



Petrolinvest

PETROLINVEST

Spółka Akcyjna

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2010
TOGETHER WITH AN INDEPENDENT AUDITORS' REPORT**

APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010

The Management Board of PETROLINVEST S.A. has approved for publication the Interim condensed financial statements of PETROLINVEST Spółka Akcyjna for the 6-month period ended 30 June 2010.

The interim condensed profit and loss account, interim condensed income statements, interim condensed balance sheet, interim condensed cash flow statements, interim condensed statement on changes in equity and notes to the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, and in particular IAS 34.

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from 1 January to 30 June 2010	with a net profit amounting to 7 016 PLN thousand
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from 1 January to 30 June 2010	with a net profit amounting to 7 016 PLN thousand
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30 June 2010	with total assets and liabilities amounting to 1 179 169 PLN thousand
4. Cash Flow Statement for the period:	4
from 1 January to 30 June 2010	with a net cash inflow amounting to 20 699 PLN thousand
5. Statement of Changes in Equity for the period:	5
from 1 January to 30 June 2010	with an increase in equity amounting to 234 538 PLN thousand
6. Accounting policies and notes to the financial statements	6

The interim condensed financial statements were prepared in thousands of Polish zloty unless otherwise explicitly stated.

Roman Niewiadomski
President

Marek Pietruszewski
Vice-president

Agnieszka Pochowska
Chief Accountant

Gdynia, 31 August 2010

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INTERIM PROFIT AND LOSS ACCOUNT

	note	for 6 months ended 30 June	
		2010	2009
		PLN '000	PLN '000
Continuing operations			
Sale of goods		57 446	33 477
Rendering of services		338	316
Revenue		57 784	33 793
Value of goods and materials sold		50 422	24 631
Materials and energy		1 085	1 075
Employee benefits	10.3	4 778	52 760
Depreciation and amortisation		1 669	1 278
External services		6 996	12 809
Taxes and charges		378	425
Other expenses		597	639
Operating expenses		65 925	93 617
Gross profit/ (loss)		(8 141)	(59 824)
Other operating income		147	112
Other operating expenses	10.5	13 757	71 038
Finance income	10.1	48 010	12 849
Finance costs	10.2	19 072	42 447
Impairment of assets	10.4	171	46 653
Profit/ (loss) before tax		7 016	(207 001)
Income tax expense	11	0	(1 681)
Net profit/ (loss) for the year from continuing operations		7 016	(205 320)
Net profit/ (loss) for the year		7 016	(205 320)
<hr/>			
Weighted average number of issued shares for basic earnings per share computations		26 700 848	10 432 600
Number of diluting potential ordinary shares		0	0
Earnings (loss) per share in PLN	12	0,26	(19,68)
Diluter earnings (loss) per share in PLN	12	0,26	(19,68)
<hr/>			
INTERIM INCOME STATEMENTS			
		for 6 months ended 30 June	
		2010	2009
		PLN '000	PLN '000
Profit/(loss) for the period		7 016	(205 320)
Other comprehensive income			
Available-for-sale financial assets		0	0
Cash flow hedges		0	0
Actuarial gains/ (losses) on defined benefit pension plans		0	0
Income tax relating to other comprehensive income		0	0
Total net other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7 016	(205 320)

INTERIM BALANCE SHEET

		<u>30 June</u>	<u>31 December</u>
		2010	2009
	note	<u>PLN '000</u>	<u>PLN '000</u>
ASSETS			
Non-current assets (long-term)			
Property, plant and equipment	13	44 369	44 229
Investment properties		2 567	2 567
Intangible assets		26	0
Other financial assets	15	202 085	197 840
Shares in subsidiaries and jointly-controlled entities	15	636 277	633 440
		<u>885 324</u>	<u>878 076</u>
Current assets (short-term)			
Inventories	16	2 068	1 221
Trade and other receivables	20	11 842	4 788
Prepayments and deferred costs	22	8 078	7 562
Current investments	15	268 526	127 410
Cash and cash equivalents	17	3 331	772
Income tax overpayment		0	0
		<u>293 845</u>	<u>141 753</u>
TOTAL ASSETS		<u>1 179 169</u>	<u>1 019 829</u>
EQUITY AND LIABILITIES			
Equity			
Equity	18		
Issued capital		327 732	215 266
Contributions to share capital		25 000	0
Other reserves		1 121 978	1 023 399
Unregistered share capital		0	8 523
Retained earnings		(592 196)	(599 212)
Total equity		<u>882 514</u>	<u>647 976</u>
Non-current liabilities			
Interest-bearing loans and borrowings	19	181 479	213 630
Non-current provisions		6 192	10 196
Deferred income tax liabilities		0	0
Finance lease liabilities		0	27
Other non-current liabilities	21	3 471	18 986
		<u>191 142</u>	<u>242 839</u>
Current liabilities			
Trade and other payables	21	26 018	13 131
Finance lease liabilities		76	118
Current portion of interest-bearing loans and borrowings	19	66 256	104 566
Current provisions		11 350	9 277
Accruals and deferred income		1 813	1 922
		<u>105 513</u>	<u>129 014</u>
Total liabilities		<u>296 655</u>	<u>371 853</u>
TOTAL EQUITY AND LIABILITIES		<u>1 179 169</u>	<u>1 019 829</u>

INTERIM CASH FLOW STATEMENTS

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Cash flows from operating activities		
Profit/ (loss) before taxation	7 016	(207 001)
Adjustments for:	(31 189)	201 630
Depreciation and amortisation	1 669	1 278
Interest and dividends, net	(10 226)	(2 575)
Foreign exchange differences	(29 984)	(435)
Gain/ (loss) from investing activities	0	6
(Increase)/ decrease in receivables	(7 054)	2 331
(Increase)/ decrease in inventories	(847)	(186)
Increase/ (decrease) in payables except loans and borrowings	1 391	74 080
Change in prepayments and accruals	(1 461)	(36)
Change in provisions	(9 452)	1 382
Other, including	24 775	125 785
share-based payments	0	49 275
lending costs	235	217
valuation of equity instruments	6 727	0
acquisition cost of right to use financing	0	29 640
impairment charge re-measurement	(2 837)	0
impairment of assets	171	46 653
collateral-related fees	20 479	0
Net cash flows from operating activities	(24 173)	(5 371)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	11	38
Purchase of property, plant and equipment and intangibles	(24)	(27)
Expenditure on exploration for and evaluation of mineral resources	0	0
Acquisition of subsidiary and jointly-controlled entity, net of cash	0	7
Interest received	0	2
Repayment of loans granted	1	4
Granting of loans	(60 043)	(7 969)
Other	0	0
Net cash flows from investing activities	(60 055)	(7 945)
Cash flows from financing activities		
Proceeds from share capital increase	203 770	13 292
Costs relating to share issue	(3 914)	(2 250)
Payment of finance lease liabilities	(68)	(111)
Proceeds from loans and borrowings	2 500	0
Repayment of loans and borrowings	(92 336)	(440)
Interest paid	(4 791)	(6 638)
Other	(234)	(217)
Net cash flows from financing activities	104 927	3 636
Net increase/ (decrease) in cash and cash equivalents	20 699	(9 680)
Cash and cash equivalents at the beginning of the period	(19 970)	(22 729)
period	729	(32 409)
Including restricted use cash	0	0

PETROLINVEST Spółka Akcyjna
 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010
 (PLN '000)

INTERIM CONDENSED STATEMENT ON CHANGES IN EQUITY

	<i>Issued capital</i>	<i>Other capital, including</i>	<i>Revaluation and other reserves</i>	<i>From share premium</i>	<i>Other capital</i>	<i>Unregistered share capital increase</i>	<i>Contributions to share capital</i>	<i>Retained earnings/ Accumulated (losses)</i>	<i>Total equity</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
As at 1 January 2010	215 266	1 023 399	15 593	879 166	128 640	8 523	0	(599 212)	647 976
Total comprehensive income for the period	0	0	0	0	0	0	0	7 016	7 016
Issue of share capital	112 466	102 607	0	102 607	0	(8 523)	25 000	0	231 551
Transaction cost	0	(48 402)	0	(48 402)	0	0	0	0	(48 402)
Equity instruments issue	0	44 373	0	0	44 373	0	0	0	44 373
Share-based payments	0	0	0	0	0	0	0	0	0
As at 30 June 2010	327 732	1 121 978	15 593	933 372	173 013	0	25 000	(592 196)	882 514
	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>
As at 1 January 2009	63 481	501 533	15 593	473 931	12 009	153 590	0	(268 261)	450 343
Total comprehensive income for the period	0	0	0	0	0	0	0	(205 320)	(205 320)
Issue of share capital	64 903	198 450	0	198 450	0	(153 590)	0	0	109 763
Transaction cost	0	(5 339)	0	(5 339)	0	0	0	0	(5 339)
Warrant issue	0	29 640	0	0	29 640	0	0	0	29 640
Share-based payments	0	49 275	0	0	49 275	0	0	0	49 275
As at 30 June 2009	128 384	773 559	15 593	667 042	90 924	0	0	(473 581)	428 362
	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>	<i>tys. zł.</i>
As at 1 January 2009	63 481	501 533	15 593	473 931	12 009	153 590	0	(268 261)	450 343
Total comprehensive income for the period	0	0	0	0	0	0	0	(330 951)	(330 951)
Issue of share capital	151 785	423 646	0	423 646	0	(145 067)	0	0	430 364
Transaction cost	0	(18 411)	0	(18 411)	0	0	0	0	(18 411)
Equity instruments issue	0	6 286	0	0	6 286	0	0	0	6 286
Warrant issue	0	29 640	0	0	29 640	0	0	0	29 640
Share-based payments	0	80 705	0	0	80 705	0	0	0	80 705
As at 31 December 2009	215 266	1 023 399	15 593	879 166	128 640	8 523	0	(599 212)	647 976

Notes to the Interim condensed financial statements
 enclosed on pages 6 to 28 are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Corporate information

PETROLINVEST S.A. ("Petroinvest", "the Company") is a joint-stock company with a registered office in Gdynia at Podolska 21. Its shares are publicly traded. The interim condensed financial statements of the Company have been drawn for the 6-month period ended 30 June 2010 and contain comparable data for the 6-month period ended 30 June 2009 and as at 31 December 2009.

