

## 34. Interest-bearing borrowings and other debt instruments

PLN '000	Dec 31 2011	Dec 31 2010 (restated)
Bank borrowings	7,368,073	6,293,802
Non-bank borrowings	23,556	32,992
<b>Total</b>	<b>7,391,629</b>	<b>6,326,794</b>
including:		
non-current	4,983,889	4,403,453
current portion	2,407,740	1,923,341

### Borrowings and other debt instruments by lender

PLN '000	Dec 31 2011	Dec 31 2010 (restated)
<b>Non-current portion</b>		
Kredyt Bank S.A.	14,988	20,987
Pekao S.A.	24,530	27,590
PKO BP S.A.	16,625	18,125
National Fund for Environmental Protection and Water Management	12,056	18,556
Provincial Fund for Environmental Protection and Water Management of Gdańsk	5,000	-
Raiffeisen Bank Polska S.A.	-	2,000
Bank Ochrony Środowiska S.A.	36,902	36,902
as at its acquisition-date	-	7,936
Bank syndicate (2)**	3,513,826	3,120,146
Bank syndicate (3)***	1,273,067	1,020,870
Bank syndicate (5)*****	86,895	130,341
<b>Total non-current portion</b>	<b>4,983,889</b>	<b>4,403,453</b>
<b>Current portion</b>		
Kredyt Bank S.A.	7,607	6,000
Pekao S.A.	179,178	186,263
ING Bank Śląski S.A.	5	32,036
PKO BP S.A.	246,656	110,872
National Fund for Environmental Protection and Water Management	6,500	6,500
Raiffeisen Bank Polska S.A.	-	1,985
DnB NOR Bank ASA	-	23,624
BRE Bank S.A.	33,251	3,207
Nordea Bank Polska S.A.	18,564	-
Bank syndicate (1)*	1,369,959	1,187,413
Bank syndicate (2)**	225,715	91,439
Bank syndicate (3)***	91,054	37,214

Bank syndicate (4)****	169,585	201,979
Bank syndicate (5)*****	43,573	43,474
Bank syndicate (6)*****	193,104	-
Funds in bank deposits securing payment of interest and principal instalments*****	(177,011)	(8,665)
<b>Total current portion</b>	<b>2,407,740</b>	<b>1,923,341</b>
<b>Total</b>	<b>7,391,629</b>	<b>6,326,794</b>

\*Bank syndicate (1): Pekao S.A., PKO BP S.A., BRE Bank S.A., Nordea Bank Polska S.A.; on December 20th 2011, there was a change in the composition of the syndicate, which is further discussed below.

\*\*Bank syndicate (2): Banco Bilbao Vizcaya Argentaria S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., Pekao S.A., BNP Paribas S.A., 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.

\*\*\*\*\*Bank syndicate (6): Nordea Bank Finland Plc. Lithuania Branch and Nordea Bank Polska S.A.

\*\*\*\*\*As at December 31st 2011 and December 31st 2010, the Company offset a financial asset (cash reserved for repayment of borrowings) against a financial liability under borrowings and in accordance with IAS 32 it disclosed the relevant net amount in the statement of financial position (the Company holds a valid legal title to set off the recognised amounts and intends to realise the asset and settle the liability simultaneously). The objective of this procedure is to reflect the expected future cash flows from settlement of two or more financial instruments.

### **Bank borrowings contracted by the Parent**

As at December 31st 2011, the Company had drawn under the term facility USD 1,510,630 thousand (in nominal terms) (the equivalent of PLN 5,162,427 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2010, the Company had drawn under the term facility USD 1,464,596 thousand (in nominal terms) (the equivalent of PLN 4,341,209 thousand, translated at the mid-exchange rate for USD quoted by the National Bank of Poland for December 31st 2010). The working capital facility was made available to Grupa LOTOS S.A. in the form of overdraft facilities which are used by the Company on an as-needed basis. By the date of these consolidated financial statements, funds drawn under the facility were used by Grupa LOTOS S.A. according to its needs.

### **Credit facility agreement for the refinancing and financing of inventories of Grupa LOTOS S.A.**

On August 23rd 2011, Grupa LOTOS S.A. and a syndicate of four banks, comprising:

- Pekao S.A. of Warsaw,
- PKO BP S.A. of Warsaw,
- BRE Bank S.A. of Warsaw,
- Rabobank Polska S.A. of Warsaw,

executed an amending agreement to extend by 12 months, i.e. until December 20th 2012, the facility agreement for the refinancing and financing of inventories of Grupa LOTOS S.A. of December 20th 2007, providing for a revolving credit facility of USD 400m (PLN 1,148,520 thousand, translated at the mid-exchange rates quoted by the National Bank of Poland for August 23rd 2011).

