

**THE LOTOS GROUP  
FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS - CONSOLIDATED**

THE LOTOS GROUP	PLN '000		EUR '000	
	6 months ended Jun 30 2012	6 months ended Jun 30 2011 (restated)	6 months ended Jun 30 2012	6 months ended Jun 30 2011 (restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	16,216,454	13,296,610	3,838,577	3,351,551
Operating profit/(loss)	(442,445)	854,219	(104,731)	215,315
Pre-tax profit/(loss)	(550,655)	1,067,786	(130,345)	269,147
Net profit	68,142	906,640	16,130	228,528
Net profit attributable to owners of the Parent	68,185	906,306	16,140	228,444
Net profit/(loss) attributable to non-controlling interests	(43)	334	(10)	84
Total comprehensive income	87,267	1,104,294	20,657	278,349
Total comprehensive income attributable to owners of the Parent	87,318	1,103,962	20,669	278,265
Total comprehensive income attributable to non-controlling interests	(51)	332	(12)	84
Net cash from operating activities	221,719	(269,633)	52,483	(67,964)
Net cash from investing activities	(297,705)	(404,012)	(70,469)	(101,836)
Net cash from financing activities	(210,246)	293,108	(49,767)	73,881
Total net cash flow	(283,348)	(384,542)	(67,071)	(96,928)
Basic earnings per share (PLN/EUR)	0.53	6.98	0.12	1.76
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 31.12.2011
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	19,958,981	20,423,220	4,683,777	4,623,986
Equity attributable to owners of the Parent	7,868,756	7,781,436	1,846,562	1,761,781
Non-controlling interests	891	947	209	214
Total equity	7,869,647	7,782,383	1,846,771	1,761,996

Items of the statement of financial position as at June 30th 2012, presented in the Financial Highlights, have been translated at the EUR 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 using the EUR 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).



**THE LOTOS GROUP**

**INTERIM CONDENSED CONSOLIDATED 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)*

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**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the three and six months ended June 30th 2012

(PLN '000)	Note	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)	(restated) (unaudited)	(restated) (unaudited)
Revenue		8,384,112	16,216,454	6,781,383	13,296,610
Cost of sales	17.1	(7,943,064)	(15,027,128)	(6,130,184)	(11,913,883)
<b>Gross profit</b>		<b>441,048</b>	<b>1,189,326</b>	<b>651,199</b>	<b>1,382,727</b>
Distribution costs	17.1	(262,872)	(505,762)	(246,907)	(469,228)
Administrative expenses	17.1	(102,729)	(208,534)	(97,493)	(197,973)
Other income		7,710	13,581	20,383	27,411
Other expenses	17.2	(944,588)	(952,022)	(10,229)	(15,780)
Effect of accounting for the step acquisition of control (AB LOTOS Geonafta)		-	-	-	126,383
Loss of control over subsidiary	15	-	20,966	-	679
<b>Operating profit/(loss)</b>		<b>(861,431)</b>	<b>(442,445)</b>	<b>316,953</b>	<b>854,219</b>
Finance income	17.3	6,454	28,547	82,477	286,620
Finance costs	17.4	(432,676)	(136,757)	(83,211)	(75,949)
Share of investments in associates		-	-	-	2,896
<b>Pre-tax profit/(loss)</b>		<b>(1,287,653)</b>	<b>(550,655)</b>	<b>316,219</b>	<b>1,067,786</b>
Corporate income tax	17.5	758,681	618,797	(46,227)	(161,146)
<b>Net profit/(loss)</b>		<b>(528,972)</b>	<b>68,142</b>	<b>269,992</b>	<b>906,640</b>
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		13,464	(18,638)	1,967	(5,473)
Cash flow hedge accounting		(299,581)	42,251	83,729	249,407
Income tax on other comprehensive income	17.5	54,363	(4,488)	(16,251)	(46,280)
<b>Other comprehensive income (net)</b>		<b>(231,754)</b>	<b>19,125</b>	<b>69,445</b>	<b>197,654</b>
<b>Total comprehensive income</b>		<b>(760,726)</b>	<b>87,267</b>	<b>339,437</b>	<b>1,104,294</b>
<b>Net profit/(loss):</b>					
Owners of the Parent		(528,865)	68,185	269,944	906,306
Non-controlling interests		(107)	(43)	48	334
		<b>(528,972)</b>	<b>68,142</b>	<b>269,992</b>	<b>906,640</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		(760,625)	87,318	339,387	1,103,962
Non-controlling interests		(101)	(51)	50	332
		<b>(760,726)</b>	<b>87,267</b>	<b>339,437</b>	<b>1,104,294</b>
<b>Net profit/(loss) attributable to owners of the Parent per share (PLN)</b>					
Weighted average number of shares ('000)		129,873	129,873	129,873	129,873
- basic	12	(4.07)	0.53	2.08	6.98
- diluted		-	-	-	-

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2012, presented on pages 7 to 65, are an integral part of the statements.

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

**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at June 30th 2012

(PLN '000)	Note	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17.7	8,762,561	8,965,480
Tangible assets under construction	17.7	764,431	1,558,070
Goodwill		46,688	46,688
Intangible assets	17.7	442,447	475,580
Investment property		1,059	-
Non-current financial assets	17.8	57,243	96,189
Deferred tax assets	17.6	1,103,498	400,128
Non-current receivables		36,923	33,313
Prepayments and accrued income		16,489	6,789
<b>Total non-current assets</b>		<b>11,231,339</b>	<b>11,582,237</b>
<b>Current assets</b>			
Inventories, including:	17.9	5,790,551	5,855,840
- mandatory reserves	17.9	4,365,803	4,427,752
Trade and other receivables	17.10	2,307,792	2,190,029
Income tax receivable		48,327	132,876
Prepayments and accrued income		53,948	40,382
Current financial assets	17.11	157,852	129,052
Cash and cash equivalents		367,514	383,680
<b>Total current assets</b>		<b>8,725,984</b>	<b>8,731,859</b>
<b>Assets held for sale</b>		<b>1,658</b>	<b>109,124</b>
<b>Total assets</b>		<b>19,958,981</b>	<b>20,423,220</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		129,873	129,873
Statutory reserve funds		1,311,348	1,311,348
Cash flow hedging reserve		(385,058)	(419,281)
Retained earnings		6,768,583	6,700,396
Translation reserve		44,010	59,100
<b>Equity attributable to owners of the Parent</b>		<b>7,868,756</b>	<b>7,781,436</b>
<b>Non-controlling interests</b>		<b>891</b>	<b>947</b>
<b>Total equity</b>		<b>7,869,647</b>	<b>7,782,383</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings and other debt instruments	17.12	4,891,364	4,983,889
Long-term provisions	17.13	404,311	399,104
Deferred tax liabilities	17.6	129,173	105,226
Other financial liabilities	17.14	241,211	304,949
Trade payables, accruals and deferred income, and other liabilities	17.15	40,373	54,371
<b>Total non-current liabilities</b>		<b>5,706,432</b>	<b>5,847,539</b>
<b>Current liabilities</b>			
Trade payables, accruals and deferred income, and other liabilities	17.15	3,676,430	4,156,553
Income tax payable		16,127	7,420
Interest-bearing borrowings and other debt instruments	17.12	2,409,220	2,407,740
Notes	10	98,674	-
Short-term provisions	17.13	19,495	21,358
Other financial liabilities	17.14	162,956	159,829
<b>Total current liabilities</b>		<b>6,382,902</b>	<b>6,752,900</b>
<b>Liabilities directly associated with assets held for sale</b>		<b>-</b>	<b>40,398</b>
<b>Total liabilities</b>		<b>12,089,334</b>	<b>12,640,837</b>
<b>Total equity and liabilities</b>		<b>19,958,981</b>	<b>20,423,220</b>

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2012, presented on pages 7 to 65, are an integral part of the statements.

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**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the six months ended June 30th 2012

(PLN '000)	Note	6 months ended Jun 30 2012	6 months ended Jun 30 2011 (restated)
		(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit</b>		<b>68,142</b>	<b>906,640</b>
Adjustments:			
Share in net profit of equity-accounted subordinated entities		-	(2,896)
Depreciation and amortisation	17.16	329,888	273,385
Foreign exchange (gains)/losses		(28,101)	(191,067)
Interest and dividends		101,134	63,198
(Gain)/loss from investing activities		924,771	(126,809)
Current income tax	17.5	(618,797)	161,146
Income tax paid		(40,147)	(103,411)
(Increase) in receivables	17.16	(100,134)	(450,063)
Decrease/(Increase) in inventories	17.16	65,503	(806,760)
(Decrease)/ increase in liabilities and accruals and deferred income	17.16	(469,582)	132,516
(Decrease)/Increase in provisions	17.16	(2,554)	6,696
(Increase) in prepayments and accrued income	17.16	(23,731)	(19,153)
Settlement and valuation of financial instruments		9,658	(58,407)
Other adjustments	17.16	5,669	(54,648)
<b>Net cash from operating activities</b>		<b>221,719</b>	<b>(269,633)</b>
<b>Cash flows from investing activities</b>			
Interest received		3,016	1,305
Dividends received		567	514
Sale of property, plant and equipment and intangible assets		9,085	10,518
Sale of non-current financial assets		350	480
Repayment of loans advanced		1,555	-
Loss of control over subsidiary, net of cash	15	78,000	1,104
Other cash inflows on financial assets		-	929
Acquisition of UAB Meditus, net of cash acquired		(25,029)	(104,330)
Purchase of property, plant and equipment and intangible assets	17.16	(249,963)	(294,153)
Prepayments for tangible assets under construction		(82,230)	(2,593)
Other cash outflows on financial assets	17.16	(33,056)	(17,786)
<b>Net cash from investing activities</b>		<b>(297,705)</b>	<b>(404,012)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and other debt instruments		381,783	636,820
Issue of notes		297,664	323,720
Cash flows attributable to changes in interest in a subsidiary not resulting in loss of control over non-current financial assets		(3)	(9,416)
Repayment of borrowings and other debt instruments		(542,357)	(157,090)
Interest paid		(99,986)	(49,752)
Redemption of notes	10	(200,000)	(358,000)
Decrease in finance lease liabilities		(7,368)	(1,903)
Settlement of financial instruments		(37,132)	(90,486)
Other cash used in financing activities		(2,847)	(785)
<b>Net cash from financing activities</b>		<b>(210,246)</b>	<b>293,108</b>
Effect of exchange rate fluctuations on cash held		2,884	(4,005)
<b>Change in net cash</b>		<b>(283,348)</b>	<b>(384,542)</b>
<b>Cash at beginning of period</b>	17.16	<b>161,552</b>	<b>118,233</b>
<b>Cash at end of period</b>	17.16	<b>(121,796)</b>	<b>(266,309)</b>
- restricted cash	17.16	2,514	27,090

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2012, presented on pages 7 to 65, are an integral part of the statements.

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**THE LOTOS GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended June 30th 2012

(PLN '000)	Note	Share capital	Statutory reserve funds	Cash flow hedging reserve	Retained earnings	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Jan 1 2012 (audited)</b>		<b>129,873</b>	<b>1,311,348</b>	<b>(419,281)</b>	<b>6,700,396</b>	<b>59,100</b>	<b>7,781,436</b>	<b>947</b>	<b>7,782,383</b>
Net profit for the six months ended June 30th 2012		-	-	-	68,185	-	68,185	(43)	68,142
Other comprehensive income, net, for the six months ended June 30th 2012		-	-	34,223	-	(15,090)	19,133	(8)	19,125
Changes in ownership interest	15	-	-	-	2	-	2	(5)	(3)
<b>Jun 30 2012 (unaudited)</b>		<b>129,873</b>	<b>1,311,348</b>	<b>(385,058)</b>	<b>6,768,583</b>	<b>44,010</b>	<b>7,868,756</b>	<b>891</b>	<b>7,869,647</b>
<b>Jan 1 2011 (restated) (audited)</b>		<b>129,873</b>	<b>1,311,348</b>	<b>(739)</b>	<b>6,046,056</b>	<b>12,281</b>	<b>7,498,819</b>	<b>14,658</b>	<b>7,513,477</b>
Net profit for the six months ended June 30th 2011		-	-	-	906,306	-	906,306	334	906,640
Other comprehensive income, net, for the six months ended June 30th 2011		-	-	202,123	-	(4,467)	197,656	(2)	197,654
Change in the Group's organisational structure		-	-	-	-	-	-	(220)	(220)
Changes in ownership interest		-	-	-	4,268	-	4,268	(13,780)	(9,512)
<b>Jun 30 2011 (restated) (unaudited)</b>		<b>129,873</b>	<b>1,311,348</b>	<b>201,384</b>	<b>6,956,630</b>	<b>7,814</b>	<b>8,607,049</b>	<b>990</b>	<b>8,608,039</b>

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2012, presented on pages 7 to 65, are an integral part of the statements.  
for the six months ended June 30th 2012

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

**1. General information**

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

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

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

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

**2. Composition of the LOTOS Group**

As at June 30th 2012, the LOTOS Group comprised Grupa LOTOS S.A. (the Parent) and 33 production and service companies, including:

- 15 subsidiaries of Grupa LOTOS S.A.,
- 16 indirect subsidiaries of Grupa LOTOS S.A. and 2 companies accounted for using the proportional method.

The following table presents the subsidiaries of the LOTOS Group S.A., their core business, consolidation method, and the Group's interests in their share capitals.

Name	Registered office	Core business	Method of consolidation/ accounting for the interest	Ownership interest (%)		
				Jun 30 2012	Dec 31 2011	Jun 30 2011
<b>Parent</b>						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
<b>Direct subsidiaries</b>						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Gaz S.A. w likwidacji (in liquidation) <sup>(1)</sup>	Kraków <sup>(1)</sup>	Dormant	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	full	100.00%	100.00%	100.00%
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00% <sup>(2)</sup>	100.00%
LOTOS Ekoenergia Sp. z o.o.	Gdańsk	The company has not commenced operations	full	100.00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	full	100.00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electrical systems and controlling devices, overhaul and repair services	full	100.00%	100.00%	100.00%
LOTOS LAB Sp. z o.o.	Gdańsk	Laboratory analyses	full	100.00%	100.00%	100.00%

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**THE LOTOS GROUP**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30th 2012**

Name	Registered office	Core business	Method of consolidation/ accounting for the interest	Ownership interest (%)		
				Jun 30 2012	Dec 31 2011	Jun 30 2011
LOTOS Straż Sp. z o.o.	Gdańsk	Fire safety	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00%	100.00%
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of paraffin	-	_(4)	100.00% <sup>(3)</sup>	100.00%
LOTOS Tank Sp. z o.o.	Gdańsk	Trading in aviation fuel until Oct 16 2011, at present – logistics services	full	100.00%	100.00%	100.00%
LOTOS Czechowice S.A. (parent company of another group)	Czechowice-Dziedzice	Storage and distribution of fuels	full	100.00%	100.00%	100.00% <sup>(5)</sup>
LOTOS Jasło S.A.	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	full	100.00%	100.00%	100.00% <sup>(5)</sup>
LOTOS Petrobaltic S.A. (parent of another group)	Gdańsk	Acquisition of crude oil and natural gas deposits and their exploitation	full	99.95% <sup>(7)</sup>	99.95% <sup>(7)</sup>	99.94% <sup>(6)</sup>
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Dormant	full	100.00%	100.00%	100.00%
<b>Indirect subsidiaries</b>						
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	full	100.00%	100.00%	100.00% <sup>(8)</sup>
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	full	100.00%	100.00%	100.00% <sup>(8)</sup>
PLASTEKOL Organizacja Odzysku S.A.	Jasło	Provision of services		_(9)		
Miliana Shipholding Company Ltd. (Miliana Shipping Company Ltd.) (parent of another group) <sup>(12)</sup>	Nicosia, Cyprus	Storage and transport of crude oil, other sea transport related services, and managing own financial assets	full	99.95% <sup>(10)</sup>	99.95% <sup>(10)</sup>	99.94% <sup>(10, 11)</sup>
Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Miliana Shipping Group Ltd. (parent of another group) <sup>(12)</sup>	Nicosia, Cyprus	Management of own assets	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-
Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.95% <sup>(10)</sup>	99.95% <sup>(10, 12)</sup>	-

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Name	Registered office	Core business	Method of consolidation/ accounting for the interest	Ownership interest (%)		
				Jun 30 2012	Dec 31 2011	Jun 30 2011
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	full	99.95% <sup>(10, 13)</sup>	99.95% <sup>(10, 13)</sup>	99.94% <sup>(10)</sup>
Aphrodite Offshore Services N.V.	Curaçao, Netherlands Antilles	Dormant since October 17th 2011	full	99.95% <sup>(10)</sup>	99.95% <sup>(10)</sup>	99.94% <sup>(10)</sup>
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	full	99.95% <sup>(10)</sup>	99.95% <sup>(10)</sup>	99.94% <sup>(10)</sup>
AB LOTOS Baltija (parent of another group) <sup>(14, 15)</sup>	Vilnius, Lithuania	Business and legal advisory services	-	-	_(10,14)	99.94% <sup>(10)</sup>
AB Meditus (parent of another group) <sup>(14, 16)</sup>	Vilnius, Lithuania	Business and legal advisory services	-	-	_(10, 14)	99.94% <sup>(10, 14)</sup>
AB LOTOS Geonafta (parent of another group) <sup>(14)</sup>	Gargždai, Lithuania	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	full	99.95% <sup>(10, 14)</sup>	99.95% <sup>(10, 14)</sup>	99.94% <sup>(10, 14, 17)</sup>
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production	full	99.95% <sup>(10, 14)</sup>	99.95% <sup>(10, 14)</sup>	99.94% <sup>(10, 14)</sup>
<b>Companies accounted for using the proportional method</b>						
UAB Manifodas	Gargždai, Lithuania	Crude oil exploration and production	proportional	49.98% <sup>(10, 14)</sup>	49.98% <sup>(10, 14)</sup>	49.97% <sup>(10, 14)</sup>
UAB Minijos Nafta	Gargždai, Lithuania	Crude oil exploration and production	proportional	49.98% <sup>(10, 14)</sup>	49.98% <sup>(10, 14)</sup>	49.97% <sup>(10, 14)</sup>

<sup>(1)</sup> On January 10th 2011, the General Meeting of LOTOS Gaz S.A. adopted a resolution to dissolve LOTOS Gaz S.A. by way of its liquidation. Furthermore, on January 3rd 2011 the Management Board of LOTOS Gaz S.A. filed a petition with the Commercial Division of the District Court of Płock requesting that LOTOS Gaz S.A. be declared bankrupt. According to the information received by the Company, the petition was effectively withdrawn, and the bankruptcy proceedings were discontinued on January 7th 2011. These developments had no effect on the data disclosed in the consolidated financial statements.

