

This is a translation of the document originally issued in Polish

MANAGEMENT’S DISCUSSION AND ANALYSIS
OF THE CONSOLIDATED FINANCIAL PERFORMANCE
IN Q1 2013

THE LOTOS GROUP

ISIN	Warsaw Stock Exchange	Thomson Reuters	Bloomberg
PLLOTOS00025	LTS	LTOS.WA	LTS PW

Contents

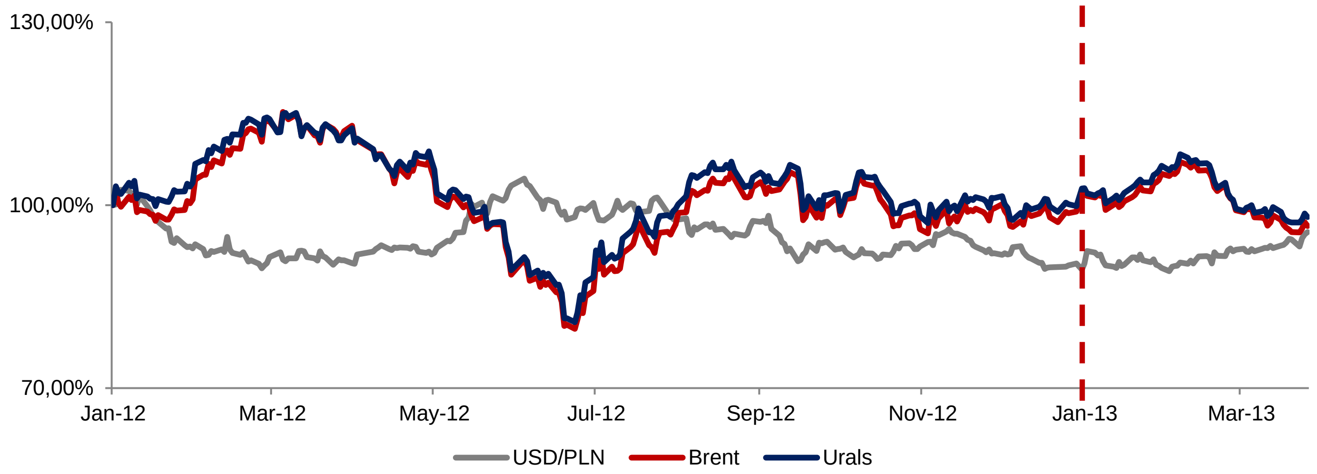
An excel file with the operating and financial data for Q1 2013 and the previous reporting periods is published together with a 2013 quarterly report in the Investor Relations section of our website as ***"databook"****.*

1 Market environment

- **Grupa LOTOS S.A.'s model refining margin at 4.46 USD/bbl (up 20% on Q1 2012)**
- **Margins on middle distillates higher year on year, despite unfavourable heavy fuel oil prices**
- **The US dollar strengthening against the Polish złoty as at the end of Q1 2013, but weakening on an average quarterly basis (both quarter on quarter and year on year)**

Macroeconomic data

Brent/Urals prices and the USD/PLN exchange rate



Brent/Urals prices and Grupa LOTOS S.A.'s model margin (USD/bbl)

(USD/bbl)	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
DATED Brent FOB	**112.57**	110.08	118.60	2.3%	-5.1%
Urals CIF Rotterdam prices	**110.53**	108.64	116.87	1.7%	-5.4%
Brent/Urals differential *	**1.73**	1.09	1.26	58.7%	37.3%
Model refining margin**	**4.46**	5.41	3.71	-17.6%	20.2%

** Brent vs. Urals spread*
**Model margin for an output structure in an averaged scenario of typical annual operation of Grupa LOTOS' refinery, assuming maximised output of middle distillates. An annual throughput has been assumed to correspond to the maximum distillation capacity, with Urals crude as the only feedstock, whose value is determined as the difference between DTD Brent and the Urals Rtd vs. forward Dtd Brent spread.*