The amending agreement executed pursuant to the credit facility agreement of December 20th 2007, which permitted extension of the credit facility term by an additional calendar year. Concurrently, as of December 20th 2011, Rabobank Polska S.A. ceased to be a party to the credit facility agreement. Pursuant to documents signed along with the amending agreement, as of that date its entire credit commitment was taken over by BRE Bank S.A. and Nordea Bank Polska S.A. of Gdynia. The other terms and conditions of the credit facility agreement of December 20th 2007 as well as its provisions concerning penalties do not differ from those commonly used in agreements of such type.

In connection with the borrowings referred to under Bank Syndicate (1), Bank Syndicate (2), Bank Syndicate (3) and Bank Syndicate (4), as further described above, Grupa LOTOS S.A. is required to meet a covenant of maintaining the Tangible Consolidated Net Worth at least at the level specified in both facility agreements.

In addition, in connection with the facility referred to under Bank Syndicate (1), the Company is also required to meet a financial covenant of maintaining the Loan to Pledged Inventory Value Ratio at a level not higher than specified in the facility agreement.

As at December 31st 2011, and December 31st 2010, the covenants were complied with.

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

PLN '000	EUR facilities	USD facilities	NOK facilities	PLN facilities	Total
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2012	219,540	1,976,983	-	211,217	2,407,740
2013	2,603	297,063	-	59,229	358,895
2014	2,603	405,466	-	74,553	482,622
2015	2,603	421,101	-	20,381	444,085
2016	-	459,145	-	17,606	476,751
after 2016	-	3,204,118	-	17,418	3,221,536
<b>Total</b>	<b>227,349</b>	<b>6,763,876</b>	<b>-</b>	<b>400,404</b>	<b>7,391,629</b>

The above table presents facilities by maturity.

### Bank borrowings and other debt instruments as at December 31st 2010, by currency and by maturity

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

The above table presents facilities by maturity.

As at December 31st 2011, the average effective interest rate for the facilities (including USD- and EUR-denominated facilities) was approx. 2.44% (2.44% as at December 31st 2010). The average effective interest rate for PLN-denominated facilities (excluding the syndicated facilities of the Parent) was approx. 5.81% (4.81% as at December 31st 2010).

Borrowings and other debt instruments as at December 31st 2011:

Bank name; form of incorporation	Registered office	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)	-	-	USD 400,000	1,369,959	USD 400,878	-	-	Dec 20 2012	-	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, voluntary submission to enforcement
Bank Syndicate (2)	-	-	USD 1,125,000	225,715	USD 65,853	3,513,826	USD 1,025,007	Oct 15 2012	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement
Bank Syndicate (3)	-	-	USD 425,000	91,054	USD 26,468	1,273,067	USD 369,638	Oct 15 2012	Jan 15 2021	fixed interest rate	
Bank Syndicate (4)	-	-	USD 200,000 or equivalent	94,740	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				74,565	USD 21,819	-	-			3M EURIBOR + bank's margin	
				280	EUR 64	-	-			3M LIBOR USD + bank's margin	