The company's new business address in Kraków was registered on July 8th 2011. Previously, the company was based in Mława.

<sup>(2)</sup> On December 29th 2011, the share capital increase at LOTOS Asphalt Sp. z o.o. was registered. The share capital was increased from PLN 2,000 thousand to PLN 20,000 thousand, by way of raising the par value of the existing shares from PLN 500 per share to PLN 5,000 per share. The share capital increase was financed using own funds of LOTOS Asphalt Sp. z o.o.

<sup>(3)</sup> On December 7th 2011, the share capital increase at LOTOS Parafiny Sp. z o.o. was registered. The share capital was increased from PLN 19,783 thousand to PLN 28,783 thousand, by way of creating 9,000 new shares, with a par value of PLN 1,000 thousand per share. The share capital increase was financed using own funds of LOTOS Parafiny Sp. z o.o. All the new shares were acquired by Grupa LOTOS S.A.

<sup>(4)</sup> 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 LP II 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. (see Note 15).

<sup>(5)</sup> Following the transactions carried out as part of the squeeze-out, and relevant entries having been made in the share registers of LOTOS Czechowice S.A. and LOTOS Jasło S.A. on April 7th and 8th 2011, respectively, Grupa LOTOS S.A. holds a 100% interest in LOTOS Czechowice S.A. and a 100% interest in LOTOS Jasło S.A.

<sup>(6)</sup> By June 30th 2011, Grupa LOTOS S.A. acquired from non-controlling interests an additional 0.62% of shares in LOTOS Petrobaltic S.A. As a result of the executed transactions, as at June 30th 2011 Grupa LOTOS S.A. held 99.94% of shares in LOTOS Petrobaltic S.A., including 99.93% of shares entered in the share register of LOTOS Petrobaltic S.A. conferring the right to vote at the company's General Meeting. On July 22nd 2011, following further entries having been made in the share register of LOTOS Petrobaltic S.A. Grupa LOTOS S.A. became the holder of 99.94% of shares conferring the right to vote at the company's General Meeting.

<sup>(7)</sup> By December 31st 2011, Grupa LOTOS S.A. acquired from non-controlling interests a further 0.63% of shares in LOTOS Petrobaltic S.A., and on November 29th 2011, an increase in the share capital of LOTOS Petrobaltic S.A. was registered. The share capital was increased from PLN 92,400 thousand to PLN 96,600 thousand, i.e. by PLN 4,200 thousand, through the issue of 420,000 Series B registered shares with a par value of PLN 10 per share, acquired in return for a cash contribution. Grupa LOTOS S.A. acquired in total 419,979 new Series B shares, in return for a cash contribution totalling PLN 80,968 thousand. As at December 31st 2011, Grupa LOTOS S.A. held a 99.95% interest in LOTOS Petrobaltic S.A.

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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 value of PLN 10 per share. Grupa LOTOS S.A. was allocated 279,996 shares.

In the period from January 1st to March 31st 2012, 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 (see Note 15).

<sup>(8)</sup> The shareholding changes described in item <sup>(5)</sup> above resulted in changes in the Group's indirect interests in the share capitals of the subsidiaries of LOTOS Czechowice S.A.

<sup>(9)</sup> On February 11th 2011, LOTOS Jaslo S.A. entered into an agreement with an external partner concerning sale of five investment areas, including an organised part of business and a holding of 95.5% of shares in PLASTEKOL Organizacja Odzysku S.A. The effect of loss of control over the subsidiary, of PLN 679 thousand, is presented in the interim condensed consolidated statement of comprehensive income for the six months ended June 30th 2011 under "Loss of control over subsidiary".

<sup>(10)</sup> The shareholding changes described in items <sup>(6, 7)</sup> above resulted in changes in the Group's indirect interests in the share capitals of the subsidiaries of LOTOS Petrobaltic S.A.

<sup>(11)</sup> On June 24th 2011, LOTOS Petrobaltic S.A. acquired one share in Miliana Shipping Company Ltd. under an agreement of April 21st 2011 providing for the sale of one share in Miliana Shipping Company Ltd. by Aphrodite Offshore Services N.V. to LOTOS Petrobaltic S.A. for a price of USD 19.8 thousand (PLN 53.8 thousand, translated at the USD mid-exchange USD quoted by the National Bank of Poland for April 21st 2011). LOTOS Petrobaltic S.A. currently holds 100% of shares in Miliana Shipping Company Ltd.

<sup>(12)</sup> In connection with the restructuring of the sea shipping business in the LOTOS Petrobaltic Group, on July 22nd 2011 Miliana Shipping Company Ltd. established two subsidiaries registered in the Republic of Cyprus: Miliana Shipmanagement Ltd. and Miliana Shipping Group Ltd. Miliana Shipping Company Ltd. is the sole shareholder in both entities.

Furthermore, on September 13th 2011, LOTOS Petrobaltic S.A. received a formal confirmation that on July 28th 2011 Miliana Shipping Company Ltd. assumed control over four companies, i.e. Granit Navigation Company Limited, Kambr Navigation Company Limited, Petro Icarus Company Limited and St. Barbara Navigation Company Limited, and another two companies, i.e. Bazalt Navigation Company Limited and Petro Aphrodite Company Limited on July 29th 2011.

On January 23rd 2012 a name change from Miliana Shipping Company Limited to Miliana Shipholding Company Limited was registered.

<sup>(13)</sup> On December 21st 2011, the court registered an increase in the share capital of LOTOS Exploration and Production Norge AS from NOK 430,000,001 to NOK 572,733,964, i.e. by NOK 142,733,963, through the issue of new Series B shares with a par value of NOK 1 per share in return for a cash contribution. All the new issue shares were acquired by LOTOS Petrobaltic S.A.

On January 14th 2012, the court registered an increase in the share capital of LOTOS Exploration and Production Norge AS by NOK 91,984 thousand, to NOK 664,718 thousand, through the issue of new Series B shares with a par value of NOK 1 per share. All the new Series B shares were subscribed for by LOTOS Petrobaltic S.A.

<sup>(14)</sup> Following corporate approvals by the General Meeting of LOTOS Petrobaltic S.A. and the Lithuanian anti-trust authority, on February 3rd 2011 UAB LOTOS Baltija (a subsidiary of LOTOS Petrobaltic S.A.) acquired 100% of shares in UAB Meditus, which holds 59.41% of shares in AB Geonafta. On the acquisition date, LOTOS Petrobaltic S.A. directly held 40.59% of shares in AB Geonafta. As a result of the transaction, LOTOS Petrobaltic S.A. gained control of AB Geonafta.

On November 30th 2011, the merger of AB Geonafta, AB LOTOS Baltija, and AB Meditus, as well as the name change from AB Geonafta to AB LOTOS Geonafta were registered. Following the merger, AB LOTOS Geonafta's share capital increased from LTL 161,126 to LTL 168,526. Following registration of the merger, the shareholder structure of AB LOTOS Geonafta was as follows: LOTOS Petrobaltic S.A. – 43.1980822%, Grupa LOTOS S.A. – 0.0005934%, own shares held by AB LOTOS Geonafta – 56.8013244%. However, the proportions of shares 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%. LOTOS Petrobaltic S.A. retained control of AB LOTOS Geonafta.

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%.

<sup>(15)</sup> On May 23rd 2011, a change in the legal form of UAB LOTOS Baltija to AB LOTOS Baltija was registered. Until the merger referred to in <sup>(14)</sup>, the company operated under the name of AB LOTOS Baltija.

<sup>(16)</sup> On May 10th 2011, a change in the legal form of UAB Meditus to AB Meditus was registered. Until the merger referred to in <sup>(14)</sup>, the company operated under the name of AB Meditus.

<sup>(17)</sup> On March 23rd 2011, LOTOS Petrobaltic S.A. and Grupa LOTOS S.A. executed an agreement whereby Grupa LOTOS S.A. purchased one share in AB Geonafta for LTL 3 thousand (PLN 3.5 thousand).

As at June 30th 2012 and as at December 31st 2011, the Group's interests in the total vote at the general meetings of its subsidiaries were equal to its ownership interests in their share capitals.

As at June 30th 2011, the Group's interests in the total vote at the general meetings of its subsidiaries were equal to its respective ownership interests, except in the case of LOTOS Petrobaltic S.A. (see above).

### **3. 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 Sokołowski – 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 Sokołowski 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 consolidated 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 Sokołowski – Vice-President of the Management Board, Chief Operation Officer,  
Maciej Szozda – Vice-President of the Management Board, Chief Commercial Officer.

As at January 1st 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 consolidated 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.

### **4. Basis of preparation and presentation**

These interim condensed consolidated financial statements of the LOTOS Group 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 consolidated financial statements of the LOTOS Group S.A.. These financial statements present the Group'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.

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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 consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of approval of these interim condensed consolidated financial statements no circumstances have been identified that might pose a threat to the Group's companies continuing as going concerns.

These interim condensed consolidated financial statements should be read in conjunction with the 2011 consolidated financial statements of the LOTOS Group prepared in accordance with IFRS, released 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 consolidated 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 consolidated 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 consolidated financial statements is the Polish zloty (PLN). These interim condensed consolidated financial statements have been prepared in the zloty (PLN), and all the figures are presented in thousands of zloty, unless indicated otherwise.

These interim condensed consolidated financial statements were approved for publication by the Management Board on August 20th 2012.

#### **4.1 Accounting policies**

The accounting policies and calculation methods adopted by the Group in the preparation of these interim condensed consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2011 (see Note 10 to the consolidated financial statements for 2011, prepared in accordance with the IFRS).

The Parent and LOTOS Petrobaltic S.A., LOTOS Exploration and Production Norge AS, LOTOS Asfalt Sp. z o.o., LOTOS Oil S.A., LOTOS Paliwa Sp. z o.o., LOTOS Kolej Sp. z o.o., LOTOS Tank Sp. z o.o., LOTOS Serwis Sp. z o.o., AB LOTOS Geonaftha and UAB Minijos Nafta maintain their accounting books in accordance with the accounting policies prescribed by the International Financial Reporting Standards. The other Group companies maintain their accounting books in accordance with the accounting standards defined in the Polish Accountancy Act of September 29th 1994 and the accounting policies and standards applicable at their foreign locations. These consolidated financial statements include adjustments which are absent from the accounting books of the Group's entities applying standards other than IFRS, and which have been introduced to ensure consistency of the entities' financial information 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 Group has reviewed the new interpretations, standards and amendments to the existing standards. The new interpretations, standards and amendments to the existing standards which are in effect and have been adopted by the European Union, have no material impact on the accounting policies applied by the Group.

## 4.2 Exchange rates

The following exchange rates were applied for the purposes of the balance-sheet valuation and translation of foreign entities' financial statements into the Polish zloty:

	Mid-exchange rate quoted by the NBP for:		Average exchange rate quoted by the NBP for <sup>(1)</sup>		
	Jun 30 2012	Dec 31 2011	6 months ended Jun 30 2012	12 months ended Dec 31 2011	6 months ended Jun 30 2011
USD	3,3885	3,4174	3,2453	2,9679	2,7888
EUR	4,2613	4,4168	4,2246	4,1401	3,9673
NOK	0,5655	0,5676	0,5590	0,5315	0,5083
LTL	1,2341	1,2792	1,2235	1,1991	1,1490

<sup>(1)</sup>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, January 1st – December 31st 2011 and January 1st – June 30th 2011.

## 4.3 Change of information presented in previous reporting periods, accounting policies and correction of errors

- In the consolidated statement of comprehensive income for the year ended December 31st 2011, the Group 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 15,049 thousand (PLN 7,109 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 14,387 thousand (PLN 6,825 thousand for the three months ended June 30th 2011). This change also affected the comparative data presented in Note 17.1 Expenses by nature.
- In the consolidated financial statements for the year ended December 31st 2011, the Group accounted for the final settlement of the business combination of February 3rd 2011, consisting in acquisition of AB Geonafta shares by an indirect subsidiary. As a result, in the consolidated statement of comprehensive income for the six months ended June 30th 2011, under "Effect of accounting for the step acquisition of control over AB LOTOS Geonafta" totalling PLN 126.383 thousand, the Group recognised the gain on bargain purchase of PLN 19.920 thousand and the increase in the value of LOTOS Petrobaltic S.A.'s 40.59% interest in AB Geonafta, previously held by LOTOS Petrobaltic S.A., resulting from its measurement to fair value at the acquisition date, of PLN 106,463 thousand. Further, in the statement of comprehensive income for the six months ended June 30th 2011, cost of sales increased by PLN 6,524 thousand (PLN 4,175 thousand for the three months ended June 30th 2011), finance income fell by PLN 104,738 thousand (while it increased by PLN 19,180 thousand for the three months ended June 30th 2011), and corporate income tax decreased by PLN 2,516 thousand (PLN 1.514 thousand for the three months ended June 30th 2011).

In the consolidated statement of cash flows from operating activities for the six months ended June 30th 2011, the following items changed: depreciation/amortisation by PLN 6,524 thousand, (gain)/loss from investing activities by PLN (21,645) thousand, current income tax by PLN (2,516) thousand. The above changes were reflected also in Note 17.1 Expenses by nature (items: depreciation and amortisation expense, and cost of sales), Note 17.3 Finance income, Note 17.5 Corporate income tax (decrease in deferred tax), and Note 17.16 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 (change in depreciation/amortisation). Also, in Note 17.7 Property, plant and equipment, prepayments for tangible assets under construction and intangible assets, intangible assets increased by PLN 62,739 thousand.

- As of January 1st 2012, the Group changed its policies with respect to the presentation of costs related to crude oil 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 consolidated statement of comprehensive income. However, this change affected the comparative data presented in Note 17.1 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.
- In the consolidated financial statements for the year ended December 31st 2011, the Group reclassified certain items previously recognised under investment commitments to other liabilities. As a result of this change, as at June 30th 2011 and January 1st 2011, other liabilities increased by PLN 4,143 thousand and PLN 866 thousand, respectively. Consequently, in the interim condensed consolidated statement of cash

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flows for the six months ended June 30th 2011, the amount of cash flows from operating activities and cash flows from investing activities changed by PLN 3,277 thousand. This change also affected the comparative data presented in Note 17.16 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 (item: change in investment commitments).

## **5. 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 Management Board is assessing whether the introduction of the new standards and interpretations specified above will have any material impact on the accounting policies applied by the Group.

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

By the date of approval of these interim condensed consolidated 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 Group's financial assets. The Group will analyse this effect along with the effect from the other phases of the project after their publication, in order to present a coherent picture.

The Management Board is assessing whether the introduction of the new standards and interpretations specified above will have any material impact on the accounting policies applied by the Group.

**6. Brief description of significant achievements or failures in the interim period**

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

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

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

**8. Amounts with a significant bearing on assets, liabilities, equity, net profit/loss or cash flows which are non-typical due to their nature, value, effect or frequency**

In the period January 1st – June 30th 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 59,624 thousand and has been presented in finance income (PLN 17,373 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 measurement of borrowings denominated in foreign currencies, used as hedging instruments, before the PLN 8,028 thousand adjustment for a tax effect.

**9. Changes of estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect on the current interim period**

The Group tested for impairment its interests in the hydrocarbon reserves held by LOTOS Exploration and Production Norge AS under the acquired production licences covering the YME field development project; for more information see Note 17.7. There were no other material changes in estimates reported in prior financial years.

Apart from the test for impairment of assets held by LOTOS Exploration and Production Norge AS described above, to the Management Board's knowledge, there were no premises to assume that the impairment tests performed as at the end of 2011 should be repeated (with respect to the refinery, Energobaltic Sp. z o.o.'s CHP plant, the Waterproofing Materials Production Plant of Jaslo and LOTOS Paliwa Sp. z o.o.'s goodwill). There were no other material changes in estimates reported in prior financial years.

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

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

In the six months ended June 30th 2012, LOTOS Asphalt Sp. z o.o. issued short-term bearer notes under the Note Issuance Programme Agreement of July 27th 2010.

As part of the Note Issuance Programme, LOTOS Asphalt Sp. z o.o. may carry out numerous notes issues. The company's total liabilities under notes outstanding at any given time may not exceed PLN 300,000 thousand (based on the nominal value of the notes). The term of the programme is five years. The notes are denominated in the Polish zloty and are offered in private placements. The notes are issued as unsecured zero-coupon bearer notes in book-entry form and are redeemed at nominal values.