The 22 December 2006 resolution of the Shareholders' Meeting of Petroinvest Spółka z ograniczoną odpowiedzialnością (limited liability company) regarding the transformation of Petroinvest Spółka z ograniczoną odpowiedzialnością into Petroinvest Spółka Akcyjna (joint stock company) was registered on 29 December 2006.

On 16 July 2007, rights to Petroinvest shares were first quoted on the Warsaw Stock Exchange.

The Company is entered in the Register of Entrepreneurs kept by the District Court, VIII Commercial Department of the National Court Register, Entry No. KRS 0000270970. The Company was granted statistical REGON number 190829082.

The Company has an unlimited period of operation.

The main area of the Company's business activities includes:

- activities incidental to oil and gas extraction,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail sale of automotive fuel,
- manufacture of gaseous fuel,
- services connected with installation of metal structures,
- gas fittings and installations.

As from 1 July 2008, gas trading activities are carried out by the Company's branch with a self-balancing set of accounts: PETROLINVEST Spółka Akcyjna — Oddział LPG (LPG Branch) headquartered in Gdynia. The Branch was granted statistical REGON number 190829082-00022.

As at the date of approval of the financial statements, the parent company of Petroinvest S.A. is PROKOM INVESTMENTS S.A. The controlling entity of PROKOM INVESTMENTS S.A. is Mr Ryszard Krauze. As set out in the Company's statutes, if the Management Board is composed of two or three persons, PROKOM INVESTMENTS S.A. has personal powers to appoint and dismiss the President of the Management Board while Mr Ryszard Krauze, one of the shareholders of PETROLINVEST S.A. and of PROKOM INVESTMENTS S.A., has personal powers to appoint and dismiss the Vice-President. The number of Board members is determined by PROKOM INVESTMENTS S.A. The Supervisory Board is composed of eight members, two of them (including the Chairperson and Deputy Chairperson of the Supervisory Board) are appointed and dismissed by PROKOM INVESTMENTS S.A. while one member of the Supervisory Board is appointed and dismissed by Mr Ryszard Krauze.

2. Going concern

The interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

At the same time, the Company's Management Board acknowledges that there are certain factors that may, under certain circumstances, pose a threat to the Company's continuing as a going concern in the future. The risks presented below are considered by Management Board to be the most important; they are presented together with the activities undertaken by the Company in order to eliminate the possible negative impact of those risks on the Company's business in the future:

1. The Company and its subsidiaries continue the investment programme, the aim of which is to expand PETROLINVEST's activities in the area of exploration for and production of crude oil and natural gas. Due to the start-up phase of the investment, as at the date of approval of the financial statements for the 6-month period ended 30 June 2010, there is no certainty that the Company will achieve its stated goals in the time space given. The investment programme is financed with the Company's own cash, loans extended by PROKOM Investments S.A., and external financing. The execution of the investment program is dependent upon the Company's ability to obtain proper financing, as well as the terms and conditions of such financing. Failure to obtain the necessary financing in the amount required and time space given may result in delays or postponement of a part of or an entire investment programme and may have a material adverse effect on the Company's business, financial condition and results of its operations. The Company and the entities of PETROLINVEST Group may take a number of steps and decisions in order to minimise any negative effects of limited access to external financing. Those steps and decisions may involve focusing on less capital-intensive projects, reducing the scale of the Company's operations, slowing down the pace of exploration works, selling selected assets, etc.
2. As at 30 June 2010, the Company's overall indebtedness ratio was 0.25 and the debt to equity ratio was 0.34. Management believes that the levels of those ratios are appropriate at the current stage of development of the Project and do not pose a threat to the Company's going concern in the period of at least 12 months from 30 June 2010. As at the date of approval of these financial statements, the Company is using a credit facility secured on assets made available by PROKOM Investments S.A. Hence, Management is of the opinion that the Company's ability to manage its liabilities has been and continues to be unthreatened. Moreover, the Company has a

contractual declaration of support and participation in the financing of the Company's business in the future from PROKOM Investments S.A. granted in connection with the credit facility, as well as a declaration regarding subordination of loans extended by PROKOM Investments S.A. to the above-mentioned credit facility.

The Management Board of PETROLINVEST S.A. declares continuity of investments for 12 consecutive months following 30 December 2010 based on the following facts and circumstances:

1. On 29 March 2010, the Company concluded a Loan Agreement with the European Bank for Reconstruction and Development ("EBRD", "Loan Agreement"), under which EBRD extended a loan facility to the Company in the maximum amount of USD 50 million designated for the purpose of financing exploration and extraction-related investments of OTG and Emba Jug Nieft. The availability of financing under the agreement is conditional on a number of requirements to be met by the Company and by third parties, as described in respective current reports. The Management expects that all conditions precedent contained in the agreement will be fulfilled.
2. On 16 March 2010, the Company and OTG concluded a farm-out agreement with an entity of TOTAL Group. The Company expects that all conditions precedent contained in the agreement will be fulfilled. The involvement of TOTAL Group in the most capital intensive project of Petrolinvest Group will provide finance for the necessary work on the OTG Concession for at least 12 months from the date of the financial statements.
3. The Company has funds at its disposal from the execution of the agreement concluded on 18 March 2010 with a group of international investment funds providing the Company with financing in the form of subscription warrants totalling PLN 127.5 million (certain rights of the Investors under the agreement were assumed by Prokom on the basis of the Assumption Agreement concluded on 28 May 2010). By 30 June 2010, the Company had received funds totalling PLN 92.5 million. After the balance sheet date the Company received another PLN 35 million.
4. The Company obtained support from PROKOM Investments S.A. in the form of early repayment of a portion of the credit facility to the Company's financing banks and also direct financial support of PLN 30 million.

The Management Board is also taking into account the fact that the Company signed an agreement with Prokom Investments S.A. on 20 March 2009, whereby Prokom undertook to take appropriate actions to obtain financing for the Company's operations in the amount of PLN 150 million. The financing will be provided on the basis of loan agreements or other agreements of similar nature, on an arm's length basis, or as a direct equity investment into Petrolinvest shares, with the reservation that the loans or similar agreements will be uncollateralised and subordinated to the Company's bank debt, unless otherwise agreed by the parties.

In order to provide financing for its investment programme, the Company also concluded an agreement with GEM Global Yield Fund on 29 April 2009 providing the Company with a financing of up to PLN 200 million available in tranches to be drawn at the Company's discretion over the period of 3 years from the date of the agreement and regarding an issue of subscription warrants convertible into a total of 1.3 million Petrolinvest shares at PLN 60 per share. By the date of approval of these financial statements, the Company had issued 1,270,800 shares to GEM Global Yield Fund under the agreement, with the amount of PLN 150 million still being available.

3. Subsidiaries and Jointly-Controlled Entities

Petrolinvest has the following subsidiaries:

Full name	Short name	Registered office	Business activities	% held by the Company in share capital		
				30 June 2010	31 December 2009	30 June 2009
subsidiaries						
UAB Petrolinvest						
Mockavos Perpyla						
Sp. z o.o.	Mockavos / MC	Lithuania	Trans-shipment of liquid fuels	87%	87%	87%
PETROLINVEST GAZ S.A.**	Petrolinvest Gaz	Poland	Trans-shipment of liquid fuels	100%	100%	100%
SIGNA ENTERPRISES LIMITED ***	Signa/SI	Cyprus	Finance and investment	100%	-	-
Occidental Resources, Inc.	Occidental Resources / OR	USA	Investments into entities involved in crude oil exploration and extraction	88,1%	88,1%	88,1%
			Exploration for and extraction of crude petroleum and natural gas			
OilTechnoGroup*	OTG	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	88,1%	88,1%	88,1%
TOO EmbaJugNieft	EmbaJugNieft / EM	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	79%	79%	79%

* Interest in OilTechnoGroup (OTG) is held indirectly through Occidental Resources Inc., owner of a 100% interest in OTG.

** Change of business name from TPG GAZ S.A. to PETROLINVEST GAZ S.A.

*** Interest in SIGNA ENTERPRISES LIMITED is held indirectly through Petrolinvest Gaz S.A., owner of a 100% interest in Signa.

Moreover, the Company has joint-control over the following entities:

Full name	Short name	Registered office	Business activities	% held by the Company in share capital		
				30 June 2010	31 December 2009	30 June 2009
jointly-controlled entities						
TOO Company Profit	Profit / PR	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	50%	50%	50%

As at 30 June 31 and 2009 December 2010, the percentage of voting rights held by the Company in the subsidiaries and jointly-controlled entities corresponded to the percentage held in the share capital of those entities.

4. Composition of the Management Board

As at the date of approval of these interim condensed financial statements, the Management Board of the Company consisted of:

- Roman Niewiadomski – President of the Management Board,
- Marek Pietruszewski – Vice-President of the Management Board

On 9 June 2010, in accordance with its personal powers, Prokom Investments S.A. specified that the Board of the Company would consist of three members. On the same day, the Company's Supervisory Board appointed Mr Marek Pietruszewski as Member of the Management Board of PETROLINVEST S.A. responsible for financial affairs.

The mandate of the existing members of the Management Board expired on 30 June 2010, that is on the day of the Annual General Meeting Meeting approving the financial statements for 2009. Mr Paweł Gricuk, President of the Management Board, and Mr Marcin Balicki, Vice-President of the Management Board, decided not to seek re-election to the Management Board. On the same day, pursuant to his personal powers, Mr Ryszard Krauze appointed Mr Marek Pietruszewski as Vice-President of the Management Board for the term of three years beginning as of 30 June 2010.

On 8 July 2010, Prokom Investments S.A., exercising its personal powers, set the number of Management Board members at two and, having obtained a positive opinion of the Supervisory Board of the Company, entrusted the performance of the duties of Company President during this term of office to Mr Roman Niewiadomski.

5. Approval of Interim condensed financial statements

These interim condensed financial statements were authorised for issue by the Management Board on 31 August 2010.

The company also prepared interim condensed consolidated financial statements for the 6-month period ended 30 June 2010 that were authorised for issue by the Management Board on 31 August 2010.