Pekao S.A.	Warsaw	300,000	-	2,842	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank's margin	power of attorney over bank account, voluntary submission to enforcement
ING Bank Śląski S.A.	Warsaw	100,000	-	5	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank's margin	voluntary submission to enforcement
Bank Syndicate (5)	Warsaw	340,000	-	43,573	-	86,895	-	Dec 31 2012	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Kredyt Bank S.A.	Warsaw	60,000	-	7,607	-	14,988	-	Dec 31 2012	Jun 30 2015	1M WIBOR + bank's margin	mortgage
PKO BP S.A.	Warsaw	20,000	-	1,875	-	16,625	-	Dec 31 2012	Dec 31 2019	1M WIBOR + bank's margin	mortgage
Pekao S.A.	Warsaw	20,000	-	1,500	-	16,625	-	Dec 31 2012	Dec 31 2019	1M WIBOR + bank's margin	mortgage
Nordea Bank Polska S.A.	Gdynia	50,000	-	18,564	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	blank promissory note
Pekao S.A.	Kraków	26,837	EUR 7,060	2,604	EUR 589	7,809	EUR 1,767	Oct 31 2012	Oct 31 2015	1M EURIBOR + bank's margin	mortgage
Pekao S.A.	Kraków	44,754	-	32	-	96	-	Oct 31 2012	Oct 31 2015	1M WIBOR + bank's margin	mortgage
National Fund for Environmental Protection and Water Management	Warsaw	35,000	-	6,500	-	12,056	-	Dec 20 2012	Dec 20 2014	0.8 of the promissory note rediscount rate	bank guarantee, blank promissory note
BRE Bank S.A.	Warsaw	35,000	-	14,174	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note
Provincial Fund for Environmental Protection and Water Management	Gdańsk	5,000	-	-	-	5,000	-	-	Nov 30 2017	0.8 of the promissory note rediscount rate	blank promissory note, assignment of claims
BRE Bank S.A.	Warsaw	50,000	-	19,077	-	-	-	Overdraft facility	-	ON WIBOR + bank's margin	blank promissory note
Pekao S.A.	Warsaw	100,000	-	728	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account, voluntary submission to enforcement
Bank Ochrony Środowiska S.A.	Warsaw	68,000	-	-	-	22,312	-	-	Jun 30 2016	1M WIBOR + bank's margin	mortgage, assignment of tangible assets, assignment of rights under insurance policy, blank promissory note, assignment of rights under sale agreements
Bank Ochrony Środowiska S.A.	Warsaw	14,688	-	-	-	9,490	-	-	Jun 30 2016	-	-
Bank Ochrony Środowiska S.A.	Warszawa	5,100	-	-	-	5,100	-	-	Dec 20 2016	-	-
PKO BP S.A.	Warsaw	-	USD 32,500	83,212	USD 24,463	-	-	Overdraft facility <sup>(2)</sup>	-	1M LIBOR USD + bank's margin	pledge, guarantee
PKO BP S.A.	Warsaw	-	USD 47,500	161,569	USD 47,500	-	-	Dec 31 2012	-	1M LIBOR USD + bank's margin	pledge, guarantee, blank promissory note
Pekao S.A.	Warsaw	160,000 or USD or EUR equivalent	-	147,920	USD 43,284	-	-	Dec 31 2012	-	3M LIBOR USD + bank's margin	blank promissory note
				23,552	EUR 5,332	-	-	Dec 31 2012	-	3M EURIBOR + bank's margin	
Bank syndicate (6)	-	-	EUR 43,000	193,104	EUR 43,720	-	-	Apr 14 2012 <sup>(3)</sup>	-	6M EURIBOR + bank's margin	mortgage, registered pledge, voluntary submission to enforcement, surety
Funds in bank deposits securing payment of interest and principal instalments				(177,011)	USD (51,797)	-	-	-	-	-	-
			<b>TOTAL</b>	<b>211,217</b>	<b>-</b>	<b>189,187</b>	<b>-</b>				
				<b>1,976,983</b>	<b>USD 578,468</b>	<b>4,786,893</b>	<b>USD 1,394,645</b>				
				<b>219,540</b>	<b>EUR 49,705</b>	<b>7,809</b>	<b>EUR 1,767</b>				
				<b>2,407,740</b>	<b>-</b>	<b>4,983,889</b>	<b>-</b>				

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

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

<sup>(3)</sup> The loan was repaid in full on April 16th 2012.

The bank margins on the contracted borrowings and other debt instruments are within the range of 0.26pp. – 4.00pp.

Bank borrowings as at December 31st 2010:  
(restated)

Bank name; form of incorporation	Registered office	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)	-	-	USD 400,000	1,187,413	USD 400,553	-	-	Dec 20 2011	-	based on 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	registered pledge over inventories, registered pledge over bank accounts, assignment of rights under inventory insurance agreements, assignment of rights under inventory storage agreements, voluntary submission to enforcement
Bank syndicate (2)	-	-	USD 1,125,000	91,439	USD 30,775	3,120,146	USD 1,049,856	Oct 15 2011	Jan 15 2021	based on 1M, 3M or 6M LIBOR USD, depending on the interest period selected at a given time + bank's margin	mortgage, registered pledge over existing and future movables, registered pledge over bank accounts, assignment of rights under agreements for the implementation and management of the 10+ Programme, assignment of rights under insurance agreements relating to the Gdańsk refinery, assignment of licence, hedging and sale agreements with a value of over PLN 10,000 thousand per year, submission to enforcement
Bank syndicate (3)	-	-	USD 425,000	37,214	USD 12,550	1,020,870	USD 344,228	Oct 15 2011	Jan 15 2021	fixed interest rate	
Bank syndicate (4)	-	-	USD 200,000 or equivalent	76.328	-	-	-	Overdraft facility	-	3M WIBOR + bank's margin	
				17.322	EUR 4,374	-	-			3M EURIBOR + bank's margin	
				108.329	USD 36,547	-	-			3M LIBOR USD + bank's margin	
Pekao S.A.	Warsaw	150.000	-	30,165	-	-	-	Overdraft facility <sup>(2)</sup>	-	1M WIBOR + bank's margin	power of attorney over bank account, voluntary submission to enforcement
Bank Syndicate (5)	Warsaw	340.000	-	43,474	-	130,341	-	Dec 31 2011	Dec 31 2014	1M WIBOR + bank's margin	mortgage
Kredyt Bank S.A.	Warsaw	60.000	-	6,000	-	20,987	-	Dec 31 2011	Jun 30 2015	1M WIBOR + bank's margin	mortgage
PKO BP S.A.	Warsaw	20.000	-	1,500	-	18,125	-	Dec 31 2011	Dec 31 2019	1M WIBOR + bank's margin	mortgage
Pekao S.A.	Warsaw	20.000	-	1,500	-	18,125	-	Dec 31 2011	Dec 31 2019	1M WIBOR + bank's margin	mortgage
Pekao S.A.	Warsaw	14,000	-	9,170	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account, representation on voluntary submission to enforcement
Raiffeisen Bank Polska S.A.	Rzeszów	10,000	-	1,985	-	2,000	-	Dec 31 2011	Dec 28 2012	1M WIBOR + bank's margin	power of attorney over bank account, voluntary submission to enforcement, security