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The issued notes were acquired by third-party investors and by the Group companies. The nominal value of notes issued to investors outside the Group in the period from January 1st to June 30th 2012 is presented in the table below:

PLN '000	Nominal value of notes issued	Discount	Liabilities under notes issued
<b>as at Jan 1 2012 (audited)</b>	-	-	-
Increase (issue)	299,000	(1,314)	
Decrease (redemption)	(200,000)	988	
<b>as at Jun 30 2012 (unaudited)</b>	<b>99,000</b>	<b>(326)</b>	<b>98,674</b>

In the six months ended June 30th 2012, the proceeds from the notes issued by the Group were PLN 297,686 thousand, net of the issue expenses. In the six months ended June 30th 2012, the issue expenses were PLN 200,000 thousand.

In the six months ended June 30th 2012, LOTOS Asphalt Sp. z o.o. issued notes with a total nominal value of PLN 187,500 thousand. The notes were acquired by the Group companies (see Note 18). In the six months ended June 30th 2012, LOTOS Asphalt Sp. z o.o. redeemed notes with a nominal value of PLN 172,700 thousand held by the Group companies.

No other debt or equity securities were issued, redeemed or repaid in the six months ended June 30th 2012.

#### 11. 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 consolidated 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.

#### 12. Net earnings/(loss) per share

	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2011	6 months ended Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net profit/(loss) attributable to owners of the Parent (PLN '000) (A)	(528,865)	68,185	269,944	906,306
Weighted average number of shares (in thousands) (B)	129,873	129,873	129,873	129,873
Net earnings/(loss) per share (PLN) (A/B)	(4.07)	0.53	2.08	6.98

Net earnings/(loss) per share for each period are calculated by dividing the net profit/(loss) attributable to owners of the Parent for a given period by the weighted average number of shares in the period.

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

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

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**13. Business segments**

PLN '000	Upstream segment <sup>(1)</sup>		Downstream segment		Other <sup>(2)</sup>		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012
	(unaudited)									
<b>Revenue:</b>	<b>237.230</b>	<b>501.562</b>	<b>8.318.588</b>	<b>16.096.705</b>	<b>7.266</b>	<b>14.271</b>	<b>(178.972)</b>	<b>(396.084)</b>	<b>8.384.112</b>	<b>16.216.454</b>
Intersegment sales	161.463	363.873	12.019	21.823	5.490	10.388	(178.972)	(396.084)	-	-
External sales	75.767	137.689	8.306.569	16.074.882	1.776	3.883	-	-	8.384.112	16.216.454
Operating profit/(loss) (EBIT)	<b>(835.826)</b>	<b>(701.318)</b>	<b>(57.472)</b>	<b>287.907</b>	<b>2.474</b>	<b>3.854</b>	<b>29.393</b>	<b>(32.888)</b>	<b>(861.431)</b>	<b>(442.445)</b>
Depreciation and amortisation	31.553	62.764	131.098	263.053	2.421	4.966	(452)	(895)	164.620	329.888
Operating profit/(loss) before amortisation and depreciation (EBITDA)	<b>(804.273)</b>	<b>(638.554)</b>	<b>73.626</b>	<b>550.960</b>	<b>4.895</b>	<b>8.820</b>	<b>28.941</b>	<b>(33.783)</b>	<b>(696.811)</b>	<b>(112.557)</b>
PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	Jun 30 2012									
	(unaudited)									
<b>Total assets</b>		<b>2,986,795</b>		<b>17,748,553</b>		<b>148,728</b>		<b>(925,095)</b>		<b>19,958,981</b>
- including net exploration and appraisal assets		101,981		-		-		-		101,981

<sup>(1)</sup> Under Operating profit/(loss) (EBIT) of the upstream segment, an impairment loss was recognised on assets related to the YME field, referred to in Note 17.7. Property, plant and equipment, prepayments for tangible assets under construction and intangible assets

<sup>(2)</sup> Includes LOTOS Ekoenergia Sp. z o.o., LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

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PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011
	(unaudited) (restated)									
<b>Revenue:</b>	<b>210,382</b>	<b>314,145</b>	<b>6,723,065</b>	<b>13,204,282</b>	<b>5,541</b>	<b>10,799</b>	<b>(157,605)</b>	<b>(232,616)</b>	<b>6,781,383</b>	<b>13,296,610</b>
Intersegment sales	144,093	206,305	9,394	18,767	4,118	7,544	(157,605)	(232,616)	-	-
External sales	66,289	107,840	6,713,671	13,185,515	1,423	3,255	-	-	6,781,383	13,296,610
Operating profit/(loss) (EBIT)	<b>80,095</b>	<b>227,751</b>	<b>263,352</b>	<b>654,693</b>	<b>1,065</b>	<b>(106)</b>	<b>(27,559)</b>	<b>(28,119)</b>	<b>316,953</b>	<b>854,219</b>
Depreciation and amortisation	29,582	55,125	118,098	214,001	2,499	4,923	(339)	(664)	149,840	273,385
Operating profit/(loss) before amortisation and depreciation (EBITDA)	<b>109,677</b>	<b>282,876</b>	<b>381,450</b>	<b>868,694</b>	<b>3,564</b>	<b>4,817</b>	<b>(27,898)</b>	<b>(28,783)</b>	<b>466,793</b>	<b>1,127,604</b>

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidation adjustments		Consolidated	
	Dec 31 2011 (audited) (restated)									
<b>Total assets</b>		<b>3,061,580</b>		<b>17,901,203</b>		<b>147,187</b>		<b>(686,750)</b>		<b>20,423,220</b>
- including net exploration and appraisal assets		89,581		-		-		-		89,581

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

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**External sales – geographical structure**

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidated	
	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012
	(unaudited)							
<b>Domestic sales:</b>	<b>67</b>	<b>125</b>	<b>6,215,220</b>	<b>11,675,925</b>	<b>1,776</b>	<b>3,883</b>	<b>6,217,063</b>	<b>11,679,933</b>
- products	15	31	5,834,779	11,078,815	1,776	3,883	5,836,570	11,082,729
- merchandise and materials	52	94	380,441	597,110	-	-	380,493	597,204
<b>- export sales:</b>	<b>75,700</b>	<b>137,564</b>	<b>2,091,349</b>	<b>4,398,957</b>	<b>-</b>	<b>-</b>	<b>2,167,049</b>	<b>4,536,521</b>
- products	63,554	114,504	1,994,868	4,218,498	-	-	2,058,422	4,333,002
- merchandise and materials	12,146	23,060	96,481	180,459	-	-	108,627	203,519
<b>Total</b>	<b>75,767</b>	<b>137,689</b>	<b>8,306,569</b>	<b>16,074,882</b>	<b>1,776</b>	<b>3,883</b>	<b>8,384,112</b>	<b>16,216,454</b>

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

PLN '000	Upstream segment		Downstream segment		Other <sup>(1)</sup>		Consolidated	
	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011	3 months ended Jun 30 2011	6 months ended Jun 30 2011
	(unaudited)							
<b>Domestic sales:</b>	<b>103</b>	<b>185</b>	<b>5,383,642</b>	<b>9,877,249</b>	<b>1,423</b>	<b>3,255</b>	<b>5,385,168</b>	<b>9,880,689</b>
- products	19	53	5,358,762	9,675,554	1,423	3,255	5,360,204	9,678,862
- merchandise and materials	84	132	24,880	201,695	-	-	24,964	201,827
<b>- export sales:</b>	<b>66,186</b>	<b>107,655</b>	<b>1,330,029</b>	<b>3,308,266</b>	<b>-</b>	<b>-</b>	<b>1,396,215</b>	<b>3,415,921</b>
- products	48,992	89,778	1,211,598	2,917,350	-	-	1,260,590	3,007,128
- merchandise and materials	17,194	17,877	118,431	390,916	-	-	135,625	408,793
<b>Total</b>	<b>66,289</b>	<b>107,840</b>	<b>6,713,671</b>	<b>13,185,515</b>	<b>1,423</b>	<b>3,255</b>	<b>6,781,383</b>	<b>13,296,610</b>

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

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**14. 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 consolidated financial statements.

**15. Changes in the entity's structure in the interim period, including changes which follow from mergers, acquisitions or sale of subsidiaries, long-term investments, restructurings or discontinuations of any businesses**

In the period from the end of the previous financial year, i.e. December 31st 2011 (see Note 2 to the consolidated financial statements for 2011, prepared in accordance with the IFRS), the Group's structure was subject to the changes listed below and described in Note 2.

**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 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 June 30th 2012, 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.

In line with IAS 27 Consolidated and Separate Financial Statements, the transaction has been accounted for as an equity transaction, as a result of which an amount of PLN 2 thousand was recognised under retained earnings attributable to the Parent and the value of non-controlling interests decreased by PLN 5 thousand.

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 effect of loss of control over the subsidiary, of PLN 20,966 thousand, is presented in the statement of comprehensive income for the six months ended June 30th 2012 under "Loss of control over subsidiary". In the consolidated statement of cash flows for the six months ended June 30th 2012, net cash proceeds from the above transaction in the amount of PLN 78.000 thousand were presented under Loss of control over subsidiary, net of cash. As at December 31st 2011, the assets and liabilities of LOTOS Parafiny Sp. z o.o. were presented in the consolidated financial statements in related entity assets held for sale and the associated liabilities. LOTOS Parafiny Sp. z o.o. was classified in the downstream segment.

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

**16.1 Promissory notes, bank guarantees or other types of security instruments**

*Bank guarantees and other types of security instruments issued upon the instructions of the Parent and the LOTOS Group companies, and issued by the LOTOS Group companies*

Jun 30 2012 (PLN '000)	Value of security in foreign currency	Currency of security	Value of security in PLN <sup>(1)</sup>	Security expiry date	Bank or other institution issuing the security instrument	Type of security / information on debtor
<b>Beneficiary</b>						
<b>Security instruments issued upon the instructions of Grupa LOTOS S.A.</b>						
Port Lotniczy Rzeszów–Jasionka Sp. z o.o.	4,116	PLN	4,116	Dec 31 2012 <sup>(2)</sup>	PKO BP S.A.	Bank guarantee
Saudi Arabian Oil Company <sup>(3)</sup>	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
<b>Total security instruments issued upon the instructions of Grupa LOTOS S.A.</b>			<b>199,387</b>			
<b>Security instruments issued by or upon the instructions of the LOTOS Group companies</b>						
Government of Norway	-	-	-	unspecified	LOTOS Petrobaltic S.A.	Guarantee covering all the activities undertaken by LOTOS Exploration and Production Norge AS as part of its exploration and production operations on the Norwegian Continental Shelf
National Fund for Environmental Protection and Water Management	15,306 <sup>(2)</sup>	PLN	15,306	Feb 20 2015	Bank Pekao S.A.	Bank guarantee
Other, including:	18,724	PLN	18,724	-	-	-
bank guarantees	5,153	PLN	5,153	-	-	-
bank performance bonds	12,683	PLN	12,683	-	-	-
<b>Total other security instruments issued by or upon the instructions of the LOTOS Group companies</b>			<b>34,030</b>			
<b>TOTAL FOR THE GROUP</b>			<b>233,417</b>			

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

<sup>(2)</sup> The bank guarantee secures the PLN 35,000 thousand loan of June 29th 2007 contracted by LOTOS Biopaliwa Sp. z o.o. with the National Fund for Environmental Protection and Water Management.

<sup>(3)</sup> Security for payment for purchase of crude oil; expired upon the lapse of its validity term.

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Dec 31 2011 (PLN '000)	Value of security in foreign currency	Currency of security	Value of security in PLN <sup>(1)</sup>	Security expiry date	Bank or other institution issuing the security instrument	Type of security / information on debtor
<b>Beneficiary</b>						
<b>Security instruments issued upon the instructions of Grupa LOTOS S.A.</b>						
Port Lotniczy Rzeszów–Jasionka Sp. z o.o.	4,116	PLN	4,116	Dec 31 2012 <sup>(2)</sup>	PKO BP S.A.	Bank guarantee
UOP CH SARL	700	USD	2,392	Jan 15 2012 <sup>(3)</sup>	Deutsche Bank S.A.	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
<b>Total security instruments issued upon the instructions of Grupa LOTOS S.A.</b>			<b>14,979</b>			
<b>Security instruments issued by or upon the instructions of the LOTOS Group companies</b>						
Government of Norway	-	-	-	unspecified	LOTOS Petrobaltic S.A.	Guarantee covering all the activities undertaken by LOTOS Exploration and Production Norge AS as part of its exploration and production operations on the Norwegian Continental Shelf
National Fund for Environmental Protection and Water Management	18,556 <sup>(4)</sup>	PLN	18,556	Feb 20 2015	Bank Pekao S.A.	Bank guarantee
Other, including:	25,652	PLN	25,652	-	-	-
bank guarantees	5,168	PLN	5,168	-	-	-
bank performance bonds	18,634	PLN	18,634	-	-	-
<b>Total other security instruments issued by or upon the instructions of the LOTOS Group companies</b>			<b>44,208</b>			
<b>TOTAL FOR THE GROUP</b>			<b>59,187</b>			

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

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

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

<sup>(4)</sup> The bank guarantee secures the PLN 35,000 thousand loan of June 29th 2007 contracted by LOTOS Biopaliwa Sp. z o.o. with the National Fund for Environmental Protection and Water Management.

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**Promissory notes**

Jun 30 2012 (PLN '000)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount of promissory note(s) in PLN <sup>(1)</sup>	Expiry date of promissory note(s)	Type
<b>Promissory notes issued by Grupa LOTOS S.A.</b>					
Head of the Customs Office in Gdańsk	240,000	PLN	240,000	Aug 19 2012	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	Security for a bank borrowing
<b>Total promissory notes issued by Grupa LOTOS S.A.</b>			<b>540,000</b>		
<b>Promissory notes issued by the LOTOS Group companies</b>					
Head of the Customs Office in Gdańsk	10,000	PLN	10,000	Apr 30 2013 <sup>(2)</sup>	Security for a tax liability
National Fund for Environmental Protection and Water Management	1,500	PLN	1,500	Sep 30 2012	Security for a subsidy
Head of the Customs Office in Gdańsk	7,000	PLN	7,000	Feb 28 2013	Security for excise duty
BRE Bank S.A.	50,000	PLN	50,000	Mar 15 2013 <sup>(3)</sup>	Security for bank borrowings
PKO BP S.A.	60,000	PLN	60,000	Jun 14 2014 <sup>(4)</sup>	Security for bank borrowings
National Fund for Environmental Protection and Water Management	3,450	PLN	3,450	Dec 31 2012	Security for a subsidy
Head of the Customs Office in Bielsko-Biała	13,224	PLN	13,224	Jun 30 2013	Global excise duty security
Bank Polska Kasa Opieki S.A.	200,000	PLN	200,000	-	Security for bank borrowings
Stablewood Power Ventures (Wladyslawowo) Ltd.	8,000	USD	27,108	Jun 30 2013 <sup>(6)</sup>	Security for cash liabilities under acquisition of shares and debt claims
Bank Ochrony Środowiska S.A.	27,413	PLN	27,413	Jun 30 2016	Security for liabilities under a credit facility agreement
Bank Ochrony Środowiska S.A.	9,490	PLN	9,490	Dec 20 2016	Security for liabilities under a credit facility agreement
NORDEA BANK POLSKA S.A.	20,000	PLN	20,000	Jul 31 2012	Security for liabilities under a credit facility agreement
BRE Bank S.A.	35,000	PLN	35,000	Apr 25 2013 <sup>(7)</sup>	Security for liabilities under a credit facility agreement
Millennium Leasing Sp. z o.o.	9,391 <sup>(8), (10)</sup>	EUR	40,018	-	Security for liabilities under lease agreements
NORDEA FINANCE POLSKA S.A.	15,433 <sup>(9), (10)</sup>	EUR	65,765	-	Security for liabilities under lease agreements
Other (each with a unit value of less than PLN 1,000 thousand)	2,128	PLN	2,128	-	-
<b>Total promissory notes issued by the LOTOS Group companies</b>			<b>572,096</b>		
<b>TOTAL FOR THE GROUP</b>			<b>1,112,096</b>		

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

<sup>(2)</sup> The validity term (April 30th 2012) was extended until April 30th 2013.

<sup>(3)</sup> The validity term has been extended until March 15th 2013.

<sup>(4)</sup> The validity term (May 18th 2012) was extended until June 14th 2014.

<sup>(5)</sup> Credit facility agreement of November 7th 2011.

<sup>(6)</sup> The date of payment of the last instalment of the price for the acquisition of shares and debt claims from Stablewood Power Ventures (Wladyslawowo) Ltd.

<sup>(7)</sup> The validity term, previously expiring on April 25th 2012, has been extended until April 25th 2013.

<sup>(8)</sup> The value of leased assets is EUR 11,192.

<sup>(9)</sup> The value of leased assets is EUR 18,582.

<sup>(10)</sup> The value of payment liabilities as at June 30th 2012.