6. Basis for the Preparation of Interim condensed financial statements

These interim condensed financial statements have been prepared on a historical cost basis, except for investment properties and selected financial instruments, which have been measured at fair value.

These interim condensed financial statements are presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000), except where otherwise indicated.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. The facts and circumstances that may indicate a threat to the continued activity of the Company are presented in note 2.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2009.

6.1. Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation of these condensed consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company's activities, there is no difference between the IFRSs applied by the Company and the IFRSs endorsed by the European Union.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Petrolinvest keeps its books of account in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU.

6.2. Functional currency and presentation currency

Polish zloty is the functional currency of the Company as well as the presentation currency of these interim condensed financial statements.

7. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2009, except for the adoption of new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2009, as noted below:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions — effective as of 1 January 2010. The purpose of the amendment is to clarify the accounting recognition of group payment transactions as cash-settled shares. The amendment supersedes IFRIC 8 and IFRIC 11.
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended) — effective as of 1 July 2009. The revised IFRS 3 introduces significant modifications in the recognition of business combinations following that date. These modifications concern valuation of minority interests, recognition of costs directly related to transactions, initial recognition and subsequent valuation of conditional payment and settlement of multistage connections. These modifications have an impact on the recognised value of the company, the results presented for the period in which the entity was purchased, and the results reported in subsequent periods. The amended IAS 27 requires that changes in equity interest of a subsidiary (which do not result in a loss of control) be recognised as transactions with owners. Consequently, such transactions will not lead to the creation of the company's value or to the recognition of profits or losses. In addition, the standard changes the manner of allocation of losses incurred by subsidiaries and of recognition of a loss of control over them. Amendments to IFRS 3 and IAS 27 will also influence future acquisitions or losses of control over subsidiaries, as well as transactions with minority shareholders.
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items — effective as of 1 July 2009. The modifications concern the determination of the unilateral risk in a hedged item as well as the determination, in certain situations, of the inflation as a hedged risk or a part of that risk.
- IFRIC 17 Distribution of Non-cash Assets to Owners — effective as of 1 July 2009. The interpretation includes guidelines concerning accounting recognition of transactions under which owners obtain non-cash assets in the form of distribution of reserves or dividends.
- Amendments to IFRS (issued in May 2008) — in May 2008, the Board issued the first set of amendments to the published standards. After 1 January 2010 the Company applied the following amendments:
 - IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations: the amendment sets forth that if a subsidiary meets classification criteria as an entity held for sale, all its assets and liabilities shall be classified as held for sale, even if after the sale the parent company retains minority interest in that subsidiary.
- Amendments to IFRS (issued in April 2009) — in April 2009, the Board issued the second set of amendments to the published standards, above all in order to state precisely and clarify used expressions. Different transition periods apply to particular standards.
 - IFRS 8 Operating Segments: It was explained that segment assets and liabilities should be shown only when such assets and liabilities are included in measures used by the main body responsible for taking operational decisions.
 - IAS 36 Impairment of assets: It is explained that the maximum unit assigned to the value of a business acquired through the combination of businesses for the purpose of impairment testing is an operational segment as set forth in IFRS 8 prior to aggregation for accounting purposes. This amendment did not affect the Company's financial statements, as the annual impairment test is carried out prior to aggregation.
 - IAS 39 Financial Instruments: Recognition and Measurement: It was explained that the early repayment option is considered to be closely related to the host contract if the price of executing the option gives the creditor a return in the amount approximating to the current value of lost interest for the remaining part of the host contract period.
 - IAS 32 Financial instruments: Presentation (of 8 October 2009) — the amendment to IAS 32 states precisely in what way warrants should be recognised if issued financial instruments are denominated in a currency other than the issuer's functional currency. Whenever instruments of this type are offered on a pro rata basis to the issuer's current shareholders in return for a definite amount of money, the said instruments should be classified as equity instruments also when their valuation is expressed in a currency other than the issuer's functional currency.
 - Revised IFRS 1 First-time Adoption of International Financial Reporting Standards (revised in November 2008) — effective for annual periods beginning on or after 1 July 2009. The introduced amendments are related to entities adopting IFRS for the first time.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters — effective for annual periods beginning on or after 1 January 2010. The introduced amendments are related to entities adopting IFRS for the first time.

The adoption of the above-mentioned standards and interpretations has not resulted in significant changes either in the accounting policies of the Company or in the representation of data in financial statements.

Standards and interpretations which have been issued but are not yet applicable because they have not been approved by the European Union or have been approved by the European Union but have not been applied by the Company earlier are as follows:

- Amended IFRS 1 First-time Adoption of International Financial Reporting Standards. The amended IFRS 1 was published on 28 January 2010 and is effective for annual periods beginning on or after 1 July 2010. The amended standard includes regulations relating to the limited exemption from the disclosure of comparative data under IFRS 7. The Company is currently analysing the impact of the amendments on its financial statements.
- IFRS 9 Financial Instruments — the new standard is to replace International Accounting Standard 39. The Company is currently analysing the impact of the amendments on its financial statements.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement – effective for annual periods beginning on or after 1 January 2011. The Company is currently analysing the impact of the amendments on its financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity — the interpretation explains the guidelines of the International Financial Reporting Standards (IFRS) relating to the situation in which an entity renegotiates the conditions of financial liabilities with creditors and creditors agree to accept the entity's shares or its other equity instruments to settle financial liabilities entirely or partially (the Company is currently analysing the impact of the amendments on its financial statements).
- IAS 24 Related Party Disclosures (revised in November 2009) — effective for annual periods beginning on or after 1 January 2011. The Company is currently analysing the impact of the amendments on its financial statements.
- Amendments resulting from annual review of IFRSs effective for annual reporting periods beginning on or after 1 January 2011. The purpose of the annual review is to improve and clarify the international accounting standards. Most modifications clarify the existing IFRS or introduce amendments to them, or constitute modifications resulting from previous modifications of IFRS.
- Amendments to IAS 32 Financial Instruments: presentation
On 8 October 2009 an amendment was issued relating to the regulations concerning the classification of pre-emptive rights denominated in a foreign currency. Previously, such rights, as derivatives, were represented under financial liabilities. After the modification, upon the fulfilment of certain conditions, they are to be recognised as an equity element, regardless of the currency in which they are denominated. The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010.
The Company is currently analysing the impact of the amendments on its financial statements.
- Amendments to IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 include modifications of applicable requirements or constitute additional explanations concerning the implementation of these requirements.

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the below-listed standards, interpretations and amendments to them, which as of the date of approving these financial statements had not yet been adopted for application by the EU:

- IFRS 9 Financial instruments published on 12 November 2009.
- Modifications of various accounting standards resulting from the annual review of the International Financial Reporting Standards published on 6 May 2010.

As at the date of authorisation of these condensed consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company's activities, there is no difference between the IFRSs applied by the Company and the IFRSs endorsed by the European Union.

8. Seasonality

As far as the Company's trading activities are concerned, which involve trading in LPG, selected product groups show a high seasonality.

The demand for automotive gas is higher in the months from May to September due to higher seasonal activity of motor vehicle users. In the winter months, there is less vehicular traffic, which is reflected by a decrease in the sales of automotive gas.

The demand for gas for heating purposes concentrates in the period before the start of the winter season and throughout that season. The sales of gas for heating purposes are greatly limited in the spring and summer months.

The phenomena discussed above have a material impact on the Company's results generated on those operations. The first half of the year is always a period of weaker sales and results generated on these operations.

9. Segment Information

The Company identifies two reportable operating segments:

- LPG — trading activities carried out in Poland, comprising import, distribution and sale of liquefied petroleum gas (LPG) for heating and automotive purposes (auto gas), gas cylinders and to wholesale distributors;
- Holding operations (Prospecting and Extraction) — operations carried out in the countries where Oil Exploration and Production Companies conduct their activities, including geophysical research, site preparation and drilling.

Results of the Prospecting and Extraction segment are characteristic of a start-up phase of a prospecting project. The Management Board expects that the negative operating results of the segment may be sustained until commercial production of crude oil is commenced.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of business units separately for the purposes of decision making relating to resource allocation, the evaluation of its effects as well as performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss reported in the financial statements. Company financing and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

With respect to financial statements prepared for reporting periods beginning on 1 January 2009, IFRS 8 Operating Segments, which superseded IAS 14 Segment Reporting, is applicable. Pursuant to IFRS 8, segment reporting is based on information prepared for persons responsible for internal management decisions.

The following tables present revenues and profits of particular operating segments within the Group for the 6-month period ended 30 June 2010 and 30 June 2009, as well as assets and liabilities as at 30 June 2010 and 31 December 2009.

<i>for 6 months ended 30 June 2010 and assets as at 30 June 2010</i>	<i>LPG</i>	<i>Holding operations (prospecting and extraction)</i>	<i>Unallocated</i>	<i>Total operations</i>
Revenue				
Third party	57 784	0	0	57 784
Inter-segment	0	0	0	0
Total segment revenue	57 784	0	0	57 784
Results				
Depreciation and amortisation	(1 620)	(49)	0	(1 669)
Segment profit/loss	(3 560)	10 620	(45)	7 016
Assets and liabilities				
Segment assets	58 390	1 106 803	13 976	1 179 169
Segment liabilities	52 938	241 134	2 583	296 655
Capital expenditure	39	0	0	39

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. The operating result of the segments does not reflect costs relating to default interest on the created provision amounting to PLN 45 thousand. The result of the LPG segment does reflect, however, impairment of LPG assets (connected with Mockavos) of PLN 171 thousand.
3. Segment assets do not include prepayments and accruals of PLN 8,078 thousand, investment properties of PLN 2,567 thousand, and cash equivalents of PLN 3,331 thousand since those assets are managed at the level of the Company.
4. Segment liabilities do not include accrued expenses of PLN 1,813 thousand and a portion of other provisions of PLN 770 thousand, as those liabilities are managed at the level of the Company.