											(deposit) mortgage (hipoteka kaucyjna), assignment of rights under insurance policy, registered pledge over inventories, registered pledge over tangible assets
PKO BP S.A.	Warsaw	14,000	-	2,143	-	-	-	Jun 17 2011	-	1M WIBOR + bank's margin	assignment of receivables, power of attorney over bank account
Pekao S.A.	Kraków	26,837	EUR 7,060	2,334	EUR 589	9,336	EUR 2,357	Oct 31 2011	Oct 31 2015	1M EURIBOR + bank's margin	mortgage
Pekao S.A.	Kraków	30,000	-	14,186	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	assignment of receivables, pledge over inventories
Pekao S.A.	Kraków	44,754	-	33	-	129	-	Oct 31 2011	Oct 31 2015	1M WIBOR + bank's margin	mortgage
National Fund for Environmental Protection and Water Management	Warsaw	35,000	-	6,500	-	18,556	-	Dec 20 2011	Dec 20 2014	0.8 of the promissory note rediscount rate	bank guarantee, blank promissory note
BRE Bank S.A.	Warsaw	30,000	-	3,207	-	-	-	Overdraft facility	-	O/N WIBOR + bank's margin	blank promissory note
ING Bank Śląski S.A.	Warsaw	35,000	-	32,036	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	representation on voluntary submission to enforcement
Pekao S.A.	Warsaw	30,000	-	3,790	-	-	-	Overdraft facility	-	1M WIBOR + bank's margin	power of attorney over bank account
Bank Ochrony Środowiska S.A.	Warsaw	68,000	-	-	-	22,312	-	-	Jun 30 2016	1M WIBOR + bank's margin	mortgage, assignment of tangible assets,
Bank Ochrony Środowiska S.A.	Warsaw	14,688	-	-	-	9,490	-	-	Jun 30 2016	-	assignment of rights under insurance policy, blank promissory note,
Bank Ochrony Środowiska S.A.	Warsaw	5,100	-	-	-	5,100	-	-	Dec 20 2016	-	assignment of rights under sale agreements
DnB NOR Bank ASA	Stavanger, Norway	-	NOK 180,000	23,624	NOK 46,586	-	-	Dec 22 2011	-	9M NIBOR + bank's margin	tax receivable - refunded exploration expenses
PKO BP S.A.	Warsaw	-	USD 32,500	96,766	USD 32,500	-	-	Nov 30 2011	-	1M LIBOR USD + bank's margin	pledge, guarantee
PKO BP S.A.	Warsaw	-	USD 32,500	10,463	USD 3,523	-	-	Overdraft facility <sup>(2)</sup>	-	1M LIBOR USD + bank's margin	pledge, guarantee
Pekao S.A.	Warsaw	160,000 or USD or EUR equivalent	-	125,085	USD 42,200	-	-	Nov 15 2011	-	3M LIBOR USD + bank's margin	blank promissory note
AB Geonaf ta	Gargzdai, Lithuania	-	EUR 2,000	-	-	7,936	EUR 2,004	-	Dec 31 2015	fixed interest rate	none
Funds in bank deposits securing payment of interest and principal instalments				(8,665)	USD (2,923)	-	-				-
				<b>TOTAL</b>	<b>232,017</b>	<b>-</b>	<b>245,165</b>				<b>-</b>
					<b>1,648,044</b>	<b>USD</b>	<b>4,141,016</b>			<b>USD</b>	<b>1,394,084</b>
						<b>555,725</b>					
					<b>19,656</b>	<b>EUR</b>	<b>17,272</b>			<b>EUR</b>	<b>4,361</b>
						<b>4,963</b>					
					<b>23,624</b>	<b>NOK</b>	<b>-</b>			<b>-</b>	<b>-</b>
						<b>46,586</b>					
					<b>1,923,341</b>	<b>-</b>	<b>4,403,453</b>			<b>-</b>	<b>-</b>

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

(2) Not treated as cash equivalents.

The bank margins on the contracted borrowings and other debt instruments are in the range of 0.45pp. – 3.50pp.

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

