agreement was concluded for a period from January 1st 2012 to December 31st 2018 and its estimated net value is PLN 780m. The maximum net value of contractual penalties is estimated at PLN 98m. The agreement does not contain any provisions which would prevent the parties from seeking additional compensation above the contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.

The net proceeds from the sale of shares in LOTOS Parafiny Sp. z o.o. of PLN 52,057 thousand are presented in the statement of comprehensive income for the six months ended June 30th 2012 under "Gain on disposal of investments". In the statement of cash flows for the six months ended June 30th 2012, cash proceeds from the sale of shares in LOTOS Parafiny Sp. z o.o. of PLN 78,000 thousand are presented under "Sale of non-current financial assets".

Increase of share capital of AB LOTOS Geonafta and retirement of treasury shares

On May 14th 2012, an increase in the share capital of AB LOTOS Geonafta, from LTL 168,526 to LTL 505,578, through an increase in the par value of the shares from LTL 1 to LTL 3, was registered with the Lithuanian Register of Enterprises. The share capital increase was financed using the Company's own funds and had no effect on the shareholder structure of AB LOTOS Geonafta (LOTOS Petrobaltic S.A. – 43.1980822%, Grupa LOTOS – 0.0005934%, own shares held by AB LOTOS Geonafta – 56.8013244%). The respective interests conferring the right to vote at the General Meeting of AB LOTOS Geonafta were as follows: LOTOS Petrobaltic S.A. – 99.99862%, Grupa LOTOS S.A. – 0.00137%.

On June 1st 2012, the General Meeting of AB LOTOS Geonafta resolved to reduce the company's share capital by LTL 287 thousand, through a buyback of 95,725 own shares with a par value of LTL 3 per share. Once the share capital reduction through is registered, the ownership structure of AB LOTOS Geonafta will be as follows: LOTOS Petrobaltic S.A. – 99.99862%, Grupa LOTOS S.A. – 0.00137%.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

15. Changes in contingent liabilities, contingent assets, guarantees and other security instruments since the previous balance-sheet date

15.1 Promissory notes, bank guarantees or other types of security instruments

Bank guarantees and other forms of security issued at the Company's request

Jun 30 2012 (PLN '000)	Value of security in foreign currency	Currency of security	Value of security in PLN ⁽¹⁾	Security expiry date	Bank or other institution issuing the security instrument	Type of security / information on debtor
Beneficiary						
Security instruments issued upon the instructions of Grupa LOTOS S.A.						
Port Lotniczy Rzeszów–Jasionka Sp. z o.o.	4,116	PLN	4,116	Dec 31 2012 ⁽²⁾	PKO BP S.A.	Bank guarantee
Saudi Arabian Oil Company ⁽³⁾	55,000	USD	186,368	Jul 24 2012	Pekao S.A.	Stand-by letter of credit
Port Lotniczy Wrocław	5,547	PLN	5,547	Jan 30 2013	ING Bank Śląski S.A.	Bank guarantee
Other (each with a unit value of less than PLN 1,000 thousand)	2,670	PLN	2,670	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	161	EUR	686	-	-	Bank guarantees
Total			199,387			

⁽¹⁾The values of security instruments denominated in foreign currencies have been translated at the respective mid-exchange rates quoted by the National Bank of Poland for June 30th 2012.

⁽²⁾ The original validity term (December 31st 2011) has been extended under a relevant annex until December 31st 2012.

⁽³⁾ Security for payment for purchase of crude oil; expired upon the lapse of its validity term

Dec 31 2011 (PLN '000)	Value of security in foreign currency	Currency of security	Value of security in PLN ⁽¹⁾	Security expiry date	Bank or other institution issuing the security instrument	Type of security / information on debtor
Beneficiary						
Security instruments issued upon the instructions of Grupa LOTOS S.A.						
Port Lotniczy Rzeszów–Jasionka Sp. z o.o.	4,116	PLN	4,116	Dec 31 2012 ⁽²⁾	PKO BP S.A.	Bank guarantee
UOP CH SARL	700	USD	2,392	Jan 15 2012 ⁽³⁾	Deutsche Bank	Bank guarantee
Port Lotniczy Wrocław	5,547	PLN	5,547	Jan 30 2013	ING Bank Śląski S.A.	Bank guarantee
Other (each with a unit value of less than PLN 1,000 thousand)	2,210	PLN	2,210	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	134	EUR	591	-	-	Bank guarantees
Other (each with a unit value of less than PLN 1,000 thousand)	36	USD	123	-	-	Bank guarantees
Total			14,979			

(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 2012

⁽¹⁾ The values of security instruments denominated in foreign currencies have been translated at the respective mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

⁽²⁾ The original validity term (December 31st 2011) has been extended under a relevant annex until December 31st 2012.

⁽³⁾ Security expired upon the lapse of its validity term.

Promissory notes

Jun 30 2012 (PLN '000)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount in PLN ⁽¹⁾	Expiry date of promissory note(s)	Type
Promissory notes issued by Grupa LOTOS S.A.					
Head of the Customs Office in Gdańsk	240,000	PLN	240,000	Aug 19 2012 ⁽²⁾	Contingent liability in the form of lump sum security for a tax liability of PLN 800,000 thousand
PKO BP S.A.	300,000	PLN	300,000	Nov 25 2016 ⁽³⁾	Security for a bank borrowing
Total			540,000		

⁽¹⁾ The values of security instruments denominated in foreign currencies have been translated at the respective mid-exchange rates quoted by the National Bank of Poland for June 30th 2012.

⁽²⁾ The validity term of the previous security for excise duty was August 19th 2011.

⁽³⁾ Under a relevant annex, effective of November 25th 2011, the credit facility term end date was postponed to November 25th 2016 and the facility amount was changed from PLN 200,000 thousand to PLN 300,000 thousand.

Dec 31 2011 (PLN '000)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount in PLN ⁽¹⁾	Expiry date of promissory note(s)	Type
Promissory notes issued by Grupa LOTOS S.A.					
Head of the Customs Office in Gdańsk	240.000	PLN	240,000	Aug 19 2012 ⁽²⁾	Contingent liability in the form of lump sum security for a tax liability of PLN 800,000 thousand
PKO BP S.A.	300.000	PLN	300,000	Nov 25 2016 ⁽³⁾	Security for a bank borrowing
Total			540,000		

⁽¹⁾ The values of security instruments denominated in foreign currencies have been translated at the respective mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

⁽²⁾ The previous validity term of the security for excise duty was August 19th 2011.

⁽³⁾ Under a relevant annex, effective of November 25th 2011, the credit facility term end date was postponed to November 25th 2016 and the facility amount was changed from PLN 200,000 thousand to PLN 300,000 thousand.

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

Commitments under purchase agreements related to property, plant and equipment

As at December 31st 2012, the Company did not have any commitments under material agreements related to expenditure on property, plant and equipment.

15.2 Material court, arbitration or administrative proceedings and other risks of 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 2011 (see Note 32.4 to the 2011 financial statements prepared in accordance with the IFRS):

1. 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 a 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 a 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, Grupa LOTOS S.A. 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 process letter was received from PETROECCO JV Sp. z o.o. which upheld the previous position on the above matter. On March 14th 2012, an opinion favourable to Grupa LOTOS S.A. was received

(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 2012

from the Oil and Gas Institute of Kraków. Grupa LOTOS S.A. presented its position on the matter on March 28th 2012. According to the opinion, the plaintiff did not have the capacity to manufacture the declared amount of product, therefore the claim could not have arisen. Moreover, the experts stated that the plaintiff could use substitute oils in the production process, hence Grupa LOTOS S.A.'s failure to supply oils did not affect the plaintiff's production capacity. On March 22nd 2012, a process letter was received from PETROECCO JV Sp. z o.o., stating objections to the opinion. A process letter and a copy of the complaint against the Regional Court's decision on the cost of the expert's opinion were received from PETROECCO JV Sp. z o.o. on June 14th 2012 and June 18th 2012, respectively. On June 25th 2012, Grupa LOTOS S.A. sent a response to the complaint. As at the date of approval of these interim condensed 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.