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Dec 31 2011 (PLN '000)	Promissory note(s) amount in foreign currency	Currency of promissory note(s)	Promissory note(s) amount in PLN <sup>(1)</sup>	Expiry date of promissory note(s)	Type
<b>Promissory notes issued by Grupa LOTOS S.A.</b>					
Head of the Customs Office in Gdańsk	240,000	PLN	240,000	Aug 19 2012 <sup>(2)</sup>	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 <sup>(3)</sup>	Security for bank borrowings
<b>Total promissory notes issued by Grupa LOTOS S.A.</b>			<b>540,000</b>		
<b>Promissory notes issued by the LOTOS Group companies</b>					
Head of the Customs Office in Gdańsk	10,000	PLN	10,000	Apr 30 2012 <sup>(4)</sup>	Security for a tax liability
National Fund for Environmental Protection and Water Management	1,500	PLN	1,500	Sep 30 2012	Security for a subsidy
Head of the Customs Office in Gdańsk	7,000	PLN	7,000	Feb 29 2012 <sup>(5)</sup>	Security for excise duty
BRE Bank S.A.	50,000	PLN	50,000	Mar 15 2013 <sup>(6)</sup>	Security for bank borrowings
PKO BP S.A.	60,000	PLN	60,000	Apr 16 2012 <sup>(7)</sup>	Security for bank borrowings
National Fund for Environmental Protection and Water Management	3,450	PLN	3,450	Dec 31 2012	Security for a subsidy
Head of the Customs Office in Bielsko-Biała	13,224	PLN	13,224	Jun 30 2012	Global excise duty security
Bank Polska Kasa Opieki S.A.	200,000	PLN	200,000	-	Security for bank borrowings <sup>(8)</sup>
Stablewood Power Ventures (Wladyslawowo) Ltd.	8,000	USD	27,339	Jun 30 2013 <sup>(9)</sup>	Security for cash liabilities under acquisition of shares and debt claims
Bank Ochrony Środowiska S.A.	27,413	PLN	27,413	Jun 30 2016	Security for liabilities under a credit facility agreement
Bank Ochrony Środowiska S.A.	9,490	PLN	9,490	Dec 20 2016	Security for liabilities under a credit facility agreement
NORDEA BANK POLSKA S.A.	20,000	PLN	20,000	Jul 31 2012	Security for liabilities under a credit facility agreement
BRE Bank S.A.	35,000	PLN	35,000	Apr 25 2012	Security for liabilities under a credit facility agreement
Millennium Leasing Sp. z o.o.	9,824 <sup>(10), (12)</sup>	EUR	43,390	-	Security for liabilities under lease agreements
NORDEA FINANCE POLSKA S.A.	16,143 <sup>(11), (12)</sup>	EUR	71,301	-	Security for liabilities under lease agreements
Other (each with a unit value of less than PLN 1,000 thousand)	2,142	PLN	2,142	-	-
<b>Total promissory notes issued by the LOTOS Group companies</b>			<b>581,249</b>		
<b>TOTAL FOR THE GROUP</b>			<b>1,121,249</b>		

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

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

<sup>(3)</sup> 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.

<sup>(4)</sup> The validity term (April 30th 2011) has been extended until April 30th 2012.

<sup>(5)</sup> The original validity term (February 28th 2011) has been extended until February 29th 2012.

<sup>(6)</sup> The validity term has been extended until March 15th 2012 and again until March 15th 2013, and the facility amount was increased from PLN 30,000 thousand to PLN 50,000 thousand.

<sup>(7)</sup> The validity term has been extended until March 16th 2012 and again until April 16th 2012, and the facility amount was changed from PLN 100,000 thousand to PLN 60,000 thousand.

<sup>(8)</sup> Credit facility agreement of November 7th 2011.

<sup>(9)</sup> The date of payment of the last instalment of the price of the shares and debt claims from Stablewood Power Ventures (Wladyslawowo) Ltd.

<sup>(10)</sup> The value of leased assets is EUR 11,192.

<sup>(11)</sup> The value of leased assets is EUR 18,582.

<sup>(12)</sup> The value of payment liabilities as at December 31st 2011.

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***Commitments under agreements related to purchase of property, plant and equipment***

As at June 30th 2012, the Group did not have any commitments under material agreements related to expenditure on property, plant and equipment.

**16.2 Material court, arbitration or administrative proceedings and other risks of the parent or its subsidiaries**

The following changes occurred with respect to material pending court, arbitration, or administrative proceedings or with respect to other risks of the Company or its subsidiaries since the end of the previous financial year, i.e. December 31st 2011 (see Note 38.4 to the 2011 consolidated 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,

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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 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 consolidated financial statements the case was pending.

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

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 consolidated financial statements the case was pending.

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

3. On January 16th 2012, the arbitration court held a session to hear a case concerning claims brought by Single Buoy Moorings Inc. ("SBM") – supplier of the MOPU (Mobile Operating and Production Unit) to be used in production operations on the YME field. The petition in which SBM presented its claims against Talisman Energy Norge AS and other holders of interests in the YME project was filed with the arbitration court in Norway on January 25th 2011. The petitioner demanded:
  - USD 90,000 thousand as an additional bonus for delivering the MOPU within the deadline set forth in the agreement,

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- USD 3,700 thousand as reimbursement of costs incurred in connection with using a different method to transport the MOPU.

The liability of LOTOS Exploration and Production Norge AS for SBM's claims is 20% of the amounts, i.e. USD 18,740 thousand in total. According to information obtained by LOTOS Exploration and Production Norge AS from Talisman Energy Norge AS, the licence operator and leader of the YME project, in the light of the MOPU Supply Agreement, SBM's claims are unfounded.

On February 20th 2012, a decision in the arbitration proceedings was announced. All claims of Single Buoy Moorings Inc. were dismissed and the arbitration proceedings were closed.

Further, as at the date of approval of these interim condensed consolidated financial statements preparations related to the second arbitration proceedings concerning claims brought by Single Buoy Moorings Inc. ("SBM") against the YME consortium were under way. The claim involves disputed costs of USD 330,000 thousand relating to dealings between the parties under the agreement on delivery of the MOPU to Norway. The share of SBM's claims attributable to LOTOS Exploration and Production Norge AS is 20%.

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

4. On July 23rd 2009, the District Court for Kraków-Śródmieście in Kraków declared KRAK-GAZ Sp. z o.o. bankrupt. The company's estate is managed by a bankruptcy administrator. As at the date of approval of these interim condensed consolidated financial statements, the bankruptcy proceedings were pending. On March 13th 2012, the judge commissioner conducting the bankruptcy proceedings of KRAK-GAZ Sp. z o.o. issued a decision admitting objections to the list of debt claims and recognised the claim of LOTOS Gaz S.A. w likwidacji (in liquidation) in the total amount of PLN 23,695 thousand, including principal amount of PLN 21,435 thousand, and acknowledged claims of PLN 21,132 thousand as secured with mortgages. As at the date of approval of these interim condensed consolidated financial statements, the decision is final.
5. Court proceedings are pending against LOTOS Paliwa Sp. z o.o., instigated by Mr Andrzej Wójcik who conducts business activity under the business name of WANDEKO. On October 28th 2009, the Regional Court of Gdańsk, Commercial Division IX, issued a default judgement awarding PLN 1,921 thousand plus contractual interest from the company to the plaintiff. LOTOS Paliwa Sp. z o.o. recognised a PLN 15,318 thousand provision for the awarded amount, including interest. The company appealed against the judgement by lodging an objection to the default judgement with the Regional Court of Gdańsk on November 10th 2009. Due to the objection, the case is under examination as to its merits by the court of first instance. The default judgement does not constitute an enforceable document as the judgement was reversed following the company's appeal. Concurrently, as by virtue of statutory provisions a default judgement constitutes an interlocutory injunction, LOTOS Paliwa Sp. z o.o. applied for this restriction to be lifted as well. By virtue of a non-final decision of April 14th 2010, the Regional Court of Gdańsk lifted the interlocutory injunction in its entirety, as requested by LOTOS Paliwa Sp. z o.o.. Following a complaint by Mr Andrzej Wójcik of May 18th 2010, in its decision of October 13th 2010 the Gdańsk Court of Appeals changed the decision of the Regional Court of Gdańsk, as a result of which the default judgement continues to constitute an interlocutory injunction. By virtue of its decision of December 28th 2010, the Court of Appeals dismissed Mr Andrzej Wójcik's complaint against the decision issued by the Regional Court of Gdańsk rejecting reversal of the decision to lift the court order making default judgement immediately enforceable, and awarded reimbursement of the cost of proceedings to LOTOS Paliwa Sp. z o.o. The most recent hearing was held on May 22nd 2012 and as at the date of approval of these consolidated financial statements the case was pending.

#### **16.2.1 Material settlements under court proceedings**

In the period January 1st – June 30th 2012, none of the Group companies was a party to material settlements under court proceedings.

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

**17.1 Expenses by nature**

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)
Depreciation and amortisation expense	17.16	164,620	329,888	149,840	273,385
Raw material and consumables used		7,090,150	13,888,219	5,785,084	11,275,014
Services		287,160	527,628	252,026	481,586
Taxes and charges		41,879	97,778	35,282	81,246
Salaries and wages		119,897	239,777	118,882	233,101
Employee benefits expense		33,230	80,299	28,726	71,960
Other expenses		39,687	78,547	41,246	80,261
Merchandise and materials sold		474,143	770,465	223,240	566,795
		=====	=====	=====	=====
<b>Total</b>		<b>8,250,766</b>	<b>16,012,601</b>	<b>6,634,326</b>	<b>13,063,348</b>
		=====	=====	=====	=====
Change in products and adjustments to cost of sales		57,899	(271,177)	(159,742)	(482,264)
		=====	=====	=====	=====
<b>Total operating expenses:</b>		<b>8,308,665</b>	<b>15,741,424</b>	<b>6,474,584</b>	<b>12,581,084</b>
		=====	=====	=====	=====
Cost of sales		7,943,064	15,027,128	6,130,184	11,913,883
Distribution costs		262,872	505,762	246,907	469,228
Administrative expenses		102,729	208,534	97,493	197,973

**17.2 Other expenses**

PLN '000	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2011	6 months ended Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss on disposal of non-current non-financial assets	559	654	531	957
Revaluation of non-financial assets:	938,577	941,315	3,795	6,112
- receivables	3,318	6,034	2,479	4,092
- property, plant and equipment and intangible assets, including:	935,011	935,033	1,316	2,020
- impairment loss on assets related to the YME field <sup>(1)</sup>	934,578	934,578	-	-
- assets held for sale	248	248	-	-
Fines and damages	505	1,129	782	1,060
Other	4,947	8,924	5,121	7,651
	=====	=====	=====	=====
<b>Total</b>	<b>944,588</b>	<b>952,022</b>	<b>10,229</b>	<b>15,780</b>
	=====	=====	=====	=====

<sup>(1)</sup> see Note 17.7 to these interim condensed consolidated financial statements

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### 17.3 Finance income

PLN '000	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)
Dividend received	700	700	514	514
Interest	5,750	11,156	4,782	8,534
Foreign exchange gains	-	16,525	77,139	218,165
- on foreign-currency denominated credit facilities	-	18,861	62,516	180,014
- on foreign-currency denominated borrowings	-	(1,488)	2,015	8,524
- realised foreign exchange differences on foreign-currency transactions in bank accounts	-	(8,542)	35,368	34,730
- on debt securities	-	(479)	546	1,323
- other foreign exchange differences	-	8,173	(23,306)	(6,426)
Gain on disposal of investments	-	150	-	958
Revaluation of financial assets, including:	-	-	-	58,407
- valuation of derivative financial instruments	-	-	-	148,893
- settlement of derivative financial instruments	-	-	-	(90,486)
Other	4	16	42	42
<b>Total</b>	<b>6,454</b>	<b>28,547</b>	<b>82,477</b>	<b>286,620</b>

### 17.4 Finance costs

PLN '000	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2011	6 months ended Jun 30 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest	64,066	121,632	49,618	93,248
- discount on provision for Offshore Oil Rigs	5,255	6,078	4,334	4,824
Foreign exchange losses	211,419	-	-	-
- on foreign-currency denominated credit facilities	234,842	-	-	-
- on foreign-currency denominated borrowings	(27,727)	-	-	-
- realised foreign exchange differences on foreign-currency transactions in bank accounts	24,927	-	-	-
- on debt securities	(4,812)	-	-	-
- other foreign exchange differences	(15,811)	-	-	-
Revaluation of financial assets, including:	153,128	9,658	34,828	-
- valuation of derivative financial instruments	141,478	(27,474)	16,535	-
- settlement of derivative financial instruments	11,650	37,132	18,293	-
Bank fees	3,299	6,606	3,641	8,278
Other	2,974	3,471	-	1,070
Amounts capitalised as part of the value of qualifying assets	(2,210)	(4,610)	(4,876)	(26,647)
<b>Total</b>	<b>432,676</b>	<b>136,757</b>	<b>83,211</b>	<b>75,949</b>

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### 17.5 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 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)
Corporate income tax	20,982	58,371	29,365	54,316
Deferred tax	(779,663)	(677,168)	16,862	106,830
	=====	=====	=====	=====
<b>Total tax charged to consolidated profit</b>	<b>(758,681)</b>	<b>(618,797)</b>	<b>46,227</b>	<b>161,146</b>
	=====	=====	=====	=====
Income tax expense recognised in other net comprehensive income <sup>(1)</sup>	(54,363)	4,488	16,251	46,280

<sup>(1)</sup> including PLN (56,920) thousand and PLN 8,028 thousand due under hedge accounting for the three and six months ended June 30th 2012 (three and six months ended June 30th 2011: PLN 15,580 thousand and PLN 47,284 thousand).

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

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

The change in deferred tax asset and liability disclosed in the consolidated statement of comprehensive income for the six months ended June 30th 2012 and for the six months ended June 30th 2011 was caused mainly by the recognition of tax asset related to the tax loss and provisions for the difference between the carrying amount and the tax value of property, plant and equipment. In particular, for the six months ended June 30th 2012, the major impact on the increase of the deferred tax asset had the fact of the impairment loss recognition on assets related to YME field.

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.



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**17.6 Deferred income tax**

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

PLN '000	Statement of financial position		Statement of comprehensive income for the six months ended
	Jun 30 2012	Dec 31 2011	Jun 30 2012
	(unaudited)	(audited)	(unaudited)
<i>Deferred tax assets</i>			
Provision for employee benefits	34,530	36,701	(2,171)
Impairment losses on inventories	319	1,877	(1,558)
Impairment losses on property, plant and equipment and intangible assets	857,598	206,736	650,862
Negative valuation of derivatives	34,312	35,671	(1,359)
Exchange differences on revaluation of foreign-currency denominated items	111	320	(209)
Impairment losses on receivables	16,642	17,767	(1,125)
Finance lease	33,496	33,765	(269)
Mining Facilities Decommissioning Fund and provision for reclamation	24,983	20,746	4,237
Unrealised margin assets	8,648	2,382	6,266
Accrued tax loss carry-forward	909,650	769,794	139,856
Other provisions	8,265	6,011	2,254
Tax relief on biocomponents	14,257	15,752	(1,495)
Cash flow hedge accounting	90,322	98,350	(8,028)
Other	16,604	18,726	(2,122)
	=====	=====	=====
Deferred tax assets	2,049,737	1,264,598	785,139
	=====	=====	=====
<i>Deferred tax liabilities</i>			
Difference between present tax and accounting value of property, plant and equipment and intangible assets	921,863	809,221	112,642
Positive valuation of derivatives	3,504	6,088	(2,584)
Finance lease	31,311	33,527	(2,216)
Exchange differences on translating foreign operations recognised in equity	10,324	13,864	(3,540)
Exchange differences on revaluation of foreign-currency denominated items	7,603	6,312	1,291
Provision for Lithuanian licences acquired	58,422	60,557	(2,135)
Other <sup>(1)</sup>	42,385	40,127	2,258
	=====	=====	=====
Deferred tax liabilities	1,075,412	969,696	105,716
	=====	=====	=====
Deferred tax expense			679,423
			=====
Exchange differences on translating foreign operations			(6,743)
Deferred tax disclosed under other comprehensive income			4,488
			=====
Deferred tax expense recognised under consolidated net profit			677,168
			=====
Net deferred tax assets/liabilities, including:	974,325	294,902	
Deferred tax assets	2,049,737	1,264,598	
Deferred tax liabilities	(1,075,412)	(969,696)	
	=====	=====	

<sup>(1)</sup>including accrued interest of PLN 22,296 thousand (December 31st 2011: PLN 16,968 thousand).

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As the Group companies are separate taxpayers, deferred tax assets and deferred tax liabilities are calculated at each company individually. Deferred tax assets and deferred tax liabilities are offset by the Group companies. Consequently, deferred tax assets and liabilities in the consolidated statements of financial position are presented as follows:

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Deferred tax assets	1,103,498	400,128
Deferred tax liabilities	(129,173)	(105,226)
	=====	=====
<b>Net deferred tax assets/(liabilities)</b>	<b>974,325</b>	<b>294,902</b>
	=====	=====

Taxable temporary differences are expected to expire in 2011–2085.

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

As at June 30th 2012, the value of losses with respect to which no deferred tax assets were recognised in the consolidated statement of financial position was PLN 69,531 thousand (December 31st 2011: PLN 69,392 thousand).

### 17.7 Property, plant and equipment, prepayments for tangible assets under construction and intangible assets

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Land	409,913	401,744
Buildings and structures	3,537,120	3,583,780
Plant and equipment	4,334,006	4,441,854
Vehicles and other	481,522	538,102
	=====	=====
<b>Total property, plant and equipment</b>	<b>8,762,561</b>	<b>8,965,480</b>
	=====	=====
Tangible assets under construction	639,015	1,513,492
Prepayments for tangible assets under construction	125,416	44,578
	=====	=====
<b>Total tangible assets under construction</b>	<b>764,431</b>	<b>1,558,070</b>
	=====	=====
Intangible assets	442,447	475,580
	=====	=====
<b>Total</b>	<b>9,969,439</b>	<b>10,999,130</b>

As at June 30th 2012, financing costs capitalised in tangible assets under construction and prepayments for tangible assets under construction amounted to PLN 39,513 thousand (December 31st 2011: PLN 35,078 thousand).

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 4,610 thousand (six months ended June 30th 2011: PLN 26,647 thousand).

As at June 30th 2012, the net value of oil and gas facilities decommissioning asset was PLN 127,224 thousand (December 31st 2011: PLN 133,094 thousand),

In the six months ended June 30th 2012, the cost of depreciation of assets in respect of which technical feasibility and commercial viability of extracting a mineral resource have been demonstrated amounted to PLN 4,002 thousand (six months ended June 30th 2011: PLN 9,573 thousand).

