

These consolidated financial statements were prepared in accordance with the EU-endorsed International Financial Reporting Standards (“IFRS”) which have been published and are in effect as at December 31st 2009.

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

With the exception of the Parent Undertaking, the foreign undertakings, Petrobaltic S.A., LOTOS Asphalt Sp. z o.o., LOTOS Oil S.A. and LOTOS Paliwa Sp. z o.o., the Group companies maintain their accounting books in accordance with the accounting standards defined in the Polish Accountancy Act of September 29th 1994. These consolidated financial statements include adjustments which are absent from the accounting books of the Group’s undertakings, and which have been introduced to ensure consistency of the undertakings’ financial information with the IFRS.

The accounting policies and calculation methods adopted in the preparation of these consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31st 2008, except for the retrospective disclosure of valuation of shares in associated undertaking AB Geonafta (previously AB Naftos Gavyba) in connection with the change in accounting policies for jointly-controlled undertakings made by AB Geonafta and its group and in connection with an error identified in the non-consolidated and consolidated financial statements of those undertakings as at and for the year ended December 31st 2008. Accordingly, the Group restated the value of shares in associated undertaking AB Geonafta (previously AB Naftos Gavyba) as at December 31st 2008 by PLN (14,440) thousand and the corresponding equity items attributable to the Parent Undertaking as at December 31st 2008 (retained earnings: PLN 13,307 thousand, currency-translation differences: PLN 1,294 thousand) and non-controlling interests by PLN (161) thousand. The Group also retrospectively adjusted the individual items of equity as at December 31st 2007: retained earnings by PLN (7,187) thousand and currency-translation differences by PLN 7,187 thousand. This retrospective adjustment had no effect on the value of shares in associated undertaking AB Geonafta (previously AB Naftos Gavyba) as at December 31st 2007.

The Group decided to early apply – as of January 1st 2009 – the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*. Application of the revised IFRS 3 and the revised IAS 27 did not have any material bearing on the previous periods.

The Group has reviewed the new interpretations, standards and amendments to the existing standards. Except for the Revised IAS 1 *Presentation of Financial Statements* and IFRS 8 *Operating Segments*, the new interpretations, standards and amendments to existing standards which are in effect and have been adopted by the European Union, have no material impact on the accounting policies applied by

the Group.

The following interpretations, standards and amendments to the existing standards have been adopted or are pending adoption by the European Union, and are effective in periods beginning on or after January 1st 2009:

- Amendment to IAS 23 *Borrowing Costs* (adopted by the European Union)
- Amendment to IAS 1 *Presentation of Financial Statements* (adopted by the European Union)
- IFRS 8 *Operating Segments* (adopted by the European Union)
- Amendment to IFRS 2 *Share-Based Payments – Vesting Conditions and Cancellations* (adopted by the European Union)
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation* (adopted by the European Union)
- Improvements to the International Financial Reporting Standards – a collection of amendments to the IFRS (endorsed by the European Union)
- Amendments to IFRS 1 *First-Time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (endorsed by the European Union)
- IFRIC 13 *Customer Loyalty Programmes* (applies to annual periods beginning on or after July 1st 2008, endorsed by the European Union)
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (applies to annual periods beginning on or after January 1st 2009, endorsed by the European Union)
- IFRIC 15 *Agreements for the Construction of Real Estate* (applies to annual periods beginning on or after January 1st 2009, endorsed by the European Union)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (applies to annual periods beginning on or after October 1st 2008, endorsed by the European Union)
- Amendments to IAS 39 *Financial Instruments: Exposures Qualifying for Hedge Accounting* (apply to annual periods beginning on or after July 1st 2009, endorsed by the European Union)
- Revised IFRS 1 *First-Time Adoption of IFRSs* (applies to annual periods beginning on or after July 1st 2009, endorsed by the European Union)
- IFRIC 17 *Distributions of Non-Cash Assets to Owners* (applies to annual periods beginning on or after July 1st 2009, endorsed by the European Union)
- Amendment to IFRS 7 – *Improving Disclosures about Financial Instruments* (applies to annual periods beginning on or after January 1st

2009, endorsed by the European Union)

- IFRIC 18 *Transfers of Assets from Customers* (applies to annual periods beginning on or after July 1st 2009, endorsed by the European Union)
- Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* (applies to annual periods ending after June 30th 2009, endorsed by the European Union)
- Amendment to IFRS 32 – *Classification of Rights Issues* (applies to annual periods beginning on or after February 1st 2010, endorsed by the European Union),
- Amendment to IFRS 2 – *Group Cash-Settled Share-Based Payment Arrangements* (applies to annual periods beginning on or after January 1st 2010, endorsed by the European Union),
- Improvements to the International Financial Reporting Standards – a collection of amendments to the IFRS (in most cases, the amendments apply to annual periods beginning on or after January 1st 2010, endorsed by the European Union).

#### *Application of the Revised IAS 1*

In connection with the application of IAS 1 *Presentation of the Financial Statements* (revised in 2007), in these consolidated financial statements the Group used new terminology as prescribed by the standard to name the particular sections of the financial statements. Moreover, the Group had analysed the expected holding period of assets and liabilities classified as held for trading (financial instruments) and as at December 31st 2009 classified such assets and liabilities as either current or non-current, depending on the expiry date of the last financial instrument. The Group adjusted the comparable data. As at December 31st 2008, current and non-current assets and liabilities classified as held for trading (financial instruments) amounted respectively to PLN 279,456 thousand and PLN 22,848 thousand; PLN 42,993 thousand and PLN 175,533 thousand. As at December 31st 2007, the Group did not carry any non-current assets and liabilities classified as held for trading (financial instruments), therefore the comparable data was not adjusted.

#### *Application of IFRS 8*

International Financial Reporting Standard 8 *Operating Segments* (IFRS 8) superseded International Accounting Standard 14 *Segment Reporting*. Under International Accounting Standard 14 *Segment Reporting*, the Group did not prepare information on the business segments as it did not meet the criteria of identification of business segments as set forth in the standard.

The following interpretations, standards, and amendments to existing standards, 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 for Small and Medium-Sized Entities (applies as of the issue date, i.e. July 9th 2009, not yet endorsed by the European Union)
- Amendments to IFRS 1 *First-Time Adoption of IFRSs* (apply to annual periods beginning on or after January 1st 2010, not yet endorsed by the European Union)
- Revised IAS 24 *Related Party Disclosures* (applies to annual periods beginning on or after January 1st 2011, not yet endorsed by the European Union),
- IFRS 9 *Financial Instruments* (applies from January 1st 2013, not yet endorsed by the European Union),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applies to annual periods beginning on or after July 1st 2010, not yet endorsed by the European Union),
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (apply from January 2011, not yet endorsed by the European Union),
- Amendments to IFRS 1 *First-Time Adoption of IFRSs - Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters* (apply to annual periods beginning on or after July 1st 2010, not yet endorsed by the European Union).

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

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