2. 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. On November 23rd 2011, the Court refused the Minister of State Treasury's appeal. On March 6th 2012, the State Treasury's cassation complaint was received, to which Polska Żegluga Morska replied on March 20th 2012. As at the date of approval of these interim condensed financial statements the case was pending.

The Company's Management Board is of the opinion that the risk of an unfavourable ruling in a potential dispute is low, therefore no provisions for potential damages were created in these interim condensed financial statements.

15.2.1 Material settlements under court proceedings

In the period January 1st – June 30th 2012, the Company was not a party to material settlements under court proceedings.

(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 2012

16. Other information on selected items of the statement of comprehensive income and the statement of financial position

16.1 Expenses by nature

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2012	Jun 30 2012	Jun 30 2011 (restated)	Jun 30 2011 (restated)
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortisation expense	16.15	104,367	209,437	92,372	162,722
Raw material and consumables used		7,215,414	14,045,434	5,765,714	11,272,086
Services		207,345	391,580	186,973	371,739
Taxes and charges		24,508	56,522	19,788	47,172
Salaries and wages		36,543	73,123	35,230	70,121
Employee benefits expense		9,536	23,631	7,337	20,157
Other expenses		13,786	27,234	13,017	26,456
Merchandise and materials sold		354,685	541,662	127,428	407,289
Total		7,966,184	15,368,623	6,247,859	12,377,742
Change in products and adjustments to cost of sales		51,321	(141,900)	(79,922)	(349,947)
Total operating expenses:		8,017,505	15,226,723	6,167,937	12,027,795
Cost of sales		7,813,640	14,823,187	5,986,988	11,660,007
Distribution costs		148,148	290,839	127,811	260,632
Administrative expenses		55,717	112,697	53,138	107,156

16.2 Finance income

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2012	Jun 30 2012	Jun 30 2011	Jun 30 2011
		(unaudited)	(unaudited)	(unaudited)
Dividend received	287,461	287,461	233,168	240,479
- from related entities	286,761	286,761	232,658	239,969
- from other entities	700	700	510	510
Interest	2,662	4,634	1,553	2,466
Foreign exchange gains	-	19,955	66,447	184,896
- on foreign-currency denominated credit facilities	-	24,564	55,254	159,720
- on foreign-currency denominated loans	-	5,071	(1,683)	(4,508)
- realised foreign exchange differences on foreign-currency transactions in bank accounts	-	(7,532)	15,996	36,268
- other foreign exchange differences	-	(2,148)	(3,120)	(6,584)
Revaluation of financial assets:	-	-	-	48,300
- valuation of derivative financial instruments	-	-	-	145,981
- settlement of derivative financial instruments	-	-	-	(96,959)
- other	-	-	-	(722)
Other	2	2	-	-
Total	290,125	312,052	301,168	476,141

(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 2012

16.3 Finance costs

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2012	Jun 30 2012	Jun 30 2011	Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest	38,458	77,442	29,121	60,941
Foreign exchange losses	205,392	-	-	-
- on foreign-currency denominated credit facilities	205,209	-	-	-
- on foreign-currency denominated loans	(5,410)	-	-	-
- realised foreign exchange differences on foreign-currency transactions in bank accounts	26,107	-	-	-
- other foreign exchange differences	(20,514)	-	-	-
Revaluation of financial assets:	141,359	14,957	37,575	-
- valuation of derivative financial instruments	129,610	(23,541)	12,890	-
- settlement of derivative financial instruments	11,749	38,498	24,562	-
- other	-	-	123	-
Bank fees	3,212	6,056	3,153	6,249
Other	2,425	2,438	848	867
Amounts capitalised as part of the cost of qualifying assets	(402)	(877)	(2,248)	(21,494)
Total	390,444	100,016	68,449	46,563

16.4 Corporate income tax

Main components of tax expense for the three and six months ended June 30th 2012 and June 30th 2011 include:

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2012	Jun 30 2012	Jun 30 2011	Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Corporate income tax	(19,445)	(2,063)	470	18,725
Deferred tax	(91,055)	22,243	26,624	109,718
Total tax charged to profit	(110,500)	20,180	27,094	128,443

Tax expense recognised in other net comprehensive income	(56,920)	8,028	15,850	47,284
--	----------	-------	--------	--------

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

The change in deferred tax asset and liability disclosed in the statement of comprehensive income for the six months ended June 30th 2012 and for the six months ended June 30th 2011 was caused by the recognition of a tax asset and provisions for the difference between the carrying amount and the tax value of property, plant and equipment.

From January 1st 2011, Grupa LOTOS S.A. has used the accounting method to measure foreign exchange differences for the purpose of corporate income tax settlements and has been depreciating new items of property, plant and equipment with the accelerated method. In 2010, the Company used 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.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.5 Deferred income tax

As at June 30th 2012 and December 31st 2011, the net deferred tax assets (liabilities) comprised the following items:

PLN '000	Note	Statement of financial position		Statement of comprehensive income for the six months ended
		Jun 30 2012 (unaudited)	Dec 31 2011 (audited)	Jun 30 2012 (unaudited)
<i>Deferred tax assets</i>				
		12,176	13,627	(1,451)
		146	924	(778)
		8,834	8,834	-
		3,037	3,037	-
		34,312	35,671	(1,359)
		188,816	153,419	35,397
	16.4	90,322	98,350	(8,028)
		2,043	4,608	(2,565)
		=====	=====	=====
		339,686	318,470	21,216
		=====	=====	=====
<i>Deferred tax liabilities</i>				
		388,465	334,570	53,895
		3,504	6,088	(2,584)
		1,170	994	176
		=====	=====	=====
		393,139	341,652	51,487
		=====	=====	=====
				(30,271)
				=====
	16.4			(22,243)
	16.4			(8,028)
				=====
		(53,453)	(23,182)	
		339,686	318,470	
		(393,139)	(341,652)	
		=====	=====	

Taxable temporary differences are expected to expire in 2013–2085.

Based on the current estimates, the Company's Management Board is of the opinion that the deferred tax assets are fully recoverable.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.6 Property, plant and equipment and intangible assets

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Land	177,704	177,755
Buildings and structures	2,589,946	2,654,055
Plant and equipment	3,977,842	4,080,143
Vehicles and other	82,672	112,617
Total property, plant and equipment	6,828,164	7,024,570
Tangible assets under construction	87,905	50,618
Prepayments for tangible assets under construction	8,449	3,803
Total tangible assets under construction	96,354	54,421
Intangible assets	81,352	83,354
Total	7,005,870	7,162,345

As at June 30th 2012, financing costs capitalised in tangible assets under construction and prepayments for tangible assets under construction amounted to PLN 4,066 thousand (December 31st 2011: PLN 3,289 thousand).

Changes to property, plant and equipment and intangible assets

PLN '000	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
Gross carrying amount as at Jan 1 2012 (audited)	8,557,896	73,068	3,803	8,634,767	144,205	8,778,972
Increase, including:	9,695	37,287	4,646	51,628	2,026	53,654
- purchase	813	45,600	5,953	52,366	97	52,463
- transfer from investments	8,569	(10,496)	-	(1,927)	1,927	-
Decrease	(1,941)	-	-	(1,941)	-	(1,941)
Gross carrying amount as at Jun 30 2012 (unaudited)	8,565,650	110,355	8,449	8,684,454	146,231	8,830,685
Gross carrying amount as at Jan 1 2011 (audited)	5,598,331	3,037,852	6,158	8,642,341	102,027	8,744,368
Increase, including:	2,940,659	(2,898,500)	(3,902)	38,257	36,481	74,738
- purchase	2,043	51,157	-	53,200	92	53,292
- transfer from investments	2,938,616	(2,975,005)	-	(36,389)	36,389	-
Decrease	(5,426)	(69,244) ⁽¹⁾	-	(74,670)	(4)	(74,674)
Gross carrying amount as at Jun 30 2011 (unaudited)	8,533,564	70,108	2,256	8,605,928	138,504	8,744,432
Accumulated depreciation as at Jan 1 2012 (audited)	1,533,326	-	-	1,533,326	60,851	1,594,177
Increase, including:	205,720	-	-	205,720	4,028	209,748
- amortisation/depreciation	205,410	-	-	205,410	4,028	209,438
Decrease	(1,560)	-	-	(1,560)	-	(1,560)
Accumulated depreciation as at Jun 30 2012 (unaudited)	1,737,486	-	-	1,737,486	64,879	1,802,365