PETROLINVEST Spółka Akcyjna
 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010
 Notes to the consolidated financial information
 (PLN '000)

<i>for 6 months ended 30 June 2009 and assets as at 31 December 2009</i>	<i>LPG</i>	<i>Holding operations (prospecting and extraction)</i>	<i>Unallocated</i>	<i>Total operations</i>
Revenue				
Third party	33 793	0	0	33 793
Inter-segment	0	0	0	0
Total segment revenue	33 793	0	0	33 793
Results				
Depreciation and amortisation	(1 180)	(98)	0	(1 278)
Segment profit/loss	(2 454)	(151 910)	(50 956)	(205 320)
Assets				
Segment assets	50 323	958 605	10 901	1 019 829
Segment liabilities	60 720	308 485	2 648	371 853
Capital expenditure	178	0	0	178

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. The operating result of the segments does not reflect the cost of wages and salaries of PLN 47,357 thousand, external services of PLN 1,918 thousand (share-based payments) and income tax of PLN 1,681 thousand.
3. Segment assets do not contain prepayments and accruals of PLN 7,562 thousand, investment properties of PLN 2,567 thousand, and cash equivalents of PLN 772 thousand since those assets are managed at the level of the Company.
4. Segment liabilities do not include accrued expenses of PLN 1,922 thousand and a portion of other provisions of PLN 726 thousand since those liabilities are managed at the level of the Company.

10. Revenues and expenses

10.1. Financial revenues

	<i>for 6 months ended 30 June</i>	
	2010	2009
	PLN '000	PLN '000
Bank interest receivable	158	35
Loans granted to other parties	15 249	12 444
Foreign exchange gains	32 603	370
	48 010	12 849

10.2. Financial costs

	<i>for 6 months ended 30 June</i>	
	2010	2009
	PLN '000	PLN '000
Lenders fees	235	217
Revaluation of finance receivables	7 038	714
Acquisition cost of right to use financing	0	31 640
Interest on bank loans	4 785	6 619
Finance costs under finance leases	6 727	0
Finance costs under finance leases	6	19
Interest on borrowings	187	3 231
Other	94	7
	19 072	42 447

On 18 May 2010, the Company concluded an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited under which a PLN 127.5 million financing was made available to the Company. On 28 May 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. executed an agreement regarding the assumption by Prokom Investments S.A. of certain Investors' rights under the agreement dated 18 March 2010.

Under the agreements which the Company has concluded, funds are to be made available to the Company through the issue by the Company of unsecured convertible bonds with a total nominal value of up to PLN 112.5 million and prepaid subscription warrants totalling PLN 15 million, and, furthermore, the delivery to the Investors of up to 4,200,000 subscription warrants for up to 4,200,000 Company shares. By 30 June 2010, the Company had received funds totalling PLN 92.5 million. In addition, the Company issued 2,400,000 subscription warrants to the Investors for 2,400,000 shares in the Company. Under the Assumption Agreement dated 28 May 2010, PETROLINVEST S.A. obtained the possibility to procure earlier financing of the Company by the Investors through the Investors' subscription for shares as a result of the exercise of the rights under the subscription warrants. If during 60 consecutive stock exchange sessions the closing price for the shares in the Company remains at a level exceeding PLN 30, the Company will have the right to request the Investors to exercise 50% of all the warrants that have not been exercised by that time. If during 60 consecutive stock exchange sessions the closing price for the shares in the Company remains at a level exceeding PLN 40, the Company will have the right to request the Investors to exercise 50% of all the warrants that have not been exercised by that time.

Under the agreement, upon meeting the obligations set out therein, the Company acquired the right to issue up to four tranches of convertible bonds or pre-paid subscription warrants at a total issue price of PLN 127.5 million. The Investors also have the right to demand that the Company issue the remaining tranches and accordingly to purchase bonds or prepaid subscription warrants issued under such tranches. The right of the Investors to call for the issue of the above-specified instruments is a derivative, which, according to the IFRS, is subject to fair value measurement. As of 30 June 2010, the measured value of the derivative was PLN 6.7 million, and was charged to the finance cost. The cost will not impact the Company's cash flows.

On 29 April 2009, the Company entered into an agreement with GEM Global Yield Fund under which a PLN 200 million financing was made available to the Company through an equity line of credit. The Company may decide when to use the equity line of credit at its own discretion, depending on its current capital requirements, and use each tranche of the financing as needed within 3 years from signing the agreement. The issue price per share is determined based on 90% of the average close price of the Company's shares quoted on 15 consecutive quoting days preceding the day on which subscription warrants conferring the right to subscribe for shares are taken up. The Company is not obliged to use the full amount of the equity line of credit. In exchange for the right to use the committed equity line of credit, the Company agreed to pay to GEM a remuneration (commission) of PLN 2 million and to issue subscription warrants convertible into 1.3 million Company shares in total for PLN 60 per share.

In compliance with IFRS, the Company was required to make an assessment of the fair value of the warrants issued to GEM. The cost of warrant issue calculated using the Black-Scholes model was PLN 29.6 million. IFRS does not allow treating the right to use the equity line of credit acquired by the Company as the cost of capital; hence, the full cost was taken to the Company's financial costs for 2nd quarter 2009. The cost of PLN 29.6 million pertaining to warrant issue will not impact the Company's cash flows.

10.3. Employee benefits

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Wages and salaries	4 072	4 623
Social security costs	641	717
Social Fund	65	63
Share-based payments	0	47 357
	<u>4 778</u>	<u>52 760</u>

During the period of 6 months ended on 30 June 2009, the Management Board of PETROLINVEST S.A. resolved to increase the Company's share capital by a total PLN 13,292 thousand via the issuance of 1,329,212 ordinary series K and M shares, each of a nominal value of PLN 10. Series K and M shares were offered in a private placement to the Company's executives, employees and associates, as well as the executives, key employees and associates of the companies of the PETROLINVEST Group. In compliance with IFRS 2, the Company was required to measure the fair value of the shares granted. The measurement to fair value was performed as at the subscription date. The excess of fair value over nominal value of the shares paid up by eligible persons totalling PLN 49.2 million was charged to the Group's expenses for the first half of 2009 (the amount of PLN 47.3 million was taken to payroll expenses and PLN 1.9 million — to external services). The cost will not impact the Company's cash flows.

10.4. Impairment of assets

During the 6-month period ended 30 June 2009, the Company executed impairments of assets amounting to PLN 171 thousand (in the 6-month period ended 30 June 2010: (PLN 46,653 thousand). A detailed description of impairment of assets is provided in note 15 Financial assets.

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Impairment of assets Company Profit	0	46 653
Impairment of assets Petrolinvest Mockavos Perpyla	171	0
	<u>171</u>	<u>46 653</u>

10.5. Other operating expenses

	<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Inventory shortages	153	59
Costs of collateral	13 440	70 797
Execution and court costs	1	100
Other	163	82
	<u>13 757</u>	<u>71 038</u>

On 14 May 2009, the Company signed three agreements with: PROKOM Investments S.A., Osiedle Wilanowskie Spółka z ograniczoną odpowiedzialnością and Agro Jazowa S.A., setting forth the terms on which those companies make their assets available to the Company to use as collateral for the credit facility extended under the agreement dated 21 March 2007 by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The commission is calculated as 6.5% of the value of the collateral from the moment it is established to the moment it is released. The discounted commission calculated under the agreements referred to above to the six months ended 30 June 2010 was PLN 20.4 million, of which PLN 13.4 million was taken to other operating expenses and PLN 7 million was taken to the Company's financial costs. The commission-related liabilities are convertible to equity. By 30 June 2010, the commission charged for the six months of year 2010 amounting to PLN 13 million was converted into the Company's equity. The Management Board believes that the remainder of the commission-related liability will also be converted, which means that the costs of execution of that agreement will not entail any cash outflow.

11. Income tax

Major components of income tax expense for the 6-month period ended 30 June 2010 and 30 June 2009 are:

	<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<i>Current income tax</i>		
Current income tax charge	0	0
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	0	(1 681)
Income tax expense reported in consolidated income statement	<u>0</u>	<u>(1 681)</u>

12. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the total operations basic earnings per share computations.

	<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
Net profit/ loss from continuing operations attributable to equity holders of the parent (in PLN '000)	7 016	(205 320)
Weighted average number of shares for basic earnings per share computations	26 700 848	10 432 600
Number of diluting potential ordinary shares	0	0
Earnings/ loss per share in PLN	0,26	(19,68)
Diluted earnings (loss) per share in PLN	0,26	(19,68)

Following the resolutions passed on 29 April 2008 by the Extraordinary General Shareholders' Meeting regarding the implementation of the Incentive Programme and the Resolution passed by the Supervisory Board on 18 June 2008 implementing the Rules and Regulations of the Incentive Programme — the Management Board Members were granted

the right to subscribe for in aggregate not more than 264,285 subscription warrants convertible into the Company series E shares. In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to subscribe for shares may be exercised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011.

On 19 October 2009, the Company concluded a subscription option agreement for the Company's shares with four open investment funds incorporated in Poland. The Agreement was concluded in consideration of the fact that the funds had subscribed for the greatest number of subscription warrants for the Company shares issued to increase the Company's share capital through the issue of ordinary bearer shares of T series. The Company agreed under the Agreement that at the request of any one of the Funds it will issue on aggregate 182,000 subscription warrants free of charge where each warrant will entitle its holder to acquire one Company share at an issue price of PLN 50 per share. Each of the Funds has the right to submit the request referred to above at any point, however no later than within two years from the date of the Agreement. On 2 November 2009, the Company entered into a subscription option agreement giving the brokerage house Dom Maklerski IDM S.A., which organised and carried out the issue of the series T shares, the option to subscribe for shares in the Company. The Company agreed under the Agreement that at the request of the Investor it will make a single issue of 65,000 transferable subscription warrants free of charge where each warrant will entitle its holder to acquire one Company bearer share at an issue price of PLN 50 per share. The Investor has the right to file the request referred to above at any point falling no later than within 2 years from the date of signing the Agreement. In compliance with IFRS, the Company was required to make an assessment of the fair value of the share options issued to the Funds and IDM. The cost of share option issue calculated using the Black-Scholes model was PLN 3.4 million and was charged to equity in the 2009 financial statements.