Costs of direct purchases of materials and investment services related to exploration and appraisal assets for the six months ended June 30th 2012 amounted to PLN 73,571 thousand (six months ended June 30th 2011: PLN 5,291 thousand), including direct cash flows from investing activities related to exploration and appraisal assets of PLN 72,952 thousand (six months ended June 30th 2011: PLN 2,730 thousand). As at June 30th 2012, investment commitments amounted to PLN 619 thousand (December 31st 2011: PLN 1,922 thousand).

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In the six months ended June 30th 2012, impairment losses on exploration and appraisal assets amounted to PLN 348 thousand (six months ended June 30th 2011: PLN 287 thousand).

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

PLN '000	Tangible assets	Tangible assets under construction	repayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
<b>Gross carrying amount as at Jan 1 2012 (audited)</b>	<b>11,510,562</b>	<b>1,861,798</b>	<b>44,578</b>	<b>13,416,938</b>	<b>673,621</b>	<b>14,090,559</b>
Increase, including:	122,674	73,630	80,838	277,142	(8,443)	268,699
- purchase	16,244	182,478	82,230	280,952	3,400	284,352
- transfer from investments	107,980	(110,991)	-	(3,011)	3,011	-
- exchange differences on translating foreign operations	(4,840)	(4,777)	718	(8,899)	(14,587)	(23,486)
Decrease	(33,977)	(3,413)	-	(37,390)	(216)	(37,606)
<b>Gross carrying amount as at Jun 30 2012 (unaudited)</b>	<b>11,599,259</b>	<b>1,932,015</b>	<b>125,416</b>	<b>13,656,690</b>	<b>664,962</b>	<b>14,321,652</b>
<b>Gross carrying amount as at Jan 1 2011 (audited)</b>	<b>8,205,689</b>	<b>4,334,037</b>	<b>16,262</b>	<b>12,555,988</b>	<b>200,872</b>	<b>12,756,860</b>
Increase, including:	3,114,888	(2,733,272)	(6,001)	375,615	409,333	784,948
- purchase	15,632	269,533	2,405	287,570	3,673	291,243
- transfer from investments	3,022,397	(3,060,936)	-	(38,539)	38,539	-
- acquisition of control over the AB LOTOS Geonafta Group	83,622	10,163	-	93,785	364,674	458,459
- exchange differences on translating foreign operations	(6,759)	13,608	-	6,849	2,490	9,339
Decrease	(72,695)	(75,370) <sup>(1)</sup>	(20)	(148,085)	(973)	(149,058)
<b>Gross carrying amount as at Jun 30 2011 (restated) (unaudited)</b>	<b>11,247,882</b>	<b>1,525,395</b>	<b>10,241</b>	<b>12,783,518</b>	<b>609,232</b>	<b>13,392,750</b>
<b>Accumulated depreciation as at Jan 1 2012 (audited)</b>	<b>2,520,898</b>	-	-	<b>2,520,898</b>	<b>133,701</b>	<b>2,654,599</b>
Increase, including:	304,888	-	-	304,888	24,870	329,758
- amortisation	303,563	-	-	303,563	26,326	329,889
- exchange differences on translating foreign operations	(963)	-	-	(963)	(1,384)	(2,347)
Decrease	(12,570)	-	-	(12,570)	(158)	(12,728)
<b>Accumulated depreciation as at Jun 30 2012 (unaudited)</b>	<b>2,813,216</b>	-	-	<b>2,813,216</b>	<b>158,413</b>	<b>2,971,629</b>
<b>Accumulated depreciation as at Jan 1 2011 (audited)</b>	<b>2,027,081</b>	-	-	<b>2,027,081</b>	<b>77,724</b>	<b>2,104,805</b>
Increase, including:	248,117	-	-	248,117	25,635	273,752
- amortisation	249,870	-	-	249,870	23,574	273,444
- acquisition of control over the AB LOTOS Geonafta Group	-	-	-	-	1,948	1,948
- exchange differences on translating foreign operations	(4,256)	-	-	(4,256)	105	(4,151)
Decrease	(48,514)	-	-	(48,514)	(658)	(49,172)
<b>Accumulated depreciation as at Jun 30 2011 (restated) (unaudited)</b>	<b>2,226,684</b>	-	-	<b>2,226,684</b>	<b>102,701</b>	<b>2,329,385</b>

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PLN '000	Tangible assets	Tangible assets under construction	repayments for tangible assets under construction	Total property, plant and equipment	Intangible assets	Total
<b>Impairment losses as at Jan 1 2012 (audited)</b>	<b>24,184</b>	<b>348,306</b>	<b>-</b>	<b>372,490</b>	<b>64,340</b>	<b>436,830</b>
Increase, including:	46	944,694 <sup>(2)</sup>	-	944,740	(238)	944,502
- exchange differences on translating foreign operations	(140)	9,766	-	9,626	(238)	9,388
Decrease	(748)	-	-	(748)	-	(748)
<b>Impairment losses as at Jun 30 2012 (unaudited)</b>	<b>23,482</b>	<b>1,293,000</b>	<b>-</b>	<b>1,316,482</b>	<b>64,102</b>	<b>1,380,584</b>
<b>Impairment losses as at Jan 1 2011 (audited)</b>	<b>4,810</b>	<b>136,615</b>	<b>-</b>	<b>141,425</b>	<b>28,323</b>	<b>169,748</b>
Increase, including:	4,766	2,496	-	7,262	313	7,575
- acquisition of control over the AB LOTOS Geonafta Group	3,575	1,833	-	5,408	-	5,408
- exchange differences on translating foreign operations	18	15	-	33	313	346
Decrease	(490)	(69,239) <sup>(1)</sup>	-	(69,729)	(459)	(70,188)
<b>Impairment losses as at Jun 30 2011 (restated) (unaudited)</b>	<b>9,086</b>	<b>69,872</b>	<b>-</b>	<b>78,958</b>	<b>28,177</b>	<b>107,135</b>
<b>Net carrying amount Jun 30 2012 (unaudited)</b>	<b>8,762,561</b>	<b>639,015</b>	<b>125,416</b>	<b>9,526,992</b>	<b>442,447</b>	<b>9,969,439</b>
<b>Net carrying amount Jan 1 2012 (audited)</b>	<b>8,965,480</b>	<b>1,513,492</b>	<b>44,578</b>	<b>10,523,550</b>	<b>475,580</b>	<b>10,999,130</b>
<b>Net carrying amount Jun 30 2011 (restated) (unaudited)</b>	<b>9,012,112</b>	<b>1,455,523</b>	<b>10,241</b>	<b>10,477,876</b>	<b>478,354</b>	<b>10,956,230</b>

<sup>(1)</sup> including: 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),

<sup>(2)</sup> including: impairment loss on assets related to the YME field, discussed below.

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

As at June 30th 2012, the item "Tangible assets under construction" includes expenditure of PLN 49,248 thousand incurred by LOTOS Petrobaltic S.A. on gas exploration at the B-4 and B-6 fields (of which PLN 48,656 thousand was attributable to exploration and evaluation of reserves). Since 2010, impairment losses on these assets have been recognised in full and charged to other expenses. According to the findings of the analyses which have been carried out, significant capital expenditure is required to obtain profitable commercial production of hydrocarbons. In the short term, LOTOS Petrobaltic S.A. does not plan to incur any material expenditure on development of the B-4 and B-6 gas fields, until a joint venture partner is found and the terms of cooperation are determined.

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

The item "Tangible assets under construction" includes expenditure of NOK 2,707m (i.e. PLN 1,531m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012) incurred by LOTOS Exploration and Production Norge AS by June 30th 2012 on the purchase of interests in Norwegian production licences (PL 316 and PL 316B) and on development of the YME field, further adjusted for the tax effect of the YME field purchase transaction by the amount of NOK 76m (i.e. PLN 43m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012).

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During its execution in Norway, the YME project suffered significant delays and cost overruns, and the project itself is the subject matter of arbitration proceedings involving the contractor responsible for the delivery of the platform. For this reason, the operator of the YME field, Talisman Energy Norge AS, carried out (and concluded in April 2012) further internal and external analyses of the YME project, which resulted in updating the project cost estimates and the scheduled completion date. This in turn led to recognition of an impairment loss on the project in the interim financial statements for the three months ended March 31st 2012. The operator cited the delays in project execution and the need to perform significant work prior to the production launch as the main reasons for recognising the impairment loss. Talisman Energy Norge AS further stated that it continued close cooperation with the project partners and the supplier of the Mobile Offshore Production Unit (the production component of the platform), Single Buoy Moorings Inc. (hereinafter referred to as SBM), with a view to achieving full understanding of the scope of work remaining to be done. However, the operator is also considering other options for completing the development of the YME field. Such optional scenarios were not considered earlier, that is at the time of preparation of the consolidated financial statements for the financial year ended December 31st 2011.

In order to meet the marine safety and environmental standards applicable in Norway, and to achieve production readiness, it has proved necessary to incur capital expenditure considerably exceeding the cost originally projected in December 2011. The updated scenario (as at June 30th 2012) provides for the launch of production from the YME field in Q3 2015, compared with Q1 2013 assumed for the purposes of the impairment test performed as at December 31st 2011.

In light of the information presented above and having identified possible impairment, as at June 30th 2012, the Group tested these assets for impairment based on a discounted cash flow analysis of LOTOS Exploration and Production Norge AS's interests in the hydrocarbon reserves held under the acquired production licences covering the YME field development project. Following the impairment test, the Group recognised another impairment loss on the YME assets. Taking into account the impairment loss, the carrying amount of the assets under construction of the YME project as at June 30th 2012 was NOK 584m (i.e. PLN 330m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012). The assumptions and methodology for projecting crude prices, foreign exchange rates and the discount rate are the same as those made as at the end of December 2011.

The YME field impairment test as at June 30th 2012 was carried out assuming a change in crude oil prices by +/-15%/bbl relative to Brent crude spot and forward prices as at June 29th 2012, a +/-15% change on the USD/NOK forward rate as at June 29th 2012, and a +/-15% change in the YME field reserves, and a weighted average cost of capital of 7.5% subject to a 78% marginal tax rate (applicable in Norway).

For the purposes of the test as at June 30th 2012, a scenario was adopted providing for the launch of production in Q3 2015, while the scenario used for the impairment test as at December 31st 2011 provided for the launch in January 2013. Also, for the purposes of the most recent test, a materially higher capital expenditure was assumed, as discussed to above, necessary to bring the platform in compliance with the safety and environmental standards applicable in Norway.

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

Based on such assumptions, it was concluded that as at June 30th 2012 the carrying amount of the assets related to the YME field exceeded the upper limit of the recoverable amount ranges determined, hence an impairment loss was recognised on the tested asset, of NOK 1,672m (i.e. PLN 945m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for June 30th 2012), compared with the impairment loss of NOK 451m (i.e. PLN 256m, translated at the NOK/PLN mid-exchange rate quoted by the National Bank of Poland for December 31st 2011), recognised as at the end of 2011. In the statement of comprehensive income for the six months ended June 30th 2012, as in the statement for 2011, the impairment loss on the assets related to the YME field was recognised in 'Other income' at PLN 935m (translated at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the last day of each month ended within the period from January 1st to June 30th 2012). The effect of the impairment loss on the net result for the six months ended June 30th 2012, net of deferred tax, was NOK 510.4m (i.e. PLN 285m translated at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the last day of each month ended in the period from January 1st to June 30th 2012), compared with the effect of NOK 159m (i.e. PLN 84.57m translated at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the last day of each month ended within the period from January 1st 2011) on the 2011 net result.

Taking into consideration the impairment losses recognised on the capital expenditure on the YME field, as well as earlier deductible tax losses, in the statement of financial position as at June 30th 2012, the Group recognised a deferred tax asset totalling NOK 1,858m (i.e. PLN 1,051 m translated at the NOK/PLN mid exchange rate quoted by the National Bank of Poland for June 30th 2012). Based on the completed analyses and obtained legal opinions, and taking into consideration the Norwegian tax legislation, which does not impose any time limit for settling deductible tax losses, the Group believes that the deferred tax asset recognised as at June 30th 2012 is fully recoverable in the amount disclosed in these interim condensed consolidated financial statements.

### Sensitivity to changes in the adopted assumptions

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

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

Due to high market volatility, in particular with respect to crude oil prices, the adopted assumptions might be subject to reasonable changes, as a result of which it may be necessary to further reduce the carrying amount of the YME field due to the fact that it will exceed its recoverable amount. Therefore, it is uncertain whether the assets recognised in connection with the YME field will be realised, as the projected cash flows depend on a number of future developments, including in particular crude price fluctuations, and the level of the expected additional capital expenditure required in the future largely depends on the contractual relation between Talisman Energy, the YME operator, and SBM, the producer and supplier of the MOPU.

Under "Intangible assets" LOTOS Exploration and Production Norge AS recognised expenditure incurred on the exploration licences. As at June 30th 2012, the expenditure amounted to NOK 144,914 thousand (i.e. PLN 81,949 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for June 30th 2012) and was related primarily to the PL 455 licence. As drillings under the licences held by LOTOS Exploration and Production Norge AS produced no positive results, as at June 30th 2012 the company recognised impairment losses on capitalised costs of exploration work made in the previous years, in a total amount of NOK 113,305 thousand (i.e. PLN 64,074 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for June 30th 2011),

As at June 30th 2012, the carrying amount of all intangible assets related to exploration licences held by LOTOS Exploration and Production Norge AS, net of impairment loss, was NOK 31,609 (i.e. PLN 17,875, translated at the mid-exchange rate quoted by the National Bank of Poland for June 30th 2012).

### 17.8 Non-current financial assets

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Shares in other entities	9,746	9,746
Positive valuation of derivative financial instruments:	1,277	12,098
- futures (CO <sub>2</sub> emissions)	1,277	-
- interest rate swap (IRS)	-	12,098
Other non-current financial assets	46,220	74,345
- decommissioning fund	25,037	24,491
- deposits	-	38,106 <sup>(1)</sup>
- security deposits (margins) <sup>(2)</sup>	21,183	11,748
<b>Total</b>	<b>57,243</b>	<b>96,189</b>

<sup>(1)</sup> 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 17.11 Current financial assets.

<sup>(2)</sup> Security deposits (margins) include PLN 19,072 thousand (December 31st 2011: PLN 9,637 thousand) 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.

### 17.9 Inventories

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Finished products	1,743,114	1,544,783
Semi-finished products and work in progress	665,650	623,582
Merchandise	231,863	238,397
Materials	3,149,924	3,449,078
<b>Net inventories</b>	<b>5,790,551</b>	<b>5,855,840</b>

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As at June 30th 2012, the carrying amount of inventories measured at cost was PLN 5,777,800 thousand, The value of inventories measured at net realisable value was PLN 12,751 (December 31st 2011: PLN 5,837,055 thousand and PLN 18,785 thousand, respectively).

**Impairment losses on inventories**

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Finished products	468	4,592
Semi-finished products and work in progress	40	58
Merchandise	30	42
Materials	2,579	6,745
	=====	=====
Total impairment losses on inventories	<b>3,117</b>	<b>11,437</b>
	=====	=====

**Change in impairment losses on inventories**

PLN '000	<u>6 months ended</u> <u>Jun 30 2012</u> <u>(unaudited)</u>	<u>6 months ended</u> <u>Jun 30 2011</u> <u>(unaudited)</u>
<b>At beginning of the period</b>	<b>11,437</b>	<b>7,586</b>
Increase, including:	1,094	1,208
- acquisition of control over the AB LOTOS Geonafta Group	-	961
- currency translation differences on foreign operations	(43)	4
Release	(9,250) <sup>(1)</sup>	(504)
Use	(164)	(314)
	=====	=====
<b>At end of the period</b>	<b>3,117</b>	<b>7,976</b>
	=====	=====

<sup>(1)</sup> including PLN 4,864 under reversal of an impairment loss on materials, following their use for own needs, sale and change in classification of inventories in the perspective of the overhaul shutdown planned for 2013.

Gross value of mandatory reserves is as follows:

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Mandatory reserves	4,365,803	4,427,752
	=====	=====

**17.10 Trade and other receivables**

PLN '000	Note	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
Trade receivables, including:		2,166,934	2,075,562
- from related entities	17.17	1,296	90
Receivables from the state budget other than corporate income tax		60,342	52,858
Receivables under start-up packages		2,301	1,947
Security deposits receivable		10,610	7,998
Investment receivables		209	1,299
Other receivables <sup>(1)</sup>		67,396	50,365
<b>Net receivables</b>		<b>2,307,792</b>	<b>2,190,029</b>
Impairment losses on receivables		180,057	178,410
		=====	=====
<b>Gross receivables</b>		<b>2,487,849</b>	<b>2,368,439</b>
		=====	=====

<sup>(1)</sup> Including excise duty of PLN 25,808 thousand due to inter-warehouse transfers (December 31st 2011: PLN 33,620 thousand).

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### Impairment losses on receivables

PLN '000	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
<b>At beginning of the period</b>	<b>178,410</b>	<b>182,213</b>
Increase, including:	9,032	5,849
- acquisition of control over the AB LOTOS Geonafta Group	-	305
- currency translation differences on foreign operations	11	1
Release	(2,063)	(1,618)
Use	(5,322)	(2,195)
	=====	=====
<b>At end of the period</b>	<b>180,057</b>	<b>184,249</b>
	=====	=====

### 17.11 Current financial assets

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Positive valuation of derivative financial instruments:	37,730	37,202
- commodity swaps (commodities and petroleum products)	5,931	-
- futures (CO <sub>2</sub> emissions)	180	8,304
- currency forward and spot contracts	20,567	17,258
- interest rate swap (IRS)	11,052	11,640
Deposits <sup>(1)</sup>	101,802	40,565
Loans advanced	-	1,614
Blocked cash in bank	18,320 <sup>(2)</sup>	49,671 <sup>(2, 3)</sup>
	=====	=====
<b>Total</b>	<b>157,852</b>	<b>129,052</b>
	=====	=====

<sup>(1)</sup> The item "Deposits" comprises primarily deposits of Grupa LOTOS S.A.:

- 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.