(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 2012

PLN '000	Tangible assets	Tangible assets under construction	Prepayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
Accumulated depreciation as at Jan 1 2011 (audited)	1,174,650	-	-	1,174,650	53,372	1,228,022
Increase, including:	159,394	-	-	159,394	3,387	162,781
- amortisation/depreciation	159,394	-	-	159,394	3,387	162,781
Decrease	(5,397)	-	-	(5,397)	(4)	(5,401)
Accumulated depreciation as at Jun 30 2011 (unaudited)	1,328,647	-	-	1,328,647	56,755	1,385,402
Impairment losses as at Jan 1 2012 (audited)	-	22,450	-	22,450	-	22,450
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Impairment losses as at Jun 30 2012 (unaudited)	-	22,450	-	22,450	-	22,450
Impairment losses Jan 1 2011(audited)	-	71,976	-	71,976	-	71,976
Increase	-	361	-	361	-	361
Decrease	-	(69,239) ⁽¹⁾	-	(69,239)	-	(69,239)
Impairment losses as at Jun 30 2011 (unaudited)	-	3,098	-	3,098	-	3,098
Net carrying amount Jun 30 2012 (unaudited)	6,828,164	87,905	8,449	6,924,518	81,352	7,005,870
Net carrying amount Jan 1 2012 (audited)	7,024,570	50,618	3,803	7,078,991	83,354	7,162,345
Net carrying amount Jun 30 2011 (unaudited)	7,204,917	67,010	2,256	7,274,183	81,749	7,355,932

⁽¹⁾ In the six months ended June 30th 2011, by recognising an impairment loss of PLN 69,244 thousand, the Company reduced the value of tangible assets under construction to PLN 69,239 thousand, due to discontinued investments (design documentation).

Capitalised costs of servicing the liabilities incurred to finance tangible assets under construction and prepayments for tangible assets under construction in the six months ended June 30th 2012 amounted to PLN 877 thousand (six months ended June 30th 2011: PLN 21,494 thousand).

(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 2012

16.7 Non-current financial assets

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Shares in subsidiaries	904,687	850,704
Additional contributions to equity	237,700	237,700
Receivables under shares	-	53,980 ⁽¹⁾
Shares in other entities	6,312	6,312
Deposits	-	38,106 ⁽²⁾
Security deposits (margins) ⁽³⁾	19,072	9,637
Positive valuation of derivative financial instruments:	1,277	12,098
- interest rate swap (IRS)	-	12,098
- futures (CO ₂ emissions)	1,277	-
	=====	=====
Total	1,169,048	1,208,537
	=====	=====

⁽¹⁾ Receivables from acquisition of Series C shares in LOTOS Petrobaltic S.A. as at June 30th 2012 are disclosed under "Shares in subsidiaries". In exercise of its pre-emptive rights, on December 15th 2011 Grupa LOTOS S.A. subscribed for new Series C shares in LOTOS Petrobaltic S.A. and was allotted 279,996 shares. On February 2nd 2012, an increase in the share capital of LOTOS Petrobaltic S.A. was registered (see Note 14).

⁽²⁾ Deposits of PLN 38,106 thousand are earmarked for financing of an overhaul shutdown planned at Grupa LOTOS S.A. in 2013, as provided for in the credit agreements executed to finance the 10+ Programme, presented as at June 30th 2012 in Note 16.10 Current financial assets.

⁽³⁾ Security deposit (margin) of PLN 19,072 thousand (December 31st 2011: PLN 9,637 thousand) has been transferred to Grupa LOTOS S.A.'s account with Marex Financial, a brokerage firm, to enable execution of transactions on the ICE Futures Internet platform.

16.8 Inventories

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Finished products	1,551,031	1,406,116
Semi-finished products and work in progress	620,216	606,137
Merchandise	226,552	227,318
Materials	3,147,020	3,397,750
	=====	=====
Net inventories	5,544,819	5,637,321
	=====	=====

As at June 30th 2012, the value of inventories measured at cost was PLN 5,544,819 thousand (December 31st 2011: PLN 5,637,321 thousand).

Impairment losses on inventories

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Finished products	-	-
Semi-finished products and work in progress	-	-
Merchandise	-	-
Materials	768	4,864
	=====	=====
Total impairment losses on inventories	768	4,864
	=====	=====

(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 2012

Changes in impairment losses on inventories

PLN '000	6 months ended Jun 30 2012 <u>(unaudited)</u>	6 months ended Jun 30 2011 <u>(unaudited)</u>
At beginning of the period	4,864	5,159
Increase	768	-
Release	(4,864)	-
Use	-	(314)
	=====	=====
At end of the period	768	4,845
	=====	=====

Gross value of mandatory reserves is as follows:

PLN '000	Jun 30 2012 <u>(unaudited)</u>	Dec 31 2011 <u>(audited)</u>
Mandatory reserves	4,364,607	4,425,263
	=====	=====

16.9 Trade and other receivables

PLN '000	Note	Jun 30 2012 <u>(unaudited)</u>	Dec 31 2011 <u>(audited)</u>
Trade receivables, including:			
- from related entities	16.16	2,185,750	2,177,238
Receivables from the state budget other than corporate income tax		1,557,006	1,730,282
Other receivables ⁽²⁾		-	9,006 ⁽¹⁾
- from related entities	16.16	41,245	37,088
		15,569	-
		=====	=====
Net receivables		2,226,995	2,223,332
Impairment losses on receivables		86,375	86,480
		=====	=====
Gross receivables		2,313,370	2,309,812
		=====	=====

⁽¹⁾ Including prepaid customs liabilities of PLN 7,902 thousand related to a delivery made in 2012.

⁽²⁾ Including excise duty of PLN 25,098 thousand due to inter-warehouse transfers (December 31st 2011: PLN 33,194 thousand).

Impairment losses on receivables

PLN '000	6 months ended Jun 30 2012 <u>(unaudited)</u>	6 months ended Jun 30 2011 <u>(unaudited)</u>
At beginning of the period	86,480	85,986
Increase	150	959
Release	(187)	-
Use	(68)	(396)
	=====	=====
At end of the period	86,375	86,549
	=====	=====

(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 2012

16.10 Current financial assets

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Positive valuation of derivative financial instruments:	37,730	37,202
- commodity swaps (commodities and petroleum products)	5,931	-
- futures (CO ₂ emissions)	180	8,304
- currency forward and spot contracts	20,567	17,258
- interest rate swap (IRS)	11,052	11,640
Additional contributions to equity	4,281	4,281
Deposits ⁽¹⁾	101,734	40,497
Loans advanced to related entities ⁽²⁾	68,839	750
	=====	=====
Total	212,584	82,730
	=====	=====

⁽¹⁾ The item "Deposits" comprises:

- deposits of PLN 8,097 thousand (December 31st 2011: PLN 7,874 thousand) serving as security for payment of interest on an inventory financing facility,
- deposits of PLN 31,910 thousand (December 31st 2011: PLN 32,623 thousand) serving as security for payment of interest on a facility contracted to finance the 10+ Programme,
- deposits of PLN 61,727 thousand (December 31st 2011: PLN 38,106 thousand; see Note "Non-current financial assets") comprise funds earmarked for financing of an overhaul shutdown planned at Grupa LOTOS S.A. in 2013, as provided for in the credit agreements executed to finance the 10+ Programme.

⁽²⁾ See Note 16.16.