In connection with the agreement signed with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited dated 18 March 2010 and the agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. dated 28 May 2010 and 7 June 2010, the Company issued to the Investors a total of 2,400,000 free-of-charge subscription warrants for 1 share each, at the price of PLN 20 (taking into account the agreement of 28 May 2010). In addition, under the agreement of 28 May 2010, the Company undertook to issue to the Investors additional 1,800,000 New Warrants entitling their holders to acquire the Company's shares at the price of PLN 20. The rights resulting from the warrants described above may be exercised by 31 December 2014. In compliance with IFRS, the Company was required to make an assessment of the fair value of all 4,200,000 warrants. The cost of warrant issue calculated using the Monte Carlo model, taking into account the Company's option to enforce early funding, described in detail in note 10.2, was PLN 44.6 million and was charged to equity.

The table below sets forth the parameters used to determine the number of potential ordinary shares connected with the share issues described above. As at the date of these financial statements, the shares issued do not have a diluting effect.

	current share price	instrument execution price	number of instruments issued	number of instruments issued at fair value	number of diluting potential ordinary shares
series E - warrants	10,50	227	264 285	5 713 590	0
options	10,50	50,00	247 000	1 176 190	0
subscription warrants	10,50	20,00	2 400 000	4 571 429	0
			2 911 285	11 461 209	0

13. Property, plant and equipment

During the 6-month period ended 2009 June 30, the Company purchased property, plant and equipment worth PLN 39 thousand (during the 6-month period ended 2009: (PLN 44 thousand).

During the 6-month period ended 30 June 2010, the Company sold property, plant and equipment with a net value of PLN 46 thousand and recorded a profit on sale of PLN 1 thousand (in the 6-month period ended 30 June 2009, the Company sold property, plant and equipment with a net value of PLN 44 thousand and incurred a net loss on sale of PLN 6 thousand).

14. Dividends paid and declared

As at 30 December 2010, the following limitations existed on the payment of dividends:

- Under the agreement concluded on 21 March 2007 between the Company and Bank PKO BP S.A., the Company agreed not to propose dividend payments during the term of the agreement without the Bank's prior written consent.

Dividends are paid from profits stated in the standalone financial statements of Petrolinvest. The Company did not pay dividends in 2009 and does not plan to pay dividends in 2010.

15. Financial assets

No acquisition or subscription for shares and stocks in subsidiaries or jointly-controlled entities took place in the 6-month period ended 30 June 2010.

Loans granted

On 12 May 2006, the Company entered into a loan agreement with Bakhytbek Baiseitov and Lamda Engineering Inc. (restated on 1 June 2006). The agreement provides that the Company shall grant a loan of USD 25.3 million to Bakhytbek Baiseitov that the borrower shall use exclusively towards acquiring shares in Aktau-Tranzit. The loan was extended in three tranches amounting to USD 25.0 million. The Company's obligation to make the loan available to the borrower was subject to conditions precedent, which required inter alia that the borrower pledge collateral for the loan. The agreement provides that the loan shall be repaid immediately upon request after 2 June 2007. The Company had not requested any repayment as at 30 December 2010. Lamda Engineering Inc. acts as a guarantor for the borrower's obligations. The following agreements also serve as loan collateral: (i) share pledge agreement over shares constituting 35 per cent of the share capital of Lamda Engineering Inc. with Kulyash Baiseitova as pledgor, (ii) share pledge agreement over 1,714,286 shares of BMB Munai Inc. with Bakhytbek Baiseitov as pledgor, and (iii) guarantee agreement with Kulyash Baiseitova as guarantor. Moreover, Bakhytbek Baiseitov issued a sola bill of exchange.

On 12 May 2006, the Company entered into an agreement with Kulyash Baiseitova and Bakhytbek Baiseitov whereby Kulyash Baiseitova granted to the Company call options for shares constituting 35 per cent of the share capital of Lamda Engineering Inc., a company incorporated in British Virgin Islands, or for shares constituting 35 per cent of the share capital of one of its subsidiaries, especially Aktau-Tranzit, the owner of the Tyubedzhik and Zhangurshi concessions. Should the Company acquire the shares, it shall renounce its claim to the receivables due from Bakhytbek Baiseitov under the loan agreement and the related collateral up to the value of the shares acquired. The value of the shares acquired shall be determined upon execution of the call option by the parties or, in case agreement is not reached, by an independent expert. The option had been granted for the period up until the final repayment of the loan granted by the Company. To secure the execution of the agreement, Kulyash Baiseitova granted a power of attorney to the Company to dispose of shares constituting 70 per cent of the share capital of Lamda Engineering Inc.

The concessions owned by Aktau Transit were covered by the independent competent person's report from McDaniel & Associates Consultant who estimated the conditional resources for those concessions at a level of 6.3 million barrels of oil equivalent with a value of USD 38.3 million. The said value exceeds the amount of the extended loan.

The remaining loan agreements were granted for the financing of the activities of subsidiaries and jointly-controlled entities: Occidental Resources, Inc., TOO EmbajugNieft, TOO Company Profit, UAB Petrolinvest Mockavos Perpyla, Petrolinvest Gaz S.A.. Balances of receivables as at 30 December 2010 and 30 June 2009 together with a detailed description of agreements concluded in 2010 can be found in note 27 — Transactions with related parties.

Impairment of oil & gas investments

Taking into account the decline in long-term projections of oil prices on the world's markets and difficulties in getting access to financing for the full scope of investment activities, and also considering the reserves estimated by the independent competent person for each concession and the results of analyses and discussions with the competent person regarding the possible economic effects of production of individual concessions, the Management Board of PETROLINVEST S.A. decided that investment activities should be focused around concessions with the highest short-term value increase potential — that is the OTG and EmbajugNieft concessions.

According to the Independent Competent Person's report, the value of prospective resources on the concession of Company Profit was estimated at USD 5,213 thousand, which, according to the Management Board — given the geological and economic conditions of Company Profit concession, the independent nature of the valuation and conservative assumptions underlying the valuation — may be treated as fair value at the current stage of the project. Therefore, the Management Board of PETROLINVEST decided to take steps to sell its stake in Company Profit. The Management Board will attempt to obtain the maximum possible price for its stake in Company Profit; however, Management believes that the fair value determined by the Independent Competent Person at USD 5,213 thousand is currently the best estimate of the realisable selling price.

It is possible that PETROLINVEST S.A. will continue to finance partly the work and/or activities of Company Profit to the extent that will allow to maintain the concession until the stake in the company is sold or access to financial resources is provided, allowing all the planned investment projects to be completed, even if that means that the expected NPV of the project does not fully cover the expenditures incurred to date. The ongoing prospecting work may translate into higher prospective resources or a reclassification of prospective resources to the proven category, which in both cases may lead to a reassessment of the fair value of the net assets associated with the project delivered by Company Profit.

With a view to the above, in June 2009 the Management Board decided — based on the assessment of the fair value — to write down the assets associated with Profit to an amount not higher than USD 5,213 thousand. The Management Board undertook steps towards selling the shares in Profit. The decision resulted in the recognition of a one-off impairment loss on the assets associated with the project totalling PLN 46.7 million as of 30 June 2009.

Having considered the facts mentioned above, which do not allow PETROLINVEST S.A. to increase its input in financing the exploration and extraction activities of the Capital Energy S.A. Group at present, the Management Board of PETROLINVEST decided to write off as of 31 December 2009 assets associated with Capital Energy S.A. (PLN 43.9 million/USD 15.4 million) and MARS International Worldwide (PLN 7.5 million/USD 2.6 million). The stage of advancement of the projects delivered by the Companies of Capital Energy S.A. Group and the absence of new reports evaluating the resources of the concessions owned by those companies do not enable a detailed and thorough estimation of any potential benefits that investments in those concessions could bring at this stage.

Impairment of LPG assets

PETROLINVEST's Management has reviewed the business activity of Mockavos and its business development prospects connected with rail reloading at the Poland-Lithuania border crossing in Mockavos. After consideration of the conclusions drawn from the review — related primarily to the economics of railroad transport between Lithuania and Poland — and the profitability of Mockavos and the assessment of its fair value, it was decided that the assets associated with Mockavos totalling PLN 3 million should be impaired in full as of 31 December 2009.

In order to maintain the operational readiness of Mockavos and to have it ready for transloading LPG delivered to that location by/from other suppliers, Petrolinvest continues to finance certain justified costs of keeping this company operational. During the 6-month period ended 30 June 2010, the Company made available to Mockavos another PLN 171 thousand in the form of a loan, for which an impairment of assets was executed.

The Management of the Company estimates that save for the factors described above there were no indications of impairment of interests, shares and extended loans, and that all the assumptions adopted for impairment testing at the end of 2009 (described in the Financial Statements for the year ended 31 December 2009, note 23) remained valid as at 30 June 2010.

	30 June 2010	31 December 2009
	PLN '000	PLN '000
Financial assets		
Non-current	838 362	831 280
Shares	636 277	633 440
Long-term loans granted	202 085	197 840
Current	268 526	127 410
Short-term loans granted	268 526	127 410
Total financial assets, including	1 106 888	958 690
Non-current	838 362	831 280
current	268 526	127 410

16. Inventories

	30 June 2010	31 December 2009
	PLN '000	PLN '000
Raw materials	124	127
Goods	1 944	621
Prepaid goods	0	473
	2 068	1 221

There were no inventories measured at net selling price as at 30 June 2010 or as at 31 December 2009.

As at 30 June 2010, the Company recognised in the balance sheet obligatory stocks valued at PLN 15.2 thousand (as at 31 December 2009: PLN 68.6 thousand)

17. Cash and cash equivalents

Cash and cash equivalents at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for one day and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 30 June 2010 is PLN 3,331.3 thousand (as at 31 December 2009: PLN 772.4 thousand). As at 30 June 2010, the Company had at its disposal the amount of PLN 1,398 thousand of un-drawn committed overdraft facilities (as at 31 December 2009: PLN 5,258 thousand).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	30 June 2010 PLN '000	31 December 2009 PLN '000	30 June 2009 PLN '000
Cash at bank and in hand	3 331	772	359
Revolving credit facility	(2 602)	(20 742)	(32 768)
Cash and cash equivalents in the cash flow statement	729	(19 970)	(32 409)

18. Equity

18.1. Share capital

As at 30 June 2010, the Company's share capital amounted to PLN 327.7m and was divided into 32,773,232 shares, each of a nominal value of PLN 10.