The item "Blocked cash in bank" mainly includes:

- <sup>(2)</sup> - cash of PLN 18,320 thousand (December 31st 2011: PLN 18,320 thousand) in LOTOS Paliwa Sp. z o.o.'s bank account on which a hold has been placed by a court enforcement officer in connection with court proceedings concerning WANDEKO.
- <sup>(3)</sup> - as at December 31st 2011, cash of PLN 26,169 thousand representing AB LOTOS Geonafta's liabilities under the acquisition of shares in UAB Meditus. The amount of the liabilities was held in an escrow account to secure AB LOTOS Geonafta's potential claims against the selling shareholders. The amount was paid on February 3rd 2012.
- as at December 31st 2011, cash of PLN 5,182 thousand held by the LOTOS Petrobaltic Group, serving as security for payment of interest on certain borrowings, fully released following the repayment of the borrowings.



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**17.12 Interest-bearing borrowings and other debt instruments**

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Bank borrowings	7,280,278	7,368,073
Non-bank borrowings	20,306	23,556
<b>Total</b>	<b>7,300,584</b>	<b>7,391,629</b>
including:		
non-current	4,891,364	4,983,889
current portion	2,409,220	2,407,740

**Bank borrowings and other debt instruments as at June 30th 2012, by currency and by maturity**

(unaudited) PLN '000	EUR facilities	USD facilities	PLN facilities	Total
Up to 1 year	26,825	1,925,137	457,258	2,409,220
From 1 to 2 years	2,511	368,941	59,604	431,056
From 2 to 3 years	2,511	450,628	42,183	495,322
From 3 to 4 years	1,256	449,174	21,298	471,728
From 4 to 5 years	-	454,440	20,566	475,006
Over 5 years	-	3,002,205	16,047	3,018,252
<b>Total</b>	<b>33,103</b>	<b>6,650,525</b>	<b>616,956</b>	<b>7,300,584</b>

The above table presents facilities by maturity,

**Bank borrowings and other debt instruments as at December 31st 2011, by currency and by maturity**

(audited) PLN '000	EUR facilities	USD facilities	PLN facilities	Total
Up to 1 year	219,540	1,976,983	211,217	2,407,740
From 1 to 2 years	2,603	297,063	59,229	358,895
From 2 to 3 years	2,603	405,466	74,553	482,622
From 3 to 4 years	2,603	421,101	20,381	444,085
From 4 to 5 years	-	459,145	17,606	476,751
Over 5 years	-	3,204,118	17,418	3,221,536
<b>Total</b>	<b>227,349</b>	<b>6,763,876</b>	<b>400,404</b>	<b>7,391,629</b>

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 mid-exchange rate for USD quoted by the National Bank of Poland for June 30th 2012) was drawn under the Parent's 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 mid-exchange rate for USD 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.

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

Bank name; form of incorporation	Registered office	As at	Facility amount as per agreement		Outstanding amount (current portion) <sup>(1)</sup>		Outstanding amount (non-current portion) <sup>(1)</sup>		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security	
			PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion			
Bank 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 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 <sup>(3)</sup>	
		Jun 30 2012			1,358,553	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 margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale contracts with a value of over PLN 10,000 thousand per year, submission to enforcement <sup>(3)</sup>	
		Jun 30 2012			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	Oct 15 2012	Jan 15 2021	fixed interest rate		
	Jun 30 2012	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	-		3M WIBOR + bank margin	management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale contracts with a value of over PLN 10,000 thousand per year, submission to enforcement <sup>(3)</sup>
		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 2012			1,586	372 EUR	-	-					
Bank Syndicate (5)	Warsaw	Dec 31 2011	340,000	-	43,573	-	86,895	-	Dec 31 2012	Dec 31 2014	1M WIBOR + bank margin	mortgage <sup>(3)</sup>	
		Jun 30 2012			43,565	-	65,171	-	Jun 30 2013				
Kredyt Bank S.A.	Warsaw	Dec 31 2011	60,000	-	7,607	-	14,988	-	Dec 31 2012	Jun 30 2015	1M WIBOR + bank margin	mortgage <sup>(3)</sup>	
		Jun 30 2012			7,593	-	11,988	-	Jun 30 2013				
PKO BP S.A.	Warsaw	Jun 30 2012	75,000	-	208	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	submission to enforcement, power of attorney over bank account <sup>(3)</sup>	
Pekao S.A.	Warsaw	Dec 31 2011	20,000	-	1,500	-	16,625	-	Dec 31 2012	Dec 31 2019	1M WIBOR + bank margin	mortgage <sup>(3)</sup>	
		Jun 30 2012					15,875		-	Jun 30 2013			Dec 31 2018
PKO BP S.A.	Warsaw	Dec 31 2011	20,000	-	1,875	-	16,625	-	Dec 31 2012	Dec 31 2019	1M WIBOR + bank margin	mortgage <sup>(3)</sup>	
		Jun 30 2012					-		15,875	-			Jun 30 2013
Nordea Bank Polska S.A.	Gdynia	Dec 31 2011	50,000	-	18,564	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	blank promissory note <sup>(3)</sup>	
		Jun 30 2012			43,425		-						-
BRE Bank S.A.	Warsaw	Dec 31 2011	35,000	-	14,174	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note <sup>(3)</sup>	

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Bank name; form of incorporation	Registered office	As at	Facility amount as per agreement		Outstanding amount (current portion) <sup>(1)</sup>		Outstanding amount (non-current portion) <sup>(1)</sup>		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security	
			PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion			
		Jun 30 2012			21,148								
Nordea Bank Polska S.A.	Gdynia	Jun 30 2012	20,000	-	19,714	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	blank promissory note <sup>(3)</sup>	
Provincial Fund for Environmental Protection	Gdańsk	Dec 31 2011	5,000	-	-	-	5,000	-	-	Nov 30 2017	0.8 of the promissory note rediscount rate	blank promissory note, assignment of claims <sup>(3)</sup>	
		Jun 30 2012			250		4,750						
Pekao S.A.	Warsaw	Jun 30 2012	30,000	-	28,357	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	assignment of claims; registered pledge over inventories; assignment of rights under insurance policy <sup>(3)</sup>	
Pekao S.A.	Kraków	Dec 31 2011	26,837	7,060 EUR	2,604	-	589 EUR	7,809	1,767 EUR	Oct 31 2012	1M EURIBOR + bank margin	assignment of claims; registered pledge over inventories; assignment of rights under insurance policy <sup>(3)</sup>	
	Warsaw	Jun 30 2012	-		2,511		6,278	1,473 EUR	Apr 30 2013	Oct 31 2015			
Pekao S.A.	Kraków	Dec 31 2011	44,754	-	32	-	-	96	-	Oct 31 2012	1M WIBOR + bank margin	assignment of claims; registered pledge over inventories; assignment of rights under insurance policy <sup>(3)</sup>	
	Warsaw	Jun 30 2012						80		Apr 30 2013			
National Fund for Environmental Protection and Water Management	Warsaw	Dec 31 2011	35,000	-	6,500	-	-	12,056	-	Dec 20 2012	0.8 of the promissory note rediscount rate	bank guarantee blank promissory note <sup>(3)</sup>	
		Jun 30 2012			6,250			9,056		Jun 30 2013			
BRE Bank S.A.	Warsaw	Dec 31 2011	50,000	-	19,077	-	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note <sup>(3)</sup>
		Jun 30 2012			18,193								
ING Bank Śląski S.A.	Warsaw	Jun 30 2012	35,000	-	31,850	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	submission to enforcement <sup>(3)</sup>	
Pekao S.A.	Warsaw	Dec 31 2011	100,000	-	728	-	-	-	-	Overdraft facility	-	1M WIBOR + bank margin	submission to enforcement, power of attorney over bank account <sup>(3)</sup>
		Jun 30 2012			91,876								
Bank Ochrony Środowiska S.A.	Warsaw	Dec 31 2011	68,000	-	-	-	-	22,312	-	-	Jun 30 2016	mortgage, assignment of tangible assets, assignment of rights under insurance policy, blank promissory note, assignment of rights under sale agreements <sup>(3)</sup>	
		Jun 30 2012			174			22,313		Jul 6 2012			
Bank Ochrony Środowiska S.A.	Warsaw	Dec 31 2011	14,688	-	-	-	-	9,490	-	-	Jun 30 2016		
		Jun 30 2012			66					Jul 6 2012			
Bank Ochrony Środowiska S.A.	Warsaw	Dec 31 2011	5,100	-	-	-	-	5,100	-	-	Dec 20 2016		
		Jun 30 2012			38					Jul 6 2012			
Nordea Bank Polska S.A.	Warsaw	Jun 30 2012	106,764	32,979 USD	-	-	-	92,573	27,483 USD	-	6M LIBOR USD + bank margin	maritime mortgage, registered pledge over tangible assets, registered pledge over shares in AB LOTOS Geonaf <sup>(3)</sup>	

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Bank name; form of incorporation	Registered office	As at	Facility amount as per agreement		Outstanding amount (current portion) <sup>(1)</sup>		Outstanding amount (non-current portion) <sup>(1)</sup>		Maturity date		Financial terms and conditions (interest rate, interest payment schedule, etc.)	Type of security
			PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion		
Nordea Bank Polska S.A.	Warsaw	Jun 30 2012	35,588	10,993 USD	36,715	10,991 USD	-	-	-	Jun 30 2013	6M LIBOR USD + bank margin	maritime mortgage, registered pledge over tangible assets, registered pledge over shares in AB LOTOS Geonafca <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	2,868	847 USD	2,868	847 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	2,571	760 USD	2,571	760 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	3,688	1,090 USD	3,688	1,090 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	24,592	7,268 USD	24,592	7,268 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	16,542	4,862 USD	16,452	4,862 USD	-	-	Oct 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	583	172 USD	583	172 USD	-	-	Oct 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	102,527	30,302 USD	102,527	30,302 USD	-	-	Oct 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
PKO BP S.A.	Warsaw	Jun 30 2012	117,404	34,698 USD	116,952	34,565 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(3)</sup>
Pekao S.A.	Warsaw	Jun 30 2012	200,000 or equivalent in USD or EUR		146,954	43,369 USD	-	-	Jun 30 2013	-	3M LIBOR USD + bank margin	blank promissory note <sup>(3)</sup>
					22,728	5,334 EUR	-	-		-	3M EURIBOR + bank margin	
Pekao S.A.	Warsaw	Dec 31 2011	300,000	-	2,842	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank margin	submission to enforcement, power of attorney over bank account <sup>(4)</sup>
		Jun 30 2012	-	-	-	-	-	-	-	-	-	
ING Bank Śląski S.A.	Warsaw	Dec 31 2011	100,000	-	5	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank margin	submission to enforcement <sup>(4)</sup>
		Jun 30 2012	-	-	-	-	-	-	-	-	-	
PKO BP S.A.	Warsaw	Dec 31 2011	-	32,500 USD	83,212	24,463 USD	-	-	Overdraft facility <sup>(2)</sup>	-	1M LIBOR USD + bank margin	pledge, guarantee <sup>(4)</sup>
		Jun 30 2012	-	-	-	-	-	-	-	-	-	
PKO BP S.A.	Warsaw	Dec 31 2011	-	47,500 USD	161,569	47,500 USD	-	-	Dec 31 2012	-	1M LIBOR USD + bank margin	pledge, guarantee, blank promissory note <sup>(4)</sup>
		Jun 30 2012	-	-	-	-	-	-	-	-	-	

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			PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	PLN ('000)	Currency ('000)	Current portion	Non-current portion		
Pekao S.A.	Warsaw	Dec 31 2011	160,000 or equivalent in USD or EUR		147,920	43,284 USD	-	-	Dec 31 2012	-	3M LIBOR USD + bank margin	blank promissory note <sup>(4)</sup>
		Jun 30 2012	-		-	-	-	-	Dec 31 2012	-	3M EURIBOR + bank margin	
Bank syndicate (6)	-	Dec 31 2011	-	43,000 EUR	193,104	43,720 EUR	-	-	Apr 14 2012 <sup>(5)</sup>	-	6M EURIBOR + bank margin	mortgage, registered pledge, submission to enforcement, surety <sup>(4)</sup>
		Jun 30 2012	-	-	-	-	-	-	-	-	-	
Funds in bank deposits securing payment of interest and principal instalments			<b>As at Dec 31 2011</b>		(177,011)	(51,797) USD					-	-
			<b>As at Jun 30 2012</b>		(313,026)	(92,379) USD					-	-
<b>TOTAL</b>			<b>As at Dec 31 2011</b>		<b>211,217</b>	-	<b>189,187</b>	-			-	-
			<b>As at Jun 30 2012</b>		<b>457,258</b>	-	<b>159,698</b>	-			-	-
			<b>As at Dec 31 2011</b>		<b>1,976,983</b>	<b>578,468 USD</b>	<b>4,786,893</b>	<b>1,394,645 USD</b>			-	-
			<b>As at Jun 30 2012</b>		<b>1,925,137</b>	<b>568,029 USD</b>	<b>4,725,388</b>	<b>1,389,154 USD</b>			-	-
			<b>As at Dec 31 2011</b>		<b>219,540</b>	<b>49,705 EUR</b>	<b>7,809</b>	<b>1,767 EUR</b>			-	-
			<b>As at Jun 30 2012</b>		<b>26,825</b>	<b>6,295 EUR</b>	<b>6,278</b>	<b>1,473 EUR</b>			-	-
			<b>As at Dec 31 2011</b>		<b>2,407,740</b>	-	<b>4,983,889</b>	-			-	-
			<b>As at Jun 30 2012</b>		<b>2,409,220</b>	-	<b>4,891,364</b>	-			-	-

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

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

<sup>(3)</sup> Security as at Jun 30 2012

<sup>(4)</sup> Security as at Dec 31 2011

<sup>(5)</sup> The loan was repaid in full on April 16th 2012.

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.

Bank syndicate (5): Pekao S.A. and PKO BP S.A.

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**17.12.1 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 Group did not default on any of its credit facilities or debt instruments or breach any material covenants under its credit facilities or debt instruments.

**17.13 Provisions**

PLN '000	<u>Jun 30 2012</u> <u>(unaudited)</u>	<u>Dec 31 2011</u> <u>(audited)</u>
<b>Long-term provisions</b>		
Provision for land reclamation	60,239	60,324
Length-of-service awards and retirement severance payments	115,331	115,914
Provision for Offshore Oil and Gas Facilities	228,461	222,586
Other provisions	280	280
	-----	-----
<b>Total long-term provisions</b>	<b>404,311</b>	<b>399,104</b>
	=====	=====
<b>Short-term provisions</b>		
Provision for land reclamation	233	233
Length-of-service awards and retirement severance payments	14,196	15,887
Other provisions	5,066	5,238
	-----	-----
<b>Total short-term provisions</b>	<b>19,495</b>	<b>21,358</b>
	=====	=====
<b>Total</b>	<b>423,806</b>	<b>420,462</b>
	=====	=====

The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of- service awards and retirement severance payments	Provision for Offshore Oil and Gas Facilities	Other provisions <sup>(1)</sup>	Total
<b>Jan 1 2012 (audited)</b>	<b>60,557</b>	<b>131,801</b>	<b>222,586</b>	<b>5,518</b>	<b>420,462</b>
Increase, including:	18	3,840	5,879	1,520	11,257
- currency translation differences on foreign operations	(663)	(28)	(199)	-	(890)
Release	(13)	(1,665)	-	(872)	(2,550)
Use	(90)	(4,449)	(4)	(820)	(5,363)
	=====	=====	=====	=====	=====
<b>Jun 30 2012 (unaudited)</b>	<b>60,472</b>	<b>129,527</b>	<b>228,461</b>	<b>5,346</b>	<b>423,806</b>
	=====	=====	=====	=====	=====
<b>Jan 1 2011 (audited)</b>	<b>41,116</b>	<b>107,829</b>	<b>186,350</b>	<b>5,645</b>	<b>340,940</b>
Increase, including:	16,172	8,405	5,200	2,004	31,781
- acquisition of control over the AB LOTOS Geonafta Group	14,088	532	-	83	14,703
- currency translation differences on foreign operations	78	4	376	-	458
Release	(80)	(2,465)	-	(549)	(3,094)
Use	-	(6,676)	(2)	(2,167)	(8,845)
	=====	=====	=====	=====	=====
<b>Jun 30 2011 (unaudited)</b>	<b>57,208</b>	<b>107,093</b>	<b>191,548</b>	<b>4,933</b>	<b>360,782</b>
	=====	=====	=====	=====	=====

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<sup>(1)</sup> Other provisions include:

PLN '000	Special Account	Provision for business risk	Restructuring provision	Other	Total
<b>Jan 1 2012 (audited)</b>	<b>1,153</b>	<b>218</b>	<b>2,327</b>	<b>1,820</b>	<b>5,518</b>
Increase	1,500	-	-	20	1,520
Release	-	(44)	(828)	-	(872)
Use	(646)	(174)	-	-	(820)
	=====	=====	=====	=====	=====
<b>Jun 30 2012 (unaudited)</b>	<b>2,007</b>	<b>-</b>	<b>1,499</b>	<b>1,840</b>	<b>5,346</b>
	=====	=====	=====	=====	=====
<b>Jan 1 2011 (audited)</b>	<b>497</b>	<b>197</b>	<b>1,144</b>	<b>3,807</b>	<b>5,645</b>
Increase, including: - acquisition of control over the AB LOTOS Geonafta Group	1,500	-	-	504	2,004
Release	-	-	-	(549)	(549)
Use	(413)	-	(46)	(1,708)	(2,167)
	=====	=====	=====	=====	=====
<b>Jun 30 2011 (unaudited)</b>	<b>1,584</b>	<b>197</b>	<b>1,098</b>	<b>2,054</b>	<b>4,933</b>
	=====	=====	=====	=====	=====

#### 17.14 Other financial liabilities

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Negative valuation of derivative financial instruments:	224,874	267,778
- commodity swaps (commodities and petroleum products)	22,323	-
- futures (CO <sub>2</sub> emissions)	17,062	15,607
- currency forward and spot contracts	38,629	70,449
- interest rate swap (IRS)	141,206	172,134
- currency swap	5,654	9,588
Lease liabilities	179,293	197,000
	=====	=====
<b>Total financial liabilities</b>	<b>404,167</b>	<b>464,778</b>
	=====	=====
Non-current liabilities	241,211	304,949
Current liabilities	162,956	159,829

For maturity analysis of other financial liabilities as at June 30th 2012 and December 31st 2011, see Note 17.18.4.