16.11 Interest-bearing borrowings

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Bank borrowings	6,246,781	6,469,042
	=====	=====
Total	6,246,781	6,469,042
	=====	=====
including:		
non-current	4,632,815	4,786,893
current portion	1,613,966	1,682,149

Bank borrowings as at June 30th 2012, by currency and by maturity

(unaudited)	EUR facilities	USD facilities	PLN facilities	Total
PLN '000				
Up to 1 year	1,586	1,471,236	141,144	1,613,966
From 1 to 2 years	-	331,912	-	331,912
From 2 to 3 years	-	413,598	-	413,598
From 3 to 4 years	-	430,659	-	430,659
From 4 to 5 years	-	454,441	-	454,441
Over 5 years	-	3,002,205	-	3,002,205
	=====	=====	=====	=====
Total	1,586	6,104,051	141,144	6,246,781
	=====	=====	=====	=====

The above table presents facilities by maturity.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

Bank borrowings as at December 31st 2011, by currency and maturity

(audited)	EUR facilities	USD facilities	PLN facilities	Total
PLN '000				
Up to 1 year	280	1,584,282	97,587	1,682,149
From 1 to 2 years	-	297,063	-	297,063
From 2 to 3 years	-	405,466	-	405,466
From 3 to 4 years	-	421,101	-	421,101
From 4 to 5 years	-	459,145	-	459,145
Over 5 years	-	3,204,118	-	3,204,118
	=====	=====	=====	=====
Total	280	6,371,175	97,587	6,469,042
	=====	=====	=====	=====

The above table presents facilities by maturity.

Bank borrowings

As at June 30th 2012, USD 1,481,800 thousand (in nominal terms) (i.e. PLN 5,021,079 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012) was drawn under the investment facility (bank syndicate (2) and (3)). As at December 31st 2011, the Parent had drawn under the investment facility USD 1,510,630 thousand (in nominal terms) (i.e. PLN 5,162,427 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for December 31st 2011). The working capital facility was provided to Grupa LOTOS S.A. in the form of overdraft facilities (bank syndicate (4)) which are used by the Company on an as-needed basis. By the date of these financial statements, funds drawn under the facility were used by Grupa LOTOS S.A. according to its needs.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

Borrowings and other debt instruments as at June 30th 2012 and December 31st 2011:

Bank name; form of incorporation	Registered office	Balance-sheet date	Facility amount as per agreement		Outstanding amount (current portion) ⁽¹⁾		Outstanding amount (non-current portion) ⁽¹⁾		Maturity date		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				
Jun 30 2012														
Bank Syndicate (1)	-	Dec 31 2011	-	400,000 USD	1,369,959	400,878 USD	-	-	Dec 20 2012	-	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, voluntary submission to enforcement		
		Jun 30 2012	-	400,000 USD	1,358,554	400,931 USD	-	-	Dec 20 2012	-				
Bank syndicate (2)	-	Dec 31 2011	-	1,125,000 USD	225,715	65,853 USD	3,513,826	1,025,007 USD	Oct 15 2012	Jan 1 2012	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 and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement		
		Jun 30 2012	-	1,125,000 USD	238,532	70,185 USD	3,399,621	1,000,307 USD	Apr 15 2013					
Bank syndicate (3)	-	Dec 31 2011	-	425,000 USD	91,054	26,468 USD	1,273,067	369,638 USD	15.10.2012	Jan 1 2012	fixed interest rate			
		Jun 30 2012	-	425,000 USD	95,367	27,972 USD	1,233,194	361,364 USD	Apr 15 2013					
Bank syndicate (4)	-	Dec 31 2011	200,000 USD or equivalent		94,740	-	-	-	Overdraft facility					
		Jun 30 2012			141,144	-	-	-						
		Dec 31 2011			74,565	21,819 USD	-	-						
		Jun 30 2012			91,809	27,094 USD	-	-						
		Dec 31 2011			280	64 EUR	-	-						
		Jun 30 2011			1,586	372 EUR	-	-						
Dec 31 2011														
Pekao S.A.	Warsaw	Dec 31 2011	300,000	-	2,842	-	-	-	Overdraft facility ⁽²⁾	-	1M WIBOR + bank's margin	power of attorney over bank account, submission to enforcement		
		-	-	-	-	-	-	-	-					
ING Bank Śląski S.A.	Warsaw	Dec 31 2011	100,000	-	5	-	-	-	Overdraft facility ⁽²⁾	-	1M WIBOR + bank's margin	submission to enforcement		
		-	-	-	-	-	-	-	-					
Funds in bank deposits securing payment of interest and principal instalments			Dec 31 2011		(177,011)	(51,797) USD	-	-						
			Jun 30 2012		(313,026)	(92,379) USD	-	-						
Total			Dec 31 2011		97,587	-	-	-						
			Jun 30 2012		141,144	-	-	-						
			Dec 31 2011		1,584,282	463,221 USD	4,786,893	1,394,645 USD						
			Jun 30 2012		1,471,236	433,803 USD	4,632,815	1,361,671 USD						
			Dec 31 2011		280	64 EUR	-	-						
			Jun 30 2012		1,586	372 EUR	-	-						
			Dec 31 2011		1,682,149	-	4,786,893	-						
			Jun 30 2012		1,613,966	-	4,632,815	-						

⁽¹⁾ Measured at amortised cost, including arrangement fees.

⁽²⁾ Not treated as cash equivalents.

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

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

Bank syndicate (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.

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

16.11.1 Defaults under credit facilities or loans or breaches of material covenants of credit facility or loan agreements, with respect to which no remedial action was taken by the end of the reporting period

In the period January 1st - June 30th 2012, the Company did not default on any of its credit facilities or breach any material covenants of the credit facility agreements.

16.12 Provisions

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Long-term provisions		
Length-of-service awards and retirement severance payments	40,891	41,036
Total long-term provisions	40,891	41,036
Short-term provisions		
Length-of-service awards and retirement severance payments	5,564	7,164
Other provisions	2,211	1,357
Total short-term provisions	7,775	8,521
Total	48,666	49,557

Change in provisions

PLN '000	<u>Length-of-service awards and retirement severance payments and other employee benefits</u>	<u>Other provisions</u>	<u>Total</u>
Jan 1 2011 (audited)	36,393	1,699	38,092
Increase	4,061	1,500	5,561
Release	(2,418)	-	(2,418)
Use	(1,524)	(1,411)	(2,935)
Jun 30 2011 (unaudited)	36,512	1,788	38,300
Jan 1 2012 (audited)	48,200	1,357	49,557
Increase	653	1,500 ⁽¹⁾	2,153
Release	(825)	-	(825)
Use	(1,573)	(646)	(2,219)
Jun 30 2012 (unaudited)	46,455	2,211	48,666

⁽¹⁾ Transfer to the Special Account earmarked to finance corporate social responsibility (CSR) projects (see Note 10).

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.13 Other financial liabilities

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Negative valuation of derivative financial instruments:	219,220	256,798
- commodity swaps (commodities and petroleum products)	22,323	-
- futures (CO ₂ emissions)	17,062	15,607
- currency forward and spot contracts	38,629	69,057
- interest rate swap (IRS)	141,206	172,134
	=====	=====
Total	219,220	256,798
	=====	=====
Non-current liabilities	80,846	127,364
Current liabilities	138,374	129,434

For maturity analysis of other financial liabilities as at June 30th 2012 and December 31st 2011, see Note 16.17.4.

16.14 Trade payables, accruals and deferred income, and other liabilities

PLN '000	Note	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Trade payables, including:			
- to related parties	16.16	2,650,576	2,801,979
Liabilities to the state budget other than corporate income tax		327,063	173,228
Special accounts		808,071	923,043
Salaries and wages payable		197	197
Accruals and deferrals		2,821	2,491
Deferred income, including:		22,649	21,915
- grants ⁽¹⁾		25,663	23,869
- other		25,393	23,580
Investment liabilities, including:		270	289
- to related parties	16.16	18,959	14,679
Liabilities to insurers		4,002	1,556
Other liabilities*		853	28,989
		3,908	341
		=====	=====
Total		3,533,697	3,817,503

⁽¹⁾ licences obtained free of charge.

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

For sensitivity analysis of trade and other payables with respect to market risk related to fluctuations in exchange rates as at June 30th 2012 and December 31st 2011, see Note 16.17.3.1.

For maturity analysis of other financial liabilities as at June 30th 2012 and December 31st 2011, see Note 16.17.4.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

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

PLN '000	Note	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Cash at bank		150,377	3,577
Cash in hand		35	21
Overdraft facilities	16.11	(234,539)	(169,585)
Total cash and cash equivalents		(84,127)	(165,987)

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 maturities, ranging from one day to one month, depending on the Company's current demand for cash, and bear interest at respective interest rates.