The Company's share capital ownership structure as at the balance sheet date was as follows:

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A.	5 297 548	5 297 548	52 975 480	16,16%
Osiedle Wilanowskie Sp. z o.o.	1 238 161	1 238 161	12 381 610	3,78%
Ryszard Krauze	3 586	3 586	35 860	0,01%
Other shareholders	26 233 937	26 233 937	262 339 370	80,05%
Share capital, total	32 773 232	32 773 232	327 732 320	100,00%

The Company's share capital structure as of 31 December 2009 was as follows:

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A. together				
with Osiedle Wilanowskie	9 617 307	9 617 307	96 173 070	44,68%
Ryszard Krauze	3 586	3 586	35 860	0,02%
Other shareholders	11 905 706	11 905 706	119 057 060	55,30%
Share capital, total	21 526 599	21 526 599	215 265 990	100,00%

During the 6-month period ended 30 June 2010, the share capital increased by PLN 112,466 thousand as a result of the following share issues:

- 300,000 shares of S series — the increase of share capital on 19 February 2010,
- 70,800 shares of P series — the increase of share capital on 20 January 2010,
- 1,313,780 shares of V series — the increase of share capital on 17 March 2010,
- 3,824,241 shares of V series — the increase of share capital on 23 March 2010,
- 1,440,354 shares of V series — the increase of share capital on 23 March 2010,
- 394,736 shares of V series — the increase of share capital on 24 March 2010,
- 1,578,945 shares of V series — the increase of share capital on 25 March 2010,
- 2.323.777 shares of V series — the increase of share capital on 15 June 2010.

Shares of P and V series were issued within the registered conditional capital of the Company.

For a detailed description of the share issues by the Company, see Section 10 of the Management Board Report.

The Company's share capital structure as at 30 June 2010 was as follows:

seria akcji	Number of shares	Type of shares	Nominal value (PLN)	Share capital (PLN)
Series A	5 286 000	bearer	10	52 860 000
Series B	528 600	bearer	10	5 286 000
Series C	58 402	bearer	10	584 020
Series D	290 474	bearer	10	2 904 740
Series F	184 616	bearer	10	1 846 160
Series G	2 613 163	bearer	10	26 131 630
Series H	447 942	bearer	10	4 479 420
Series K	599 212	bearer	10	5 992 120
Series L	2 100 000	bearer	10	21 000 000
Series M	730 000	bearer	10	7 300 000
Series Q	2 778 991	bearer	10	27 789 910
Series R	600 000	bearer	10	6 000 000
Series N	1 052 000	bearer	10	10 520 000
Series P	370 800	bearer	10	3 708 000
Series T	1 453 571	bearer	10	14 535 710
Series U	2 503 628	bearer	10	25 036 280
Series S	300 000	bearer	10	3 000 000
Series V	10 875 833	bearer	10	108 758 330
Share capital, total	32 773 232			327 732 320

19. Interest-bearing loans and borrowings

The following events related to interest-bearing loans and borrowings extended to PETROLINVEST took place in the 6-month period ended 30 June 2010.

Powszechna Kasa Oszczędności Bank Polski S.A.

On 15, 17 and 31 March 2010, the outstanding balance of the credit facility extended to the Company under the credit facility agreement of 21 March 2007 by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego was reduced to USD 68.7 million.

The purpose of the repayments was to meet the provisions of the Annex of 6 November 2009, in which the parties to the credit facility agreement had decided to release one of the loan securities in exchange for the early repayment in the amount of PLN 60 million, and repayment of USD 11.2 million in connection with the permission from the banks to sell companies in Russia.

After the period covered by the Report, as a result of an early payment, a further reduction by USD 3.5 million of the outstanding credit facility extended by PKO BP and BGK occurred.

Fortis Bank Polska S.A.

On 15 June 2010 the overdraft credit facility agreement, concluded with Fortis Bank Polska S.A., expired. All obligations of the Company under the aforementioned agreement were timely settled.

BRE Bank S.A.

On 31 March 2010 the overdraft credit facility agreement, concluded with BRE Bank S.A., expired. All obligations of the Company under the aforementioned agreement were timely settled.

Bank Polska Kasa Opieki Spółka Akcyjna

On 28 January, 28 May and 21 June 2010, the Company entered into annexes to the overdraft credit facility agreement with Bank Polska Kasa Opieki Spółka Akcyjna to prolong the credit line of PLN 6,000 thousand. The financing was granted for a period ending on 31 December 2010 and envisages partial repayments starting from January 2010. Interest was again determined based on WIBOR.

European Bank for Reconstruction and Development

On 29 March 2010, the Company concluded a Loan Agreement with the European Bank for Reconstruction and Development, under which EBRD extended a loan facility to the Company in the maximum amount of USD 50,000,000.

The loan will be used to finance geological work carried out by TOO OilTechnoGroup and TOO Emba Jug Nieft in 2010–2011 in the areas covered by the OTG Contract and the Emba Contract respectively, in the Republic of Kazakhstan. The Loan amount will be transferred by PETROLINVEST S.A. to OTG and Emba through project loans. The loan interest is based on LIBOR plus a margin of 3.5% p.a. The lending period is 3 years from the date of conclusion of the Loan Agreement.

The extension of the Loan depended on a number of conditions precedent. As at the day of approving these financial statements, the conditions precedent had not been met and the credit facility had not been opened.

A detailed description of the agreement concluded with C.Ulrich założone w 1805 r. w Warszawie is provided in the note "Related Party Transactions".

20. Receivables

	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Trade receivables	11 555	4 550
Receivables from employees	287	238
Income tax receivable	0	0
Other receivables	0	0
	<u>11 842</u>	<u>4 788</u>

21. Trade and other payables (current and non-current).

	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Current liabilities	26 018	13 131
Trade liabilities	11 709	10 728
Liabilities to public authorities	3 112	2 365
Financial liabilities	11 124	0
Other liabilities	73	38
Non-current liabilities	3 471	18 986
	<u>29 489</u>	<u>32 117</u>

Non-current liabilities of PLN 3.5 million as at 30 June 2010 comprise discounted liabilities resulting from the fee due for providing assets as collateral for the credit facility.

22. Prepayments and accruals

Current prepayments and accruals are:

	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Capital raising expenses	7 599	7 183
Gas cylinders expensed over time	100	148
Other	379	231
	<u>8 078</u>	<u>7 562</u>

23. Components of Other Comprehensive Income

During the first 6 months of 2010 and during the first 6 months of 2009 the components of other comprehensive income amounted to 0.

24. Contingent Liabilities and Assets

The Company's contingent liabilities are blank promissory notes deposited with the Customs House in Gdynia and serving as security for excise duty, which enables the transfer of goods under suspended excise duty procedures. This type of security

is a substitute for a deposit securing the above-mentioned receivables of the Customs House. The Company has been verified by the Customs House as a blank promissory note issuer and thus need not freeze cash on deposits. The Company has full control over its liabilities and continues to perform well under the suspended excise duty procedures; hence, it does not make any provisions for potential liabilities resulting from the promissory notes issued. The value of promissory notes as at 30 June 2010 and as at 31 December 2009 was PLN 2,850 thousand.

On 25 June 2009, the Company signed agreements committing the Company to dispose of shares and stocks in companies headquartered in the Russian Federation. The agreement provides that if a discovery is made on the concession while the acquirers hold shares in the acquired companies, each of the acquirers is obliged to pay additional consideration to the Company. The total amount of such additional consideration may come at a maximum of USD 42.

24.1. Legal claims

As at 30 June 2010, the Company was not party to any legal proceedings as the plaintiff, claimant or applicant. Due to payment orders issued by court, execution proceedings are being performed. The Company's claims for collection orders from the court pertained to the ongoing business of the Company, in particular the sale of liquefied petroleum gas (LPG). The Company created impairments on receivables in appropriate amounts.

As at 30 June 2010, the Company was party to the following legal proceedings concerning labour law as the defendant. The Company made an appropriate allowance to secure those commitments in the amount of PLN 770 thousand.

25. Financial risk Management objectives and policies

The Management is of the opinion that no significant changes to financial risk or financial risk Management objectives and policies have occurred in relation to the financial statements for the year ended 31 December 2009.

26. Capital Management

The Company's main objective when managing capital is to maintain a good credit rating and safe capital ratios that can support the Company's operating activities and increase its value to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, with the reservation of note 14 to the financial statements, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the reporting periods ended 30 June 2009 and 31 December 2009, there were no changes to the Group's objectives, policies and processes for managing capital.

The Company monitors capital using the leverage ratio calculated as the ratio of net debt to net debt plus total equity. Net debt is calculated as interest-bearing loans and borrowings and trade and other payables less cash and cash equivalents. Capital comprises equity attributable to equity holders of the parent less reserve capital relating to unrealised net gains and shareholder loans, which due to the existence of certain contractual obligations are treated as subordinated debt.

The Management Board of the Company is aware that the Company is in the start-up phase of a long-term development programme and so an increase in the scale and variety of the sources of finance used (both equity and debt instruments) is to be expected in future reporting periods. The scale and long-term character of the undertaking may result in there being material fluctuations in the financial leverage ratio calculated at the end of each reporting period when exploration works are in progress.

PETROLINVEST Spółka Akcyjna
 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010
 Notes to the consolidated financial information
 (PLN '000)

	30 June 2010 PLN '000	31 December 2009 PLN '000
Interest-bearing loans and borrowings and finance lease liabilities	247 811	318 341
Subordinated shareholder loans	(443)	(435)
Trade and other payables	29 489	32 117
Liabilities convertible to equity	(3 471)	(18 986)
Less: cash and cash equivalents	(3 331)	(772)
Net debt	270 055	330 265
Equity	882 514	647 976
Subordinated shareholder loans	443	435
Liabilities convertible to equity	3 471	18 986
Total equity	886 428	667 397
Net debt and equity	1 156 483	997 662
Leverage ratio	23,35%	33,10%

27. Related party disclosures

27.1. Related party transactions

The table below sets forth aggregate amounts of commercial transactions concluded by the Company with related entities in the six-month period ended 30 June 2010 and 2009 as well as balances of receivables and liabilities as at 31 December 2009 and 30 June 2010.