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

PLN '000	Note	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Trade payables, including:		2,505,074	2,821,742
- to related parties	17.17	6,242	6,823
Liabilities to the state budget other than corporate income tax		872,170	966,530
Special accounts, including:		25,240	24,694
- Mining Facilities Decommissioning Fund		25,037	24,491
Salaries and wages payable		13,574	14,577
Accrued expenses, including:		95,905	118,869
- provision for costs of employee benefits		52,504	64,273
Deferred income, including:		45,188	46,790
- grants <sup>(1)</sup>		40,471	39,321
- other		4,717	7,469
Investment commitments		127,417	164,217
Liabilities to insurers		6,700	30,259
Other liabilities*		25,535	23,246
<b>Total</b>		<b>3,716,803</b>	<b>4,210,924</b>
Non-current portion		40,373	54,371
Current portion		3,676,430	4,156,553

<sup>(1)</sup> Primarily licences received free-of-charge and grants from the EcoFund for the use of waste gas from the offshore oil production facility for heating purposes.

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 17.18.3.1.

For maturity analysis of other financial liabilities as at June 30th 2012 and December 31st 2011, see Note 17.18.4.

**17.16 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	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
Cash at bank	366,398	380,668
Cash in hand	322	322
Other cash	794	2,690
Overdraft facilities	(489,310)	(222,128)
<b>Total cash and cash equivalents</b>	<b>(121,796)</b>	<b>161,522</b>

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

As at June 30th 2012, restricted cash was PLN 2,514 thousand, and included mainly:

- PLN 726 thousand, held in an account used to service payments related to the 10+ Programme projects,
- PLN 1,189 thousand, serving as a conditional bank deposit.

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



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**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**

<b>Receivables</b>	<b>6 months ended Jun 30 2012 (unaudited)</b>	<b>6 months ended Jun 30 2011 (unaudited)</b>
PLN '000		
Balance-sheet change in net non-current and current receivables	(36,824)	(496,449)
Change in income tax receivables	(4,159)	47,163
Change in investment receivables	(1,512)	(961)
Change in receivables from sale of shares	(200)	600
Change in Group structure	(25)	19,209
Set-off of corporate income tax receivables against VAT liabilities	(80,390)	-
Set-off of corporate income tax payable against VAT receivables	(5,199)	-
Reclassification into assets held for sale	-	(22,321)
Other	28,175	2,696
	-----	-----
Change in receivables as disclosed in the statement of cash flows	(100,134)	(450,063)
<b>Inventories</b>	<b>6 months ended Jun 30 2012 (unaudited)</b>	<b>6 months ended Jun 30 2011 (unaudited)</b>
PLN '000		
Change in inventories as shown by the balance sheet	65,289	(764,125)
Change in Group structure	-	14,974
Reclassification into assets held for sale	-	(61,889)
Other	214	4,280
	-----	-----
Change in inventories as shown by the statement of cash flows	65,503	(806,760)
<b>Liabilities, accruals and deferred income</b>	<b>6 months ended Jun 30 2012 (unaudited)</b>	<b>6 months ended Jun 30 2011 (restated) (unaudited)</b>
PLN '000		
Balance-sheet change in non-current and current liabilities, and accruals and deferred income	(538,396)	487,101
Change in non-current and current borrowings and other debt instruments	91,045	(274,176)
Adjustment for deposits earmarked for repayment of bank borrowings	(136,015)	(159,208)
Adjustment for deposits earmarked for financing of share acquisition	26,169	(23,620)
Change in investment commitments	10,627	53,949
Change in liabilities related to acquisition of shares	26,173	8,588
Change in liabilities related to issue of notes	(98,674)	32,700
Change in Group structure	9,920	(70,512)
Change in finance lease liabilities	17,707	(46,999)
Change in income tax liabilities	(8,707)	(7,825)
Set-off of corporate income tax receivables against VAT liabilities	80,390	7,562
Change in liabilities related to negative valuation of derivative financial instruments	42,904	115,292
Reclassification into assets held for sale	-	10,200
Other	7,275	(536)
	-----	-----
Change in liabilities and accruals and deferred income as shown by the statement of cash flows	(469,582)	132,516

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<b>Provisions</b>	<b>6 months ended Jun 30 2012</b>	<b>6 months ended Jun 30 2011</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in provisions	27,291	179,835
Change in Group structure	-	(14,139)
Change in deferred tax liabilities	(23,947)	(159,993)
Change in provision for Offshore Oil and Gas Facilities	(5,875)	(1,355)
Reclassification into assets held for sale	-	2,350
Other	(23)	(2)
	-----	-----
Change in provisions as shown by the statement of cash flows	(2,554)	6,696
<b>Prepayments and accrued income</b>	<b>6 months ended Jun 30 2012</b>	<b>6 months ended Jun 30 2011</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in prepayments and accrued income	(726,636)	(19,799)
Change in Group structure	-	707
Change in deferred tax assets	703,370	2,271
Change in commission fees on revolving facilities, amortised over time	(182)	(182)
Reclassification of inventories into assets held for sale	-	(875)
Other	(283)	(1,275)
	-----	-----
Change in prepayments and accrued income as shown by the statement of cash flows	(23,731)	(19,153)
<b>Cash</b>	<b>6 months ended Jun 30 2011</b>	<b>6 months ended Jun 30 2011</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Balance-sheet change in cash	(16,166)	(40,636)
Change in interest-bearing overdraft facilities	(267,182)	(343,906)
	-----	-----
Change in cash as shown by the statement of cash flows	(283,348)	(384,542)
<b>Causes of differences between the items disclosed in the notes to the financial statements and the items as shown by the statement of cash flows</b>		
<b>Depreciation and amortisation</b>	<b>6 months ended Jun 30 2012</b>	<b>6 months ended Jun 30 2011 (restated)</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation/amortisation as disclosed in changes to property, plant and equipment and intangible assets	329,889	273,444
Depreciation directly related to expenditure on tangible assets under construction	(1)	(59)
	-----	-----
Depreciation/amortisation as disclosed in the statement of cash flows	329,888	273,385
<b>Purchase of property, plant and equipment and intangible assets</b>	<b>6 months ended Jun 30 2012</b>	<b>6 months ended Jun 30 2011 (restated)</b>
PLN '000	<b>(unaudited)</b>	<b>(unaudited)</b>
Purchase of property, plant and equipment and intangible assets as disclosed in changes to property, plant and equipment and intangible assets	(202,122)	(288,838)
Change in investment commitments	(3,913)	(53,949)
Acquisition of tangible assets under a lease agreement	(10,067)	48,910
Other	(33,861)	(276)
	-----	-----
Purchase of property, plant and equipment and intangible assets as disclosed in the statement of cash flows	(249,963)	(294,153)

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**Other items related to the statement of cash flows**

Other adjustments to cash flows from operating activities include:

PLN '000	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
Cash reserved for repayment of interest, related to future reporting periods	5,669	(53,544)
Other	-	(1,104)
Other adjustments	5,669	(54,648)

The following items have been disclosed under Other cash outflows on financial assets:

PLN '000	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (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)

### 17.17 Related-party transactions

Related-party transactions are executed on market terms.

**Areas of transactions with related parties**

PLN '000	6 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2011 (unaudited)
----------	--	--

**Companies accounted for using the proportional method**

Sales to related entities (incl, excise duty and fuel charge)	3,155	3,014
Purchases from related entities <sup>(1)</sup> (incl, excise duty and fuel charge)	19,833	11,649
Other income	174	230
Other expenses	104	-

**Equity-accounted companies**

Sales to related entities (incl, excise duty and fuel charge)	-	-
Purchases from related entities (incl, excise duty and fuel charge)	-	-
Finance expenses under interest on loans	-	15

<sup>(1)</sup> including purchase of crude oil,

PLN '000	Jun 30 2012 (unaudited)	Dec 31 2011 (audited)
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**Companies accounted for using the proportional method**

Net receivables from related entities	1,296	90
Payables to related entities	6,242	6,823

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**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).

**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)
<b>Management Board</b>		
Short-term employee benefits (salaries and wages)	515	757
Length-of-service awards	-	-
Share-based employee benefits	-	-
<b>Supervisory Board</b>		
Short-term employee benefits (salaries and wages)	120	168
<b>Management Board – subsidiaries<sup>(1)</sup></b>		
Short-term employee benefits (salaries and wages)	1,528	1,295
<b>Total remuneration paid<sup>(2)</sup></b>	<b>2,163</b>	<b>2,220</b>

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

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

As at June 30th 2012, the Company recognised a provision for length-of-service awards and retirement severance payments for the members of the Grupa LOTOS S.A. 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**

In the period from January 1st to June 30th 2012, the amount of short-term employee benefits (salaries and wages) paid by the Group to its key management staff was PLN 17,566 thousand (from January 1st to June 30th 2011: PLN 19,585 thousand).

As at June 30th 2012, the Group recognised a provision for length-of-service awards and retirement severance payments for the members of key management staff of PLN 6,575 thousand.

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The Group also recognised a provision for annual bonuses expected to be paid to key management staff for 2012, of PLN 3,737 thousand as at June 30th 2012.

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

In the periods January 1st – June 30th 2012 and January 1st – June 30th 2011, the Group did not grant any loans or similar benefits to members of 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 and the Group companies entered into no material agreements with members of the Management and Supervisory Boards<sup>(1)</sup>, advanced no loans, made no advance payments, issued no guarantees and concluded no agreements to or 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.

<sup>(1)</sup> Taking into account changes in the composition of the Management and Supervisory Boards (see Note 3).

**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<sup>(1)</sup>).

<sup>(1)</sup> Taking into account changes in the composition of the Management and Supervisory Boards (see Note 3).

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

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## 17.18 Financial instruments

Since the end of the previous financial year, i.e. December 31st 2011 (see Note 42 to the consolidated financial statements for 2011 prepared in accordance with IFRS), the Company and the Group have not changed the method of determination of fair value of financial instruments measured at fair value and have not changed the classification of financial assets.

### 17.18.1 Fair value of financial instruments

Jun 30 2012 (unaudited)	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
PLN '000					
Decommissioning fund	-	25,037	-	-	25,037
Deposits:	-	101,802	-	-	101,802
- non-current	-	-	-	-	-
- current	-	101,802	-	-	101,802
Security deposits (margins)	-	21,183	-	-	21,183
Loans and advances:	-	-	-	-	-
- non-current	-	-	-	-	-
- current	-	-	-	-	-
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):	-	2,284,373	-	-	2,284,373
- non-current	-	36,923	-	-	36,923
- current	-	2,247,450	-	-	2,247,450
Cash and cash equivalents	-	367,514	-	-	367,514
Trade and other payables (net of public creditors):	-	-	-	(2,678,300)	(2,678,300)
- non-current	-	-	-	(1,326)	(1,326)
- current	-	-	-	(2,676,974)	(2,676,974)
Borrowings and other debt instruments:	-	-	-	(7,300,584)	(7,300,584)
- non-current	-	-	-	(4,891,364)	(4,891,364)
- current	-	-	-	(2,409,220)	(2,409,220)
Notes:	-	-	-	(98,674)	(98,674)
- non-current	-	-	-	-	-
- current	-	-	-	(98,674)	(98,674)
Financial liabilities	-	-	(224,874)	(179,293)	(404,167)
Lease liabilities:	-	-	-	(179,293)	(179,293)
- non-current	-	-	-	(160,365)	(160,365)
- current	-	-	-	(18,928)	(18,928)
Derivative financial instruments:	-	-	(224,874)	-	(224,874)
- non-current	-	-	(80,846)	-	(80,846)
- current	-	-	(144,028)	-	(144,028)
<b>Total</b>	<b>39,007</b>	<b>2,799,909</b>	<b>(224,874)</b>	<b>(10,256,851)</b>	<b>(7,642,809)</b>

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

As at June 30th 2012, the Group 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).

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As at June 30th 2012, the Group 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 borrowings and other debt instruments bearing interest at a fixed rate). 82% of contracted borrowings and other debt instruments bore interest at floating rates, with interest payable in a short term. The other borrowings and debt instruments (18%) bore interest at fixed rates.

As at June 30th 2012, the Group had available-for-sale financial assets of PLN 9,746 thousand, measured in line with its accounting policy at acquisition cost adjusted for impairment losses.

Dec 31 2011 (audited)	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
PLN '000					
Decommissioning fund	-	24,491	-	-	24,491
Deposits:	-	78,671	-	-	78,671
- non-current	-	38,106	-	-	38,106
- current	-	40,565	-	-	40,565
Security deposits (margins)	-	11,748	-	-	11,748
Loans and advances:	-	1,614	-	-	1,614
- non-current	-	-	-	-	-
- current	-	1,614	-	-	1,614
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):	-	2,170,484	-	-	2,170,484
- non-current	-	33,313	-	-	33,313
- current	-	2,137,171	-	-	2,137,171
Cash and cash equivalents	-	383,680	-	-	383,680
Trade and other payables (net of public creditors):	-	-	-	(3,054,041)	(3,054,041)
- non-current	-	-	-	(15,194)	(15,194)
- current	-	-	-	(3,038,847)	(3,038,847)
Borrowings and other debt instruments:	-	-	-	(7,391,629)	(7,391,629)
- non-current	-	-	-	(4,983,889)	(4,983,889)
- current	-	-	-	(2,407,740)	(2,407,740)
Notes:	-	-	-	-	-
- non-current	-	-	-	-	-
- current	-	-	-	-	-
Financial liabilities	-	-	(267,778)	(197,000)	(464,778)
Lease liabilities:	-	-	-	(197,000)	(197,000)
- non-current	-	-	-	(177,585)	(177,585)
- current	-	-	-	(19,415)	(19,415)
Derivative financial instruments:	-	-	(267,778)	-	(267,778)
- non-current	-	-	(127,364)	-	(127,364)
- current	-	-	(140,414)	-	(140,414)
<b>Total</b>	<b>49,300</b>	<b>2,670,688</b>	<b>(267,778)</b>	<b>(10,642,670)</b>	<b>(8,190,460)</b>

As at December 31st 2011, the Group 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 Group 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 borrowings and other debt instruments bearing interest at a fixed rate). 82% of contracted borrowings and other debt instruments bore interest at floating rates, with interest payable in a short term. The other borrowings and debt instruments (18%) bore interest at fixed rates.

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As at December 31st 2011, the Group had available-for-sale financial assets of PLN 9,746 thousand, measured in line with its accounting policy at acquisition cost adjusted for impairment losses.

**17.18.2 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)	-	10,876	-	(110,257)	(99,381)
Foreign exchange gains/(losses)	-	(6,745)	-	(68,075)	(74,820)
Impairment losses reversed/(recognised)	-	(4,747)	-	-	(4,747)
Gains/(losses) on fair value measurement of derivative financial instruments	27,474	-	-	-	27,474
Gains/(losses) on realisation of derivative financial instruments	(37,132)	-	-	-	(37,132)
Gains/(losses) on fair value measurement of hedging instruments	-	-	-	42,251	42,251
Gains/(losses) on sale	-	-	150	-	150
<b>Total</b>	<b>(9,658)</b>	<b>(616)</b>	<b>150</b>	<b>(136,081)</b>	<b>(146,205)</b>

in the period 6 months ended Jun 30 2011 (restated) (unaudited)	Financial assets/liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
PLN '000					
Interest income/(expenses)	-	8,312	-	(65,000)	(56,688)
Foreign exchange gains/(losses)	-	(111,375)	-	304,876	193,501
Impairment losses reversed/(recognised)	-	(2,520)	-	-	(2,520)
Gains/(losses) on fair value measurement of derivative financial instruments	148,893	-	-	-	148,893
Gains/(losses) on realisation of derivative financial instruments	(90,486)	-	-	-	(90,486)
Gains/(losses) on fair value measurement of hedging instruments	-	-	-	249,407	249,407
Gains/(losses) on sale	-	-	958	-	958
<b>Total</b>	<b>58,407</b>	<b>(105,583)</b>	<b>958</b>	<b>489,283</b>	<b>443,065</b>

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

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

Below is presented an analysis of the Group'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)	+4% change in exchange rate, effect on year's result		-4% change in exchange rate, effect on year's result	
	USD	EUR	USD	EUR
PLN '000				
Trade and other receivables	5,545	2,772	(5,545)	(2,772)
Financial assets – derivative financial instruments	(19,180)	379	19,180	(379)
Loans advanced	42,403	2,056	(42,403)	(2,056)
Notes	6,416	-	(6,416)	-
Deposits	1,600	-	(1,600)	-
Security deposits (margins)	-	763	-	(763)
Cash and cash equivalents	2,468	737	(2,468)	(737)
Trade and other payables	(84,826)	(3,139)	84,826	3,139
Borrowings and other debt instruments	(156,489) <sup>(1)</sup>	(1,324)	156,489 <sup>(1)</sup>	1,324
Liabilities under issue of notes	(6,407)	-	6,407	-
Financial liabilities – derivative financial instruments	(36,305)	24,531	36,305	(24,531)
Finance lease liabilities	-	(7,115)	-	7,115
	=====	=====	=====	=====
<b>Total</b>	<b>(244,775)</b>	<b>19,660</b>	<b>244,775</b>	<b>(19,660)</b>
	=====	=====	=====	=====

<sup>(1)</sup> 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.