As at June 30th 2012, restricted cash was PLN 726 thousand, and included mainly funds held in an account dedicated to servicing payments related to 10+ Programme projects.

In the statement of financial position, restricted cash is disclosed under "Cash and cash equivalents".

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

Receivables	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
PLN '000		
Balance-sheet change in net non-current and current receivables	64,117	(572,650)
Change in income tax receivables	7,426	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	(75,206)	-
Change in dividends receivable	14,251	156,904
Change in receivables as disclosed in the statement of cash flows	10,588	(358,713)
Liabilities, accruals and deferred income	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
PLN '000		
Balance-sheet change in non-current and current liabilities, and accruals and deferred income	(543,645)	197,062
Change in non-current and current borrowings and other debt instruments	222,261	20,777
Adjustment for cash reserved for repayment of borrowings	(136,015)	(159,208)
Change in income tax liabilities	-	12,037
Change in investment commitments	(4,280)	65,277
Change in liabilities on acquisition of shares	-	(95)
Change in liabilities related to negative valuation of derivative financial instruments	37,578	111,379
Change in finance lease liabilities	-	64
Set-off of corporate income tax receivables against VAT liabilities	75,206	-
Other	(3,744)	-
Change in liabilities and accruals and deferred income as shown by the statement of cash flows	(352,639)	247,293

(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 2012

Provisions	6 months ended Jun 30 2012	6 months ended Jun 30 2011
PLN '000	(unaudited)	(unaudited)
Balance-sheet change in provisions	29,380	157,210
Change in deferred tax liabilities	(30,271)	(157,002)
	-----	-----
Change in provisions as shown by the statement of cash flows	(891)	208
Prepayments and accrued income	6 months ended Jun 30 2012	6 months ended Jun 30 2011
PLN '000	(unaudited)	(unaudited)
Balance-sheet change in prepayments and accrued income	7,280	995
Change in commission fees on revolving facilities, amortised over time	(182)	(182)
	-----	-----
Change in prepayments and accrued income as shown by the statement of cash flows	7,098	813
Cash	6 months ended Jun 30 2012	6 months ended Jun 30 2011
PLN '000	(unaudited)	(unaudited)
Balance-sheet change in cash	146,814	(6,706)
Change in interest-bearing overdraft facilities	(64,954)	(268,599)
	-----	-----
Change in cash as shown by the statement of cash flows	81,860	(275,305)

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 and amortisation	6 months ended Jun 30 2012	6 months ended Jun 30 2011
PLN '000	(unaudited)	(unaudited)
Depreciation/amortisation as disclosed in changes to property, plant and equipment and intangible assets	209,438	162,781
Depreciation directly related to expenditure on tangible assets under construction	(1)	(59)
	-----	-----
Depreciation/amortisation as disclosed in the statement of cash flows	209,437	162,722
Purchase of property, plant and equipment and intangible assets	6 months ended Jun 30 2012	6 months ended Jun 30 2011
PLN '000	(unaudited)	(unaudited)
Purchase of property, plant and equipment and intangible assets as disclosed in changes to property, plant and equipment and intangible assets	(46,510)	(53,292)
Change in investment commitments, including realised foreign exchange differences	4,292	(64,705)
Other	(45)	(674)
	-----	-----
Purchase of property, plant and equipment and intangible assets as disclosed in the statement of cash flows	(42,263)	(118,671)

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

Other items related to the statement of cash flows

Other adjustments	6 months ended	6 months ended
PLN '000	Jun 30 2012	Jun 30 2011
	(unaudited)	(unaudited)
Cash reserved for repayment of interest, related to future reporting periods	713	(49,928)
Total other adjustments	713	(49,928)

Purchase of non-current financial assets	6 months ended	6 months ended
PLN '000	Jun 30 2012	Jun 30 2011
	(unaudited)	(unaudited)
Acquisition of LOTOS Petrobaltic S.A. shares	(3)	(7,248)
Acquisition of LOTOS Jasło S.A. shares	-	(471)
Acquisition of LOTOS Czechowice S.A. shares	-	(1,833)
Acquisition of AB LOTOS Geonafta shares	-	(3)
Purchase of non-current financial assets	(3)	(9,555)

Other cash outflows on financial assets	6 months ended	6 months ended
PLN '000	Jun 30 2012	Jun 30 2011
	(unaudited)	(unaudited)
Cash earmarked for financing of the overhaul shutdown planned at Grupa LOTOS S.A. in 2013, as provided for in the credit agreements executed to finance the 10+ Programme.	(23,621)	(15,077)
Security deposit provided by Grupa LOTOS S.A. as a margin to Marex Financial, a brokerage firm, to enable execution of transactions on the ICE Futures Internet platform.	(9,435)	(2,709)
Other cash outflows on financial assets	(33,056)	(17,786)

16.16 Material transactions between Grupa LOTOS S.A. and related entities within the LOTOS Group

Related-party transactions are executed on market terms.

Areas of transactions with related parties

PLN '000	6 months ended	6 months ended
	Jun 30 2012	Jun 30 2011
	(unaudited)	(unaudited)
Sales to related entities (incl. excise duty and fuel charge)	10,093,864	9,120,764
Purchases from related entities (incl. excise duty and fuel charge)	853,412	671,114
Sale of property, plant and equipment and intangible assets	2	1
Purchase of property, plant and equipment and intangible assets	4,746	18,967
Other income	883	342
Other expenses	965	-
Finance income, including	287,292	240,502
- dividends	286,761	239,969
- interest	531	1,255
- revaluation of financial assets ⁽¹⁾	-	(722)

⁽¹⁾ Impairment loss on financial assets in related entities, disclosed with the minus sign under finance income

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Net receivables from related entities	1,572,575	1,730,282
Payables to related entities	331,065	174,784

From January 1st to June 30th 2012, the Company granted to its related entities loans of PLN 62,720 thousand; the nominal value of the loans was USD 20,000 thousand (six months ended June 30th 2011: PLN 722 thousand).

In the six months ended June 30th 2012, the related entities repaid PLN 650 thousand as loan principal.

From January 1st to June 30th 2012 and from January 1st to June 30th 2011, the Company did not provide any sureties for the benefit of related parties.

As at June 30th 2012 and December 31st 2011, the Company carried no sureties issued for the benefit of its related parties.

Loans advanced to related entities

1. On January 31st 2012, LOTOS Gaz S.A. w likwidacji (in liquidation) repaid another portion (PLN 650 thousand) of the PLN 2,000 thousand loan advanced to it by Grupa LOTOS S.A. on June 29th 2010. By June 30th 2012, LOTOS Gaz S.A. w likwidacji (in liquidation) repaid PLN 1,750 thousand under the loan. The outstanding loan amount is to be repaid by November 30th 2012.
2. On February 22nd 2012, Grupa LOTOS S.A. signed an agreement to grant a loan of USD 10,000 thousand (or PLN 31,635 thousand as translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for February 22nd 2012) to LOTOS Exploration and Production Norge AS. The loan was used mainly to finance the YME project. The loan principal and interest are to be repaid by January 31st 2013. In order to secure the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement), LOTOS Exploration and Production Norge AS created for the benefit of Grupa LOTOS S.A. security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration.
3. On March 16th 2012, Grupa LOTOS S.A. signed an agreement to grant a loan of USD 10,000 thousand (or PLN 31,688 thousand, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for March 16th 2012) to LOTOS Exploration and Production Norge AS. The loan was used mainly to finance the YME project. The loan principal and interest are to be repaid by January 31st 2013. In order to secure the repayment of the loan (including principal, interest and default interest, if any, as well as any other liabilities that may arise in connection with the execution and performance of the loan agreement), LOTOS Exploration and Production Norge AS created for the benefit of Grupa LOTOS S.A. security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration.
4. On June 29th 2012, annexes were signed whereby the final dates for repayment of the loans granted by Grupa LOTOS S.A. to LOTOS Gaz S.A. w likwidacji (in liquidation) were postponed. The repayment date for the PLN 247 thousand loan granted under a loan agreement of March 8th 2011, the PLN 352 thousand loan granted under a loan agreement of March 29th 2011, and the PLN 160 thousand loan granted under a loan agreement of August 5th 2011, was extended until May 31st 2013.