Related party		Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
		(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
Ryszard Krauze wraz z S.Ulrich założone w 1805 roku w Warszawie S.A.	2010	0	0	50	2 971
	2009	0	0	50	390
Prokom Investments together with Osiedle Wilanowskie Sp. z o.o.	2010	3	20 686	2	8 334
	2009	0	71 742	0	20 914
UAB Petrolinvest Mockavos Perpyla Sp. z o.o.	2010	0	54	0	0
	2009	0	190	0	0
PETROLINVEST GAZ S.A.	2010	3	0	534	0
	2009	1	0	435	0
OOO NK Siewiergeofizyka	2010	0	0	0	0
	2009	0	0	0	0
OOO Nieftiegeoserwis	2010	0	0	0	0
	2009	0	0	0	0
ZAO Peczora Petroleum	2010	0	0	0	0
	2009	0	0	0	0
Occidental Resources, Inc.	2010	0	0	217 257	0
	2009	0	0	118 469	0
TOO Profit Company	2010	0	0	0	0
	2009	0	0	0	0
TOO EmbajugNieft	2010	0	0	163 511	0
	2009	0	0	130 643	0

27.2. Terms and conditions of transactions with related parties

Agreements concluded between the Company and Occidental Resources, Inc.

In the period from 1 January 2010 to the date of these Financial Statements, the Company concluded two agreements with Occidental Resources, Inc. The agreements were regarding a loan granted by the Company for a total amount of USD 30,000 thousand. Up until the date of these Financial Statements, USD 21,482 thousand has been made available by the Company (USD 17,732 thousand was made available as at 30 June). The loan agreement dated 15 March 2010 becomes payable on or before 30 November 2010, and the agreement dated 12 July 2010 becomes payable on or before 30 June

2011. Interest accruing on the loans was agreed upon at 18% p.a. In order to secure the above-mentioned receivables, the Company entered into two guarantee agreements with OTG as the guarantor for USD 45,000 thousand in total.

Agreements concluded between the Company and PETROLINVEST GAZ S.A.

In the period from 1 January 2010 to the date of these Statements, the Company concluded three loan agreements with PETROLINVEST GAZ S.A., for a total amount of PLN 97 million. Up until the date of these Financial Statements, all funds have been made available by the Company (PLN 87 thousand up to 30 June 2010). The interest rate of the loan in the amount of PLN 22 million of 20 January 2010 is 5% p.a. The other loans are subject to an interest rate of 7% p.a. The loans extended in 2010 are payable within 14 days of termination by the Lender. Moreover, within the period in question, annexes to all previously concluded loan agreements were signed, changing maturity dates to 14 days of termination by the Lender.

Agreements concluded between the Company and Petrolinvest Mockavos Perpyla

In the period from 1 January 2010 to the date of these Financial Statements, the repayment period of the EUR 350 thousand loan, which originally matured on 30 June 2010, was extended to 31 December 2010. Other terms of the agreement remained unchanged.

Agreements concluded between the Company, PROKOM Investments S.A. and Osiedle Wilanowskie Sp. z o.o.

On 25 February 2010, the Company received the following documents from Prokom Investments S.A., submitted in accordance with the agreements concluded on 14 May 2009 with Prokom Investments S.A. and AGRO JAZOWA S.A., setting forth the terms on which those companies made their assets available to the Company to use as a collateral for the credit facility extended under the agreement of 21 March 2007 by the consortium of PKO Bank Polska S.A. and Bank Gospodarstwa Krajowego:

1. a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the prepayments defined in the agreements and listed in the request, totalling PLN 28,726,325.21 and (ii) the average closing price of one Company share at the WSE over the last 3 months preceding the date of the request, i.e. Petrolinvest share price quote of PLN 21.8654; and
2. a call to offer to Prokom, within five days from 25 February 2010, 1,313,780 Company's ordinary bearer shares, at the issue price of PLN 21.8654 per share, i.e. for a total of PLN 28,726,325.21.

After the merger, Prokom became the legal successor of Agro Jazowa.

On 25 February 2010, the Management Board of PETROLINVEST S.A. adopted a resolution regarding the offering of registered subscription warrants over series V shares. The Subscription Warrants were taken up by Prokom on 25 February 2010. On the same day, Prokom exercised its right to take up the series V shares attached to the Subscription Warrants and filed a statement of acquisition of 1,313,780 ordinary series V bearer Petrolinvest shares. The issue price of the ordinary series V bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution within the scope of the conditional increase of the Company's share capital, was set by the Management Board at PLN 21.8654 per share.

The payments for shares of V series were made as a result of a set-off agreement between the Company and Prokom, under which the Parties set off the accounts receivable under the share subscription agreement for the shares of V series totalling PLN 28,726,325.21 against due accounts payable to Prokom by the Company under the credit facility collateral agreement of 14 May 2009.

On 18 March 2010, in accordance with the provisions of the agreement of 13 January 2009 concluded with Prokom, concerning, inter alia, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company ("Agreement with Prokom I"), and the agreements concluded on 14 May 2009 with Prokom, AGRO JAZOWA S.A. and Osiedle Wilanowskie Sp. z o.o., setting forth the terms on which those entities made their assets available to the Company to use as a collateral for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego ("Agreement with Prokom II") ("Agreement with Agro Jazowa") ("Agreement with Osiedle Wilanowskie"):

1. the Company received from Prokom, filed in compliance with the Agreement with Prokom I and the Agreement with Prokom II:
 - a) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by the Company for the early repayment by Prokom on 15 and 17 March 2010 of PLN 74,062,500.00 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 and for a PLN 2,960,488.15 advance towards the fee for providing and maintaining collateral for the credit facility and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.5544; and
 - b) a call to offer to Prokom, within five days from 17 March 2010, 3,747,273 ordinary bearer Company shares at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 77,022,948.15;
2. the Company received from Osiedle Wilanowskie, filed in compliance with the Agreement with Osiedle Wilanowskie:
 - c) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the account payable to Osiedle Wilanowskie by the Company as an advance towards the fee for providing and maintaining collateral for the credit facility which is equal to PLN 1,582,031.05 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.5544;

- d) a call to offer to Osiedle Wilanowskie, within five days from 17 March 2010, 76,968 ordinary bearer Company shares at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 1,582,031.05;
- 3. the Company received from Prokom, filed in compliance with the Agreement with Prokom I:
 - e) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the payment of PLN 30,000,000.00 to the Company's account on 18 March 2010 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.8282; and
 - f) a call to offer to Prokom, within five days from 18 March 2010, 1,440,354 ordinary bearer Company shares at an issue price of PLN 20.8282 per share, i.e. for a total consideration of PLN 29,999,891.18;

The accounts receivable by Prokom quoted in the request and the call referred to in point 1 above arose under the Agreement with Prokom II and the Agreement with Agro Jazowa. After the merger, Prokom became the legal successor of Agro Jazowa.

Due to the requests and calls for shares by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o., on 18 March 2010 the Management Board adopted two resolutions concerning offering registered subscription warrants for shares of V series and setting forth the detailed conditions for the issue of subscription warrants. In compliance with the provisions of those resolutions:

1. The Management Board decided to issue 3,824,241 subscription warrants of D series and offered 3,747,273 warrants to Prokom and 76,968 warrants to Osiedle Wilanowskie. The warrants of D series were taken up by Prokom and Osiedle Wilanowskie on 18 March 2010. On the same day, both eligible entities exercised their rights to subscribe for series V shares attached to the series D warrants and submitted statements on subscription for 3,824,241 ordinary bearer series V shares.

The issue price of the ordinary bearer shares of V series, issued to holders of the warrants of D series on the basis of the Issue Resolution as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 20.5544 per share.

2. The Management Board decided to issue 1,440,354 Subscription Warrants of E series and offered them for subscription to Prokom. The E series Warrants were subscribed for by Prokom on 18 March 2010. On the same day, Prokom exercised its right to subscribe to the series V shares attached to the E series warrants and submitted a statement on subscription for 1,440,354 Company's ordinary bearer series V shares.

The issue price of the ordinary bearer shares of V series, issued to holders of the warrants of C series on the basis of the Issue Resolution, as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 20.8282 per share.

Payments for the Series V Shares were made by netting mutual accounts receivable/accounts payable by the Company and the subscribers. On 18 March 2010, the Company entered into the following netting agreements:

1. a netting agreement with Prokom under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for Series V Shares totalling PLN 77,022,948.15 with outstanding accounts payable to Prokom by the Company for the early repayment by Prokom of a portion of the credit facility extended to the Company under the credit facility agreement with PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego dated 21 March 2007 and under the Credit Facility Collateral Agreement dated 14 May 2009;
2. a netting agreement with Osiedle Wilanowskie under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for Series V Shares totalling PLN 1,582,031.05 with outstanding accounts payable to Osiedle Wilanowskie by the Company under the Credit Facility Collateral Agreement dated 14 May 2009;
3. a netting agreement with Prokom under which the Parties netted an outstanding account receivable by the Company under the share subscription agreement for Series V Shares totalling PLN 29,999,981.18 with outstanding accounts payable to Prokom by the Company for the payment of PLN 30,000,000.00 to the Company's account on 18 March 2010.

As a result of the netting, the cash contribution due by Prokom and Osiedle Wilanowskie to the Company in connection with the take-up by the subscribers of an aggregate 5,264,595 Series V Shares was fully covered.

On 28 May 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd., and Prokom Investments S.A. executed an agreement regarding the assumption by Prokom Investments S.A. of certain of the Investors' rights under the agreement dated 18 March 2010 between the Company, the Investors and GEM Global Yield Fund Limited. Under the Assumption Agreement the Investors transferred to Prokom all the rights to subscribe for second tranche convertible bonds or second tranche prepaid subscription warrants for the total issue price of PLN 30 million. The terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of rights to prepaid subscription warrants remained as originally stated in the Agreement.

Pursuant to the Assumption Agreement Prokom has the right to demand the Investors to assign to Prokom or an entity designated by Prokom any rights to subscribe for the third and fourth tranche convertible bonds and the third and fourth tranche prepaid subscription warrants that the Company agreed to issue in favour of the Investors under the Agreement. Prokom may exercise the right referred to in the preceding sentence within 180 days from the date of execution of the Assumption Agreement. Once Prokom or an entity designated by Prokom exercise the rights described in this paragraph, the terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of the rights to the prepaid subscription warrants will remain as originally stated in the Agreement.