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Below is presented an analysis of the Group'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)	+4% change in exchange rate, effect on year's result		-4% change in exchange rate, effect on year's result	
	USD	EUR	USD	EUR
PLN '000				
Trade and other receivables	6,377	2,491	(6,377)	(2,491)
Financial assets – derivative financial instruments	(27,887)	1,805	27,887	(1,805)
Loans advanced	35,137	2,090	(35,137)	(2,090)
Notes	6,154	-	(6,154)	-
Deposits	1,620	1,060	(1,620)	(1,060)
Security deposits (margins)	-	385	-	(385)
Cash and cash equivalents	1,365	1,710	(1,365)	(1,710)
Trade and other payables	(98,412)	(2,100)	98,412	2,100
Borrowings and other debt instruments	(149,424) <sup>(1)</sup>	(8,731)	149,424 <sup>(1)</sup>	8,731
Liabilities under issue of notes	(6,125)	-	6,125	-
Financial liabilities – derivative financial instruments	(40,711)	41,162	40,711	(41,162)
Finance lease liabilities	-	(7,715)	-	7,715
<b>Total</b>	=====	=====	=====	=====
	<b>(271,906)</b>	<b>32,157</b>	<b>271,906</b>	<b>(32,157)</b>
	=====	=====	=====	=====

<sup>(1)</sup> 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.

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

Below is presented an analysis of the Group'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%
Cash and cash equivalents		367,514	735	(735)
Decommissioning fund	17.8	25,037	50	(50)
Financial assets – derivative financial instruments <sup>(1)</sup>	17.11	11,052	(335)	336
Deposits	17.11	101,802	204	(204)
Security deposits (margins)	17.8	21,183	42	(42)
Borrowings and other debt instruments	17.12	(7,300,584)	(11,983)	11,983
Finance lease liabilities	17.14	(179,293)	(359)	359
Financial liabilities – derivative financial instruments <sup>(1)</sup>	17.14	(141,206)	10,306	(10,434)
<b>Total</b>		=====	=====	=====
		<b>(7,094,495)</b>	<b>(1,340)</b>	<b>1,213</b>
		=====	=====	=====

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

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As at June 30th 2012, the carrying amount of financial assets and liabilities (cash and cash equivalents, decommissioning fund, deposits, security deposits (margins), derivative financial instruments, liabilities under borrowings and other debt instruments, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (7,094,495) thousand net.

A change in interest rates up or down by 0.2% could potentially lead to a change in the value of financial assets and liabilities as at June 30th 2012 of PLN (PLN 1,340) 1,213 thousand net.

Below is presented an analysis of the Group'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%
Cash and cash equivalents		383,680	767	(767)
Decommissioning fund	17.8	24,491	49	(49)
Financial assets – derivative financial instruments <sup>(1)</sup>	17.8, 17.11	23,738	(696)	699
Deposits	17.8, 17.11	78,671	157	(157)
Security deposits (margins)	17.8	11,748	23	(23)
Borrowings and other debt instruments	17.12	(7,391,629)	(12,093)	12,093
Finance lease liabilities	17.14	(197,000)	(394)	394
Financial liabilities – derivative financial instruments <sup>(1)</sup>	17.14	(172,134)	11,027	(11,151)
<b>Total</b>		<b>(7,238,435)</b>	<b>(1,160)</b>	<b>1,039</b>

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

As at December 31st 2011, the carrying amount of financial assets and liabilities (cash and cash equivalents, decommissioning fund, deposits, security deposits (margins), derivative financial instruments, liabilities under borrowings and other debt instruments, finance lease and derivative financial instruments) which are sensitive to interest rate risk amounted to PLN (7,238,435) thousand net.

A change in interest rates up or down by 0,2% could potentially lead to a change in the value of financial assets and liabilities as at December 31st 2011 of PLN (PLN 1,160) 1,039 thousand net.

### 17.18.3.3 Sensitivity analysis with respect to market risk related to fluctuations in prices of carbon dioxide (CO<sub>2</sub>) emission allowances

As at June 30th 2012 and December 31st 2011, the Parent held futures for the purchase of carbon dioxide (CO<sub>2</sub>) 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 (CO<sub>2</sub>) emission allowances as at June 30th 2012 and December 31st 2011, assuming a 10% increase or decrease in the prices of carbon dioxide (CO<sub>2</sub>) 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	17.8, 17.11	1,457	845	(845)	8,304	(1,261)	1,261
Financial liabilities	17.14	(17,062)	(1,094)	1,094	(15,607)	912	(912)
<b>Total</b>		<b>(15,605)</b>	<b>(249)</b>	<b>249</b>	<b>(7,303)</b>	<b>(349)</b>	<b>349</b>

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

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

<b>(unaudited)</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Secured bank borrowings and other debt instruments (other than overdraft facilities)		6,811,274	7,204,890	1,612,836	607,038	436,782	1,482,112	3,066,122
Overdraft facilities		489,310	489,310	424,738	64,572	-	-	-
Notes	10	98,674	98,674	98,674	-	-	-	-
Finance lease liabilities	17.14	179,293	179,293	10,401	8,527	18,738	71,892	69,735
Trade and other payables (net of public creditors)		2,678,300	2,678,300	2,567,517	109,457	530	796	-
<b>Total</b>		<b>10,256,851</b>	<b>10,650,467</b>	<b>4,714,166</b>	<b>789,594</b>	<b>456,050</b>	<b>1,554,800</b>	<b>3,135,857</b>

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

<b>(audited)</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Secured bank borrowings and other debt instruments (other than overdraft facilities)		7,083,442	7,344,207	348,463	1,933,482	363,759	1,424,509	3,273,994
Overdraft facilities		308,187	308,187	224,976	83,211	-	-	-
Notes	10	-	-	-	-	-	-	-
Finance lease liabilities	17.14	197,000	197,000	10,663	8,752	18,965	72,392	86,228
Trade and other payables (net of public creditors)		3,054,041	3,054,041	2,940,861	97,986	14,515	679	-
<b>Total</b>		<b>10,642,670</b>	<b>10,903,435</b>	<b>3,524,963</b>	<b>2,123,431</b>	<b>397,239</b>	<b>1,497,580</b>	<b>3,360,222</b>

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

<b>(unaudited)</b>	<b>Note</b>	<b>Carrying amount*</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Commodity swap	17.11, 17.14	(16,392)	(16,392)	(16,392)	-	-	-	-
Futures (CO <sub>2</sub> emissions)	17.8, 17.11, 17.14	(15,605)	(15,605)	(16,827)	-	(55)	1,277	-
Currency forward and spot contracts	17.11, 17.14	(18,062)	(18,062)	(18,062)	-	-	-	-
Interest rate swap (IRS)	17.11, 17.14	(130,154)	(130,154)	6,762	(56,125)	(19,084)	(50,981)	(10,726)
Currency swap	17.14	(5,654)	(5,654)	(5,654)	-	-	-	-
<b>Total</b>		<b>(185,867)</b>	<b>(185,867)</b>	<b>(50,173)</b>	<b>(56,125)</b>	<b>(19,139)</b>	<b>(49,704)</b>	<b>(10,726)</b>

\* 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:

<b>(audited)</b>	<b>Note</b>	<b>Carrying amount*</b>	<b>Contractual cash flows</b>	<b>Up to 6 months</b>	<b>6–12 months</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
PLN '000								
Commodity swap		-	-	-	-	-	-	-
Futures (CO <sub>2</sub> emissions)	17.11, 17.14	(7,303)	(7,303)	-	(7,303)	-	-	-
Currency forward and spot contracts	17.11, 17.14	(53,191)	(53,191)	(55,915)	2,724	-	-	-
Interest rate swap (IRS)	17.8, 17.11, 17.14	(148,396)	(148,396)	(40,013)	6,884	(51,538)	(43,112)	(20,617)
Currency swap	17.14	(9,588)	(9,588)	(9,588)	-	-	-	-
<b>Total</b>		<b>(218,478)</b>	<b>(218,478)</b>	<b>(105,516)</b>	<b>2,305</b>	<b>(51,538)</b>	<b>(43,112)</b>	<b>(20,617)</b>

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

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## **18. Other information**

1. On January 17th 2012, following completion of the APA 2011 licence round, LOTOS Exploration and Production Norge AS was awarded interests in two exploration licences in the Norwegian Sea. Interests in licence PL 643 – block 6406/ & 6406/4 (Halten Terrace) were awarded to LOTOS Exploration and Production Norge AS – 30%, VNG Norge AS – 40% (licence operator), and Edison International Spa – 30%. Interests in licence PL 655 – block 6610/2 (Træna Basin) were awarded to LOTOS Exploration and Production Norge AS – 30%, Wintershall – 30% (licence operator), Centrica – 20%, and VNG – 20%.
2. 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 using the mid-exchange rate for USD 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 using the USD 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.
3. In the period from January 10th 2011 to January 3rd 2012, Grupa LOTOS S.A. and BP Group entities entered into agreements for a total value of approximately PLN 1,841m, in aggregate attaining the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction was the agreement of January 3rd 2012 between Grupa LOTOS S.A. and BP Europa SE, Oddział w Polsce, which was made for a specified period from January 3rd 2012 to December 31st 2012 and provided for sale of liquid fuels by Grupa LOTOS S.A. to BP Europa SE. 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.
4. 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, attaining 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.
5. On March 14th 2012, having obtained the relevant corporate approvals, LOTOS Exploration and Production Norge AS decided to abandon licences PL 515 and PL 455. Following a repeated assessment of PL 455 licence documentation, LOTOS Exploration and Production Norge AS requested the Norwegian Ministry of Energy and Petroleum for a 12 month extension of the PL 455 licence to perform supplementary analytical work. LOTOS Exploration and Production Norge AS received a decision of the Norwegian Ministry of Energy and Petroleum that the deadline for the decision concerning the licence PL 455 was extended until March 1st 2013. Extension of the licence term will allow additional, supplementary geological analyses to be performed in order to lessen the risk related to drilling of an exploratory well, or will allow the company to make an informed decision to abandon the PL 455 licence if high geological risk is confirmed.
6. 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, attaining 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.
7. 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, attaining in aggregate the value

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- 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.
8. 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 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 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 is approximately PLN 1,060m, and attaining 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.
  10. In the period from May 9th 2011 to May 9th 2012, Grupa LOTOS S.A. and the Chevron Group entities entered into agreements with total value of approximately PLN 683m, attaining 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.
  11. 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 attains the value of a significant agreement (over 10% of Grupa LOTOS S.A.'s equity).
  12. 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, attaining 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.
  13. 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, attaining 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.

### ***Intercompany loans***

1. On January 16th 2012, an annex was signed to the agreement of October 24th 2011 under which AB LOTOS Geonafta provided a loan of USD 20,000 thousand (or PLN 63,410 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for October 24th 2011) to LOTOS Exploration and Production Norge AS. Under the annex, the final date for repayment of the loan was postponed to December 31st 2014. Originally, the loan was to be repaid within three months of the date the loan agreement was signed by both parties. The loan is secured with a promissory note with a "protest waived" clause, issued by LOTOS Exploration and Production Norge AS for the benefit of the AB Geonafta.
2. 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.
3. 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, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for February 22nd 2012) to LOTOS Exploration and Production Norge AS. The loan is to be 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 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 mid-exchange rate for USD quoted by the National Bank of Poland for March 16th 2012) to LOTOS Exploration and Production Norge AS. The loan is to be 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.
5. On April 16th 2012, LOTOS Petrobaltic S.A. executed an agreement to grant a USD 10,700 thousand (PLN 34,549 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for April 16th 2012) loan to LOTOS Exploration & Production Norge AS. The loan principal and interest are to be repaid by November 30th 2014. 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 LOTOS Petrobaltic S.A. security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration. As requested by LOTOS Exploration and Production Norge AS, by June 30th 2012 LOTOS Petrobaltic S.A. had disbursed USD 9,700 thousand under the loan.
6. On May 31st 2012, LOTOS Petrobaltic S.A. and AB LOTOS Geonafta entered into an agreement to settle their mutual receivables. As part of the settlement LOTOS Petrobaltic S.A. repaid a loan of EUR 2,000 thousand (PLN 7,982 thousand, translated at the mid-exchange rate for EUR quoted by the National Bank of Poland for December 14th 2010) granted by AB LOTOS Geonafta under a loan agreement of December 14th 2010. The loan principal was to be repaid by December 31st 2015.
7. On May 24th 2012, LOTOS Petrobaltic S.A. executed an agreement to grant a USD 11,300 thousand (PLN 39,300 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for May 24th 2012) loan to LOTOS Exploration and Production Norge AS. The loan is to be repaid by December 31st 2017. 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 LOTOS Petrobaltic S.A. security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration.

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



8. On June 27th 2012, LOTOS Petrobaltic S.A. signed an agreement to grant a USD 10,500 thousand (PLN 35,716 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for June 27th 2012) loan to LOTOS Exploration and Production Norge AS. The loan is to be repaid by December 31st 2017. 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 LOTOS Petrobaltic S.A. security in the form of a blank promissory note with a "protest waived" clause and a promissory note declaration as requested by LOTOS Exploration and Production Norge AS, by June 30th 2012 LOTOS Petrobaltic S.A. had disbursed USD 8,000 thousand under the loan.
9. 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.

As at June 30th 2012, the total carrying amount of intercompany loans was PLN 1,133,560 thousand, and the total nominal value of these loans was as follows:

- loans denominated in PLN: PLN 6,791 thousand,
- loans denominated in USD: USD 288,717 thousand (PLN 978,318 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for June 30th 2012),
- loans denominated in EUR: EUR 11,280 thousand (PLN 48,067 thousand, translated at the EUR mid-exchange rate quoted by the National Bank of Poland for June 30th 2012).

#### ***Supplementary information on intercompany transactions***

- Due to early repayment of the loan, the surety of up to EUR 47,300 thousand (PLN 188,935 thousand, translated at the EUR mid-exchange rate quoted by the National Bank of Poland for December 21st 2010) issued under the agreement of December 21st 2010 by LOTOS Petrobaltic S.A. for the benefit of Nordea Bank Polska S.A. and Nordea Bank Finland PLC Lithuania Branch in respect of the liabilities of UAB LOTOS Baltija (currently AB LOTOS Geonafta) under an agreement for a loan of EUR 43,000 thousand (PLN 171,759 thousand, translated at the EUR exchange rate quoted by the National Bank of Poland for December 21st 2010) executed between UAB LOTOS Baltija and the above banks, expired on April 16th 2012. Originally, the surety was supposed to be effective until June 14th 2012.
- On April 16th 2012, LOTOS Petrobaltic S.A. issued a surety for the benefit of Nordea Bank Polska and Nordea Bank Finland PLC Lithuania Branch in respect of the liabilities of AB LOTOS Geonafta under the credit facility agreements of April 5th 2012 between AB LOTOS Geonafta and the said banks. The credit facility amount is USD 57,298 thousand (PLN 181,509 thousand, translated at the USD exchange-rate quoted by the National Bank for April 5th 2012). The surety was issued up to the lower of USD 63,027 thousand or PLN 293,828 thousand. The date until which the surety applies has been determined as the earlier of the date on which all the security under the credit facility agreements has been created or February 29th 2016. As security for potential claims, a blank promissory note with a "protest waived" clause and a promissory note declaration was issued by AB LOTOS Geonafta for the benefit of LOTOS Petrobaltic S.A.
- In the six months ended June 30th 2012, LOTOS Serwis Sp. z o.o., LOTOS Lab Sp. z o.o. and LOTOS Czechowice S.A. purchased notes issued by LOTOS Asphalt Sp. z o.o. as part of the Note Issuance Programme described in Note 10, As at June 30th 2012, the nominal amount of LOTOS Asphalt Sp. z o.o.'s liabilities under intercompany note issues was PLN 14,800 thousand, which included:
  - PLN 3,800 thousand of liabilities towards LOTOS Lab Sp. z o.o.,
  - PLN 6,000 thousand of liabilities towards LOTOS Serwis Sp. z o.o.,
  - PLN 5,000 thousand of liabilities towards LOTOS Czechowice S.A.

**19. Signatures of the Management Board members and the person responsible for keeping the accounting books of Grupa LOTOS S.A.**

President of the Management Board, Chief Executive Officer	
	Paweł Olechnowicz
Vice-President of the Management Board, Chief Financial Officer	
	Mariusz Machajewski
Vice-President of the Management Board, Chief Exploration and Production Officer	
	Zbigniew Paszkowicz
Vice-President of the Management Board, Chief Operation Officer	
	Marek Sokółowski
Vice-President of the Management Board, Chief Commercial Officer	
	Maciej Szozda
Chief Accountant	
	Tomasz Południewski

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