Entity with significant influence over the Company

As at June 30th 2012 and December 31st 2011, the State Treasury held a 53.19% interest in Grupa LOTOS S.A.

In the period from January 1st to June 30th 2012 and in the period from January 1st to June 30th 2011, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

In the period from January 1st to June 30th 2012, Grupa LOTOS S.A. also executed material transactions with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG S.A.), a company related through the State Treasury, involving purchase of natural gas for the operating activity purposes for PLN 58,357 thousand (January 1st - June 30th 2011: PLN 23,875 thousand).

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

Remuneration of the Management and the Supervisory Board members and information on loans and other similar benefits granted to members of the management and supervisory staff

PLN '000	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
Management Board		
Short-term employee benefits (salaries and wages)	515	757
Length-of-service awards	-	-
Share-based employee benefits	-	-
Supervisory Board		
Short-term employee benefits (salaries and wages)	120	168
Management Board – subsidiaries⁽¹⁾		
Short-term employee benefits (salaries and wages)	1,528	1,295
Total remuneration paid⁽²⁾	2,163	2,220

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

⁽²⁾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 2012, the Company recognised a provision for length-of-service awards and retirement severance payments for the members of the Grupa LOTOS Management Board of PLN 570 thousand.

Further, pursuant to the Act on Remunerating Persons Who Manage Certain Legal Entities, the Company also recognised a provision for maximum annual bonuses as defined in the act, to be paid to members of the Management Board of Grupa LOTOS S.A. for 2012, in the amount of PLN 124 thousand as at June 30th 2012 (2011: PLN 249 thousand, paid out in July 2012; 2010: PLN 249 thousand, paid out in June 2011, disclosed under Short-term employee benefits (salaries and wages) payable to the Management Board members for the six months ended June 30th 2011).

As at June 30th 2012 and June 30th 2011, and in the periods from January 1st to June 30th 2012 and from January 1st to June 30th 2011, 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 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
Short-term employee benefits (salaries and wages)	11,061	13,228
Total remuneration paid to key management staff (other than members of the Management and Supervisory Boards)	11,061	13,228

As at June 30th 2012, the Company recognised a provision for length-of-service awards and retirement severance payments for the members of key management staff of PLN 4,912 thousand.

The Company also recognised a provision for remuneration expected to be paid to the key management staff as annual bonus for 2012, as at June 30th 2012 amounting to PLN 2,376 thousand (for 2011: PLN 4,553 thousand, paid out in 2012 as annual bonus, disclosed under "Short-term employee benefits (salaries and wages)" in the table above, for the six months ended June 30th 2012; for 2010: PLN 4,375 thousand paid in 2011 as annual bonus, disclosed under "Short-term employee benefits (salaries and wages)" in the table above for the six months ended June 30th 2011).

As at June 30th 2012, loans and similar benefits granted by the Company to its key management staff totalled PLN 16 thousand (December 31st 2011: PLN 21 thousand).

(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 2012

In the periods January 1st – June 30th 2012 and January 1st – June 30th 2011, the Company did not grant any loans or similar benefits to its 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 six months ended June 30th 2012, the Company entered into no material agreements with members of the Management and Supervisory Boards⁽¹⁾, advanced no loans, made no advance payments, issued no guarantees to and concluded no agreements with any such persons which would provide considerable benefits to Grupa LOTOS S.A. or its subsidiaries or associates. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the six months ended June 30th 2012 Grupa LOTOS S.A. did not become aware of any transactions concluded with Grupa LOTOS S.A. or a company 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 the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

⁽¹⁾ Taking into account changes in the composition of the Management and Supervisory Boards (see Note 2).

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

Below are presented related-party transactions concluded in the six months ended June 30th 2012 and as at June 30th 2012 (based on representations made by members of the Management and Supervisory Boards)⁽¹⁾

⁽¹⁾ Taking into account changes in the composition of the Management and Supervisory Boards (see Note 2).

Type of relationship	Sale	Purchase	Receivables	Liabilities
(PLN '000)				
Supervisory staff	547	201	127	19
Management staff	-	-	-	-
TOTAL	547	201	127	19

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.17 Financial instruments

Since the end of the previous financial year, i.e. December 31st 2011 (see Note 36 to the financial statements for 2011 prepared in accordance with IFRS), the Company has not changed the method of determination of fair value of financial instruments measured at fair value and has not changed the classification of financial assets.

16.17.1 Fair value of financial instruments

Jun 30 2012 (unaudited) PLN '000	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Deposits:	-	101,734	-	-	101,734
- non-current	-	-	-	-	-
- current	-	101,734	-	-	101,734
Security deposits (margins)	-	19,072	-	-	19,072
Loans and advances:	-	68,839	-	-	68,839
- non-current	-	-	-	-	-
- current	-	68,839	-	-	68,839
Financial assets – derivative financial instruments:	39,007	-	-	-	39,007
- non-current	1,277	-	-	-	1,277
- current	37,730	-	-	-	37,730
Trade and other receivables (net of receivables from the state budget)	-	2,226,995	-	-	2,226,995
Cash and cash equivalents	-	150,412	-	-	150,412
Trade and other payables (net of public creditors)	-	-	-	(2,677,117)	(2,677,117)
Loans:	-	-	-	(6,246,781)	(6,246,781)
- non-current	-	-	-	(4,632,815)	(4,632,815)
- current	-	-	-	(1,613,966)	(1,613,966)
Financial liabilities – derivative financial instruments	-	-	(219,220)	-	(219,220)
- non-current	-	-	(80,846)	-	(80,846)
- current	-	-	(138,374)	-	(138,374)
Total	39,007	2,567,052	(219,220)	(8,923,898)	(6,537,059)

As at June 30th 2012, the Company did not carry any financial assets or liabilities measured at fair value through profit or loss whose components would be designated as measured at fair value through profit or loss on initial recognition (fair value option).

As at June 30th 2012, the Company did not carry any financial assets held to maturity.

As at June 30th 2012, the carrying amount of loans, receivables and financial liabilities measured at amortised cost did not significantly differ from their fair value (not applicable to loans and borrowings bearing interest at a fixed rate). 79% of contracted loans and borrowings bore interest at floating rates, with interest payable in a short term. The other loans and borrowings (21%) bore interest at fixed rates.

As at June 30th 2012, the Company held no financial assets whose terms would be renegotiated due to the possibility of default or impairment.

As at June 30th 2012, the Company had available-for-sale financial assets of PLN 6,312 thousand, measured in line with its accounting policy at acquisition cost adjusted for impairment losses.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

Dec 31 2011 (audited) PLN '000	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
Deposits:	-	78,603	-	-	78,603
- non-current	-	38,106	-	-	38,106
- current	-	40,497	-	-	40,497
Security deposits (margins)	-	9,637	-	-	9,637
Loans and advances:	-	750	-	-	750
- non-current	-	-	-	-	-
- current	-	750	-	-	750
Financial assets – derivative financial instruments:	49,300	-	-	-	49,300
- non-current	12,098	-	-	-	12,098
- current	37,202	-	-	-	37,202
Trade and other receivables (net of receivables from the state budget)	-	2,214,326	-	-	2,214,326
Cash and cash equivalents	-	3,598	-	-	3,598
Trade and other payables (net of public creditors)	-	-	-	(2,848,479)	(2,848,479)
Loans:	-	-	-	(6,469,042)	(6,469,042)
- non-current	-	-	-	(4,786,893)	(4,786,893)
- current	-	-	-	(1,682,149)	(1,682,149)
Financial liabilities – derivative financial instruments	-	-	(256,798)	-	(256,798)
- non-current	-	-	(127,364)	-	(127,364)
- current	-	-	(129,434)	-	(129,434)
Total	=====	=====	=====	=====	=====
	49,300	2,306,914	(256,798)	(9,317,521)	(7,218,105)
	=====	=====	=====	=====	=====

As at December 31st 2011, the Company did not carry any financial assets or liabilities measured at fair value through profit or loss whose components would be designated as measured at fair value through profit or loss on initial recognition (fair value option).

As at December 31st 2011, the Company did not carry any financial assets held to maturity.