On 9 June 2010 the Company and Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A., entered into a subscription agreement relating to the subscription for 1,363,635 of prepaid II tranche subscription warrants with the prepayment amount of PLN 29,999,970, in connection with the conclusion of the Assumption Agreement dated 28 May 2010. In consequence of execution of the Subscription Agreement, on 9 June 2010, the Company received from Osiedle Wilanowskie a request of delivery of the II Tranche Subscription Warrants. Pursuant to the Assumption Agreement, on 9 June 2010, Osiedle Wilanowskie was designated to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., by Prokom Investments S.A. as the entity authorised to subscribe for II Tranche Subscription Warrants.

In consequence of receipt of the above referenced request, on 9 June 2010, the Company issued in favour of Osiedle Wilanowskie 1,363,635 II Tranche Subscription Warrants which authorise to subscribe for 1,363,635 series V bearer shares in the Company and in consequence of the issuance thereof received a total prepaid amount of PLN 29,999,970.

On 9 June 2010, the Company received from Osiedle Wilanowskie the exercise notice with respect to all of the II Tranche Subscription Warrants. Under the terms of the agreement dated 18 March 2010, the issue price of one share subscribed in performance of each II Tranche Subscription Warrant was established at PLN 12.91. Due to the fact that the amount prepaid by Osiedle Wilanowskie in relation to the issue of II Tranche Subscription Warrants exceeds the total issue price of shares subscribed for in exercise of II Tranche Subscription Warrants, the Company issued additional 960,142 II Tranche Subscription Warrants for Osiedle Wilanowskie according to the mechanism specified in the agreement dated 18 March 2010. Under the Subscription Agreement, if the issue price of the shares subscribed for in result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant prepaid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total prepaid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

On 9 June 2010 Osiedle Wilanowskie exercised the right to subscribe for the series V shares with respect to all of the 2,323,777 II Tranche Subscription Warrants and made a representation on subscription for 2,323,777 series V ordinary bearer shares in the Company.

On 5 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. assigned the right to subscribe for and exercise the part of the III tranche of pre-paid subscription warrants with the prepayment amount of PLN 20,000,000 that have not been exercised so far, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A. Moreover, the Investors assigned to Prokom the right to subscribe for and exercise all of the IV tranche of prepaid subscription warrants with the prepayment amount of PLN 30,000,000. Prokom is authorised to assign the above-mentioned right to another entity designated by it.

On 13 August 2010, the Company was notified by Prokom Investments S.A. of the assignment of the right to subscribe for and exercise the whole of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30,000,000, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom. The Company was subsequently notified that Osiedle Wilanowskie assigned further rights to subscribe for and exercise the IV Tranche Warrants as well as the rights to subscribe for and exercise the part of the III tranche of pre-paid warrants that have not been exercised so far with the prepayment amount of PLN 20,000,000 to a group of entities each of which acquired the right to such a number of the pre-paid warrants in the case of exercise of which no Investor can subscribe for the number of the Company's shares that would entitle him to execute 5% or more of the overall number of votes at the general meeting of the Company.

On 1 June and 16 July 2010 Prokom Investments, as a collateral of trade payables of Petrolinvest, guaranteed the blank promissory note issued by Petrolinvest up to the amount of PLN 10 million for Orlen Gaz Sp. z o.o.

On 9 August 2010 the Company obtained support from PROKOM Investments S.A. in the form of early repayment of a portion of the credit facility in the amount of USD 3.5 million to the Company's financing banks.

Agreements concluded between the Company and C.Ulrich założone w 1805 roku w Warszawie S.A. (with Mr Ryszard Krauze as the parent entity)

In the period from 1 January 2010 to the date of these Statements, the Company concluded one agreement with C. Ulrich założone w 1805 roku w Warszawie. The subject matter of the agreement is a loan for the Company in the amount of PLN 2.5 million. Up until the date of these Statements, the Company has received all the funds under the agreement. The loan is payable within 6 weeks of termination by the Lender and is subject to an interest rate of 7% p.a. The loan is secured by a blank promissory note.

28. Events after the balance sheet date

On 29 and 30 July 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., under the Agreement of 18 March 2000, submitted to the Company a request of delivery of the pre-paid III tranche subscription warrants for the total pre-paid amount of PLN 2,000,000, while the value of the total III tranche, pursuant to the Agreement, equals PLN 30,000,000. In consequence of receipt of the request, on 30 July 2010, the Company issued in favour of the Investors 66,666 III Tranche Subscription Warrants which authorise to subscribe for 66,666 series V bearer shares in the Company.

On 30 July 2010, the Company received from Investors the exercise notice with respect to all of the above-mentioned III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company had also issued in favour of Investors 121,834 of additional III Tranche Subscription Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for as a result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

On 30 July 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 188,500 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 188,500 series V ordinary bearer shares in the Company.

On 3 August 2010 56,550 series V Petrolinvest shares subscribed for by Iroquois Master Fund Ltd. in exercise of 56,550 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

On 4 August 2010 131,950 series V Petrolinvest shares subscribed for by Kingsbrook Opportunities Master Fund LP in exercise of 131,950 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

On 3 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund, under the Agreement of 3 August 2010, submitted to the Company a second request for delivery of the pre-paid III Tranche Subscription Warrants for the total pre-paid amount of PLN 8,000,000. In consequence of receipt of the request, on 3 August 2010, the Company issued in favour of Investors 266,665 III Tranche Subscription Warrants which authorise the holder to subscribe for 266,665 series V bearer shares in the Company.

On 3 August 2010, the Company received from Investors the exercise notice with respect to all of the III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company had also issued in favour of Investors 487,339 of additional III Tranche Subscription Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for as a result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised. On 3 August 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 754,004 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 754,004 series V ordinary bearer shares in the Company.

On 5 August 2010 754,004 series V Petrolinvest shares subscribed for by Iroquois Master Fund Ltd. and Kingsbrook Opportunities Master Fund LP in exercise of 754,004 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE. 226,201 warrants were exercised by Iroquois Master Fund Ltd., and 527,803 warrants were exercised by Kingsbrook Opportunities Master Fund LP. On 5 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. assigned the right to subscribe for and exercise the part of the III tranche of pre-paid subscription warrants with the prepayment amount of PLN 20,000,000 that have not been exercised so far, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A. Moreover, the Investors assigned to Prokom the right to subscribe for and exercise all of the IV tranche of prepaid subscription warrants with the prepayment amount of PLN 30,000,000. Prokom is authorised to assign the above-mentioned right to another entity designated by it.

On 13 August 2010, the Company was notified by Prokom Investments S.A. of the assignment of the right to subscribe for and exercise the whole of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30,000,000, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom. The Company was subsequently notified that Osiedle Wilanowskie assigned further rights to subscribe for and exercise the IV Tranche Warrants as well as the rights to subscribe for and exercise the part of the III tranche of pre-paid warrants that have not been exercised so far with the prepayment amount of PLN 20,000,000 to a group of entities each of which acquired the right to such a number of the pre-paid warrants in the case of exercise of which no Investor can subscribe for the number of the Company's shares that would entitle him to execute 5% or more of the overall number of votes at the general meeting of the Company. Moreover, the

Company informs you that on 13 August 2010 Investors submitted a request to issue the outstanding part of the III Tranche Warrants that have not been issued so far for the total prepayment amount of PLN 20,000,000, as well as the whole of the IV Tranche Warrants for the total prepayment amount of PLN 30,000,000. In consequence of receipt of the request, on 13 August 2010, the Company issued in favour of Investors 666,666 III Tranche Warrants and 833,332 IV Tranche Warrants which jointly authorise to subscribe for 1,499,998 series V bearer shares in the Company.

On the same day, the Company received from the Investors the exercise notice with respect to all of the III Tranche Warrants and IV Tranche Warrants. Under the terms of the Subscription Agreement the issue price of one share subscribed in performance of each III Tranche Warrant and IV Tranche Warrant was established at PLN 10.61. Since the amount of prepayment paid to the Company in relation to the issuance of the III Tranche Warrants and IV Tranche Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Warrants and IV Tranche Warrants, the Company also issued in favour of Investors 1,218,348 additional III Tranche Warrants and 1,994,188 additional IV Tranche Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for as a result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

Moreover, on 13 August 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 1,218,348 Additional III Tranche Subscription Warrants and to all of the 1,994,188 Additional IV Tranche Subscription Warrants, and made a representation on subscription for 3,212,536 series V ordinary bearer shares in the Company. The total number of series V ordinary bearer shares which the Company issued on 13 August is 4,712,534. The total amount of prepayments related to the issuance of the above-mentioned shares, paid by Osiedle Wilanowskie and entities indicated by Osiedle Wilanowskie, was PLN 50,000,000.

On 18 August 2010 the total number of 4,712,534 series V Petrolinvest shares was registered with the National Depository for Securities and introduced to trading on the WSE. The above-mentioned shares were subscribed for in exercise of 4,712,534 pre-paid subscription warrants at an issue price of PLN 10.61 per share by a group of entities, none of which, as a result of the acquisition of the Company's shares, acquired the right to exercise 5% or more of the overall number of votes at the general meeting of the Company.

On 23 August 2010 the Company entered into two agreements with ORLEN GAZ Sp. z o.o. for purchase of liquified propane-butane mix of an estimated aggregate value of PLN 51,064,000, as a result of which the aggregate value of the agreements concluded with this client over the past 12 months amounted to PLN 103,936,000.

The agreement with the highest value among all the agreements concluded by the Company with ORLEN GAZ Sp. z o.o. within the past 12 months is the significant agreement concluded on 23 August 2010, the estimated value of which is PLN 40,416,000. The terms and conditions of the Agreement are similar to market terms and conditions, the delivery of LPG will be effected using the "DDU Suwałki/Łubiana/Gdynia" formula in accordance with the Incoterms 2000. The Agreement was concluded for the period ending on 31 December 2010. A bill of exchange guarantee submitted by a company belonging to the Prokom Investments S.A. capital group constitutes financial collateral for the Agreement execution.