As at December 31st 2011, the carrying amount of loans, receivables and financial liabilities measured at amortised cost did not significantly differ from their fair value (except loans and borrowings bearing interest at fixed rates). 79% of contracted loans and borrowings bore interest at floating rates, with interest payable in a short term. The other loans and borrowings (21%) bore interest at fixed rates.

As at December 31st 2011, the Company held no financial assets whose terms would have to be renegotiated due to possible default or impairment.

As at June 30th 2012, the Company had available-for-sale financial assets of PLN 6,312 thousand, measured in line with its accounting policy at acquisition cost adjusted for impairment losses.

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.17.2 Items of income, expenses, gains and losses disclosed in the statements of comprehensive income by category of financial instrument

for 6 months ended Jun 30 2012 (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)	-	4,634	-	(76,715)	(72,081)
Foreign exchange gains/(losses)	-	(4,943)	-	(62,808)	(67,751)
Reversal/(recognition) of impairment losses	-	(7)	-	-	(7)
Gains/(losses) on realisation of derivative financial instruments	(38,498)	-	-	-	(38,498)
Gains/(losses) on fair value measurement of derivative financial instruments	23,541	-	-	-	23,541
Gains/(losses) on fair value measurement of hedging instruments	-	-	-	42,251	42,251
Gains/(losses) on sale	-	-	52,057	-	52,057
	=====	=====	=====	=====	=====
Total	(14,957)	(316)	52,057	(97,272)	(60,488)
	=====	=====	=====	=====	=====

for 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	-	(41,540)	(39,074)
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	-	-	-	-	-
	=====	=====	=====	=====	=====
Total	49,022	(52,788)	-	423,513	419,747
	=====	=====	=====	=====	=====

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.17.3 Sensitivity analysis with respect to market risk related to fluctuations in FX rates, interest rates and prices of carbon dioxide (CO₂) emission allowances.

16.17.3.1 Sensitivity analysis with respect to market risk related to fluctuations in FX rates

Below is presented an analysis of the Company's sensitivity to currency risk as at June 30th 2012, 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 2012 (unaudited) PLN '000	Note	Carrying amount in 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		85,315	3,372	41	(3,372)	(41)
Loans and advances		68,739	2,750	-	(2,750)	-
Deposits		40,007	1,600	-	(1,600)	-
Security deposits (margins)	16.7	19,072	-	763	-	(763)
Financial assets – derivative financial instruments		39,007	(19,180)	379	19,180	(379)
Cash and cash equivalents		28,080	1,107	16	(1,107)	(16)
Trade and other payables		(2,109,805)	(82,323)	(2,069)	82,323	2,069
Loans		(6,105,637)	(95,444) ⁽¹⁾	(63)	95,444 ⁽¹⁾	63
Financial liabilities – derivative financial instruments	16.13	(219,220)	(36,079)	24,531	36,079	(24,531)
Total		(8,154,442)	(224,197)	23,598	224,197	(23,598)

⁽¹⁾ taking into account the effect of cash flow hedge accounting. Assuming a 4% increase or decrease in the USD/PLN exchange rate, the effect on other comprehensive income could potentially lead to a change of PLN (151,822) 151,822 thousand in the fair value of the facilities.

Below is presented an analysis of the Company's sensitivity to currency risk as at December 31st 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.

Dec 31 2011 (audited) PLN '000	Note	Carrying amount in 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		134,381	5,300	75	(5,300)	(75)
Loans and advances		-	-	-	-	-
Deposits		40,497	1,620	-	(1,620)	-
Security deposits (margins)	16.7	9,637	-	385	-	(385)
Financial assets – derivative financial instruments		49,300	(27,887)	1,805	27,887	(1,805)
Cash and cash equivalents		3,464	3	136	(3)	(136)
Trade and other payables		(2,447,878)	(96,687)	(1,228)	96,687	1,228
Loans		(6,371,455)	(102,078) ⁽¹⁾	(11)	102,078 ⁽¹⁾	11
Financial liabilities – derivative financial instruments	16.13	(256,798)	(40,272)	41,162	40,272	(41,162)
Total		(8,838,852)	(260,001)	42,324	260,001	(42,324)

⁽¹⁾ taking into account the effect of cash flow hedge accounting. Assuming a 4% increase or decrease in the USD/PLN exchange rate, the effect on other comprehensive income could potentially lead to a change of PLN (156,095) 156,095 thousand in the fair value of the facilities.

16.17.3.2 Sensitivity analysis with respect to market risk related to fluctuations in interest rates

Below is presented an analysis of the Company's sensitivity to interest rate risk as at June 30th 2012, assuming a 0.2% increase or decrease in the interest rate.

Jun 30 2012 (unaudited) PLN '000	Note	Carrying amount	Change	
			+0.2%	-0.2%
Non-bank borrowings	16.10	68,839	138	(138)
Deposits		101,734	203	(203)
Security deposits (margins)	16.7	19,072	38	(38)
Cash and cash equivalents		150,412	301	(301)
Financial assets – derivative financial instruments ⁽¹⁾	16.10	11,052	(335)	336
Loans	16.11	(6,246,781)	(9,872)	9,872
Financial liabilities – derivative financial instruments ⁽¹⁾	16.13	(141,206)	10,306	(10,434)
Total		(6,036,878)	779	(906)

⁽¹⁾ Including interest rate swap (IRS)

As at June 30th 2012, the carrying amount of financial assets and liabilities (borrowings, deposits, security deposits (margins), cash and cash equivalents, derivative financial instruments, liabilities under loans and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (6,036,878) thousand net.

A 0.2% change in interest rates could potentially lead to a change in the value of financial assets and liabilities as at June 30th 2012 of PLN 779 (PLN 906) thousand net.

Below is presented an analysis of the Company's sensitivity to interest rate risk as at December 31st 2011, assuming a 0.2% increase or decrease in the interest rate.

Dec 31 2011 (audited) PLN '000	Note	Carrying amount	Change	
			+0.2%	-0.2%
Non-bank borrowings	16.10	750	2	(2)
Deposits	16.7, 16.10	78,603	157	(157)
Security deposits (margins)	16.7	9,637	19	(19)
Cash and cash equivalents		3,598	7	(7)
Financial assets – derivative financial instruments ⁽¹⁾	16.7, 16.10	23,738	(696)	699
Loans	16.11	(6,469,042)	(10,247)	10,247
Financial liabilities – derivative financial instruments ⁽¹⁾	16.13	(172,134)	11,027	(11,151)
Total		(6,524,850)	269	(390)

⁽¹⁾ Including interest rate swap (IRS).

As at December 31st 2011, the carrying amount of financial assets and liabilities (borrowings, deposits, security deposits (margins), cash and cash equivalents, derivative financial instruments, liabilities under loans and derivative financial instruments) sensitive to interest rate risk was PLN (6,524,850) thousand net.

A 0.2% change in interest rates could potentially lead to a change in the value of financial assets and liabilities as at December 31st 2011 of PLN 269 (PLN 390) thousand net.

16.17.3.3 Sensitivity analysis with respect to market risk related to fluctuations in prices of carbon dioxide (CO₂) emission allowances

As at June 30th 2012 and December 31st 2011, the Company held futures for the purchase of carbon dioxide (CO₂) emission allowances (EUA – Emissions Unit Allowance), measured at fair value.

Below is presented an analysis of the Group's sensitivity to risk related to fluctuations in prices of carbon dioxide (CO₂) emission allowances as at June 30th 2012 and December 31st 2011, assuming a 10% increase or decrease in the prices of carbon dioxide (CO₂) emission allowances.

PLN '000	Note	Jun 30 2012 (unaudited)			Dec 31 2011 (audited)		
		Carrying amount	Change		Carrying amount	Change	
			+10%	-10%		+10%	-10%
Financial assets	16.7, 16.10	1,457	845	(845)	8,304	(1,261)	1,261
Financial liabilities	16.13	(17,062)	(1,094)	1,094	(15,607)	912	(912)
Total		(15,605)	(249)	249	(7,303)	(349)	349

GRUPA LOTOS S.A.
Notes to the interim condensed financial statements
for the six months ended June 30th 2012

16.17.4 Maturity structure of financial liabilities and derivative financial instruments

Maturity structure of financial liabilities as at June 30th 2012:

(unaudited) PLN '000	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank borrowings (other than overdraft facilities)	6,012,242	6,403,988	1,579,727	117,650	337,190	1,319,346	3,050,075
Overdraft facilities	234,539	234,539	234,539	-	-	-	-
Trade and other payables (net of public creditors)	2,677,117	2,677,117	2,677,117	-	-	-	-
Total	8,923,898	9,315,644	4,491,383	117,650	337,190	1,319,346	3,050,075

Maturity structure of financial liabilities as at December 31st 2011:

(audited) PLN '000	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Secured bank borrowings (other than overdraft facilities)	6,296,610	6,556,782	122,920	1,568,595	301,927	1,306,763	3,256,577
Overdraft facilities	172,432	172,432	172,432	-	-	-	-
Trade and other payables (net of public creditors)	2,848,479	2,848,479	2,848,479	-	-	-	-
Total	9,317,521	9,577,693	3,143,831	1,568,595	301,927	1,306,763	3,256,577

(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 2012

Maturity structure of derivative financial instruments as at June 30th 2012:

(unaudited)	Note	Carrying amount*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
PLN '000								
Commodity swap	16.10, 16.13	(16,392)	(16,392)	(16,392)	-	-	-	-
Futures (CO ₂ emissions)	16.7, 16.10, 16.13	(15,605)	(15,605)	(16,827)	-	(55)	1,277	-
Currency forward and spot contracts	16.10, 16.13	(18,062)	(18,062)	(18,062)	-	-	-	-
Interest rate swap (IRS)	16.10, 16.13	(130,154)	(130,154)	6,762	(56,125)	(19,084)	(50,981)	(10,726)
Total		(180,213)	(180,213)	(44,519)	(56,125)	(19,139)	(49,704)	(10,726)

* Carrying amount (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 2011:

(audited)	Note	Carrying amount*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
PLN '000								
Commodity swap		-	-	-	-	-	-	-
Futures (CO ₂ emissions)	16.10, 16.13	(7,303)	(7,303)	-	(7,303)	-	-	-
Currency forward and spot contracts	16.10, 16.13	(51,799)	(51,799)	(54,523)	2,724	-	-	-
Interest rate swap (IRS)	16.7, 16.10, 16.13	(148,396)	(148,396)	(40,014)	6,884	(51,537)	(43,112)	(20,617)
Total		(207,498)	(207,498)	(94,537)	2,305	(51,537)	(43,112)	(20,617)

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

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

17. Other information

1. In the twelve months to January 25th 2012, Grupa LOTOS S.A. entered into agreements with TNK Trade Ltd. whose total value reached approximately USD 213.65m, (i.e. PLN 704.84m, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for January 25th 2012) i.e. the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). On December 28th 2011, Grupa LOTOS S.A. and TNK Trade Ltd. executed an agreement for a specified period (from December 28th 2011 to January 31st 2012) providing for supply of crude oil to Grupa LOTOS S.A., which was the highest-value agreement in the series. The net value of the agreement of December 28th 2011 is estimated at approximately USD 40.35m (i.e. PLN 135.61m, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for December 28th 2011). The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
2. From January 10th 2011 to January 3rd 2012, Grupa LOTOS S.A. entered into agreements with companies of the BP Group whose total value reached approximately PLN 1,841m, i.e. the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity).
On January 3rd 2012, Grupa LOTOS S.A. and BP Europa SE (Polish Branch) executed an agreement for a specified period (from January 3rd 2012 to December 31st 2012), providing for sale of liquid fuels by Grupa LOTOS S.A. to BP Europa SE, which was the highest-value agreement of all agreements executed by and between the parties in the period. The estimated net value of the agreement of January 3rd 2012 is approximately PLN 1,300m, and the maximum net amount of contractual penalties under this agreement is around PLN 19m. 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 contract do not differ from the terms and conditions commonly applied in agreements of such type.
3. In the period from November 8th 2011 to February 29th 2012, Grupa LOTOS S.A. and Petraco Oil Company Ltd. entered into agreements whose total value approximated PLN 848m, exceeding the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement of December 29th 2011, which was made for a specified period from January 1st 2012 to January 31st 2012 and provided for supply of crude oil to Grupa LOTOS S.A. The estimated value of the agreement of December 29th 2011 was PLN 297m. The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
4. In the period from December 29th 2011 to April 2nd 2012, Grupa LOTOS S.A. and Eminent Energy Ltd entered into agreements for a total value of approximately PLN 841m, exceeding in aggregate the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement between Grupa LOTOS S.A. and Eminent Energy Ltd. of February 24th 2012, which was made for a specified period from March 1st 2012 to March 31st 2012 and provided for supply of crude oil to Grupa LOTOS S.A. Its estimated value was PLN 303m. The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
5. On April 2nd 2012, Grupa LOTOS S.A. and Mercuria Energy Trading SA entered into two agreements for a specified period (from April 2nd 2012 to April 30th 2012) providing for supply of crude oil to Grupa LOTOS S.A. The total value of the two agreements was approximately PLN 808m, exceeding in aggregate the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction in the series had an estimated value of PLN 539m. The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
6. In the period from November 9th 2011 to April 18th 2012, Grupa LOTOS S.A. entered into agreements with companies of the Statoil Group whose total value reached approximately PLN 935m, i.e. the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). On January 13th 2012, Grupa LOTOS S.A. and Statoil ASA of Stavanger executed an agreement for a specified period (from January 13th 2012 to January 31st 2012), which was the highest-value agreement in the series – it provided for sale to Grupa LOTOS S.A. of crude oil with the value of approximately PLN 357m. The agreement does not include any

(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 2012

condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.

7. On April 30th 2012, Grupa LOTOS S.A. and Mercuria Energy Trading SA entered into an agreement for a specified period (from May 1st 2012 to May 31st 2012) providing for supply of crude oil to Grupa LOTOS S.A. The value of the agreement was approximately PLN 1,060m, i.e. the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
8. In the period from May 9th 2011 to May 9th 2012, Grupa LOTOS S.A. and the Chevron Group entities entered into agreements with a total value of approximately PLN 683m, exceeding in aggregate the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement between Grupa LOTOS S.A. and Chevron Products U.K. of London of May 9th 2012, which was made for a specified period from March 1st 2012 to August 31st 2012 and provided for sales of heavy fuel oil to Chevron Products U.K. The value of the agreement of May 9th 2012 was approximately PLN 200m. The agreement does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), nor does it provide for any contractual penalties. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
9. On May 16th 2012, Grupa LOTOS S.A. and LOTOS Kolej Sp. z o.o. executed an annex to the agreement for provision of transport services and other services related to railway transport of August 10th 2009. Under the Annex, the term of the Agreement was extended until December 31st 2022. Also, the minimum annual volume of cargo Grupa LOTOS S.A. undertook to ship using LOTOS Kolej Sp. z o.o.'s transport services was increased. Other material terms and conditions of the Agreement remained unchanged. The value of the Agreement as amended by the Annex is estimated at PLN 2.751m for the entire period of the Agreement, and exceeds the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity).
10. In the period from March 1st 2012 to July 4th 2012, Grupa LOTOS S.A. and Petraco Oil Company Ltd. entered into agreements for a total value of approximately PLN 1.5bn, exceeding in aggregate the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement of May 24th 2012, which was made for a specified period from May 24th 2012 to June 20th 2012 and provided for supply of crude oil to Grupa LOTOS S.A. The value of the agreement of May 24th 2012 was approximately PLN 270m. 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.
11. In the period from May 1st 2012 to July 4th 2012, Grupa LOTOS S.A. and Mercuria Energy Trading SA of Geneva entered into agreements for a total value of approximately PLN 702m, exceeding in aggregate the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement of July 4th 2012, which was made for a specified period from July 4th 2012 to July 31st 2012 and provided for supply of crude oil to Grupa LOTOS S.A. The value of the agreement of July 4th 2012 was approximately PLN 461m. 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.

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 Exploration & Production Officer,	
	Zbigniew Paszkowicz
Vice-President of the Management Board, Chief Operation Officer	
	Marek Sokolowski
Vice-President of the Management Board, Chief Commercial Officer	
	Maciej Szozda
Chief Accountant	
	Tomasz Południewski