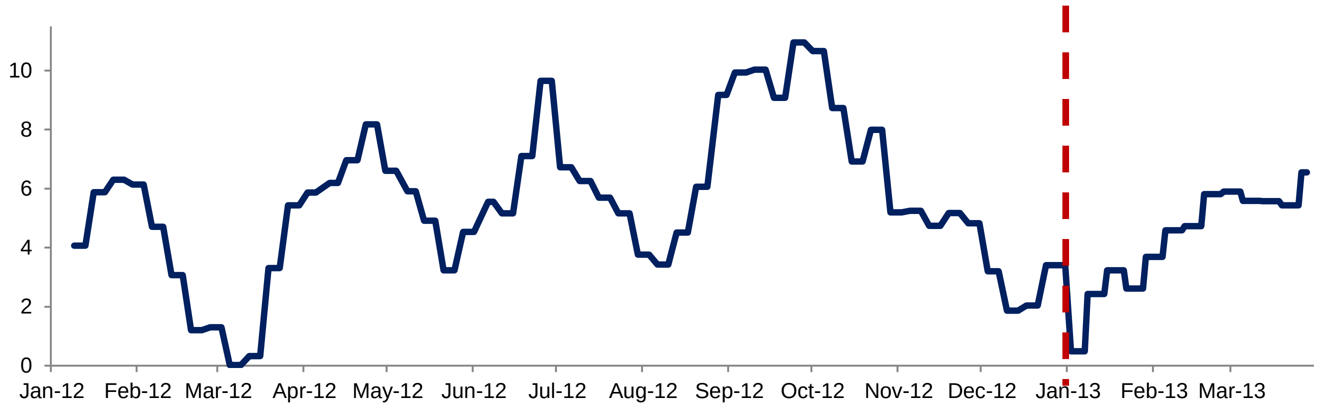
Crack margins (USD/t)

(USD/t)	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Gasoline	**185.59**	152.86	171.84	21.4%	8.0%
Naphtha	**89.34**	105.30	115.16	-15.2%	-22.4%
Diesel oil	**124.03**	153.69	115.05	-19.3%	7.8%
Light fuel oil	**105.44**	119.17	94.31	-11.5%	11.8%
Jet fuel	**183.06**	190.53	159.63	-3.9%	14.7%
Heavy fuel oil	**-242.23**	-246.35	-214.83	1.7%	-12.8%

USD/PLN exchange rates

(USD/PLN)	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
PLN/USD exchange rate at end of the period	**3.26**	3.10	3.12	5.2%	4.5%
Average quarterly PLN/USD exchange rate	**3.15**	3.17	3.22	-0.6%	-2.2%

Grupa LOTOS S.A.'s model refining margin in Q1 2012 – Q1 2013



Factors which had a material effect on the LOTOS Group's performance in the reporting period included:

Exchange rates:

- Slow appreciation of the US dollar against the Polish złoty – slow depreciation of the złoty beginning from January; effect of foreign exchange differences related to operating activities (PLN -32.2m relative to PLN -2.8m in Q4 2012);

- Appreciation of the US dollar as at the end of the period (+5.2% relative to Q4 2012) resulted in a loss on remeasurement of the LOTOS Group's debt, most of which is denominated in the US dollar; in the previous quarter and the comparative quarter, the weakening of the US dollar against the złoty (-2.5% and -8.8%) resulted in foreign exchange gains on debt remeasurement.

Feedstock and products:

- Crack margins on key products up quarter on quarter, except margins on naphta (down by 22.4% on Q1 2012);
- Crack margins on heavy fuel oil substantially down quarter on quarter (12.8% lower than in Q1 2012);
- No material impact of the Brent Dated price trend in Q1 2013 on the LOTOS Group's operating result;

- Positive effect of an increase in the Brent/Urals differential (up by USD 0.64 on Q4 2012 and up by USD 0.47 on Q1 2012) on the LOTOS Group's performance.

2 Upstream segment

- **Settlement to remove the defective platform from the Yme field**
- **Sales of Rozewie crude up by 130% quarter on quarter**

Crude oil reserves, production and sales

Reserves (mbbl) *	**Mar 31 2013**	**Dec 31 2012**	**Mar 31 2012**		
Norway	**12.95**	12.95	12.95		
Poland	**31.90**	32.16	33.39		
Lithuania **	**7.96**	8.43	6.50		
Total	**52.81**	53.54	52.84		
Production (bbl/d)	**Q1 2013**	**Q4 2012**	**Q1 2012**	**Q1 13/ Q4 12**	**Q1 13/ Q1 12**
Poland	**2,916**	3,147	5,550	-7.4%	-47.5%
Lithuania **	**1,601**	1,519	1,626	5.4%	-1.5%
Total	**4,517**	4,667	7,176	-3.2%	-37.1%
Sales of own products (bbl)	**Q1 2013**	**Q4 2012**	**Q1 2012**	**Q1 13/ Q4 12**	**Q1 13/ Q1 12**
Poland	**451,177**	196,396	534,664	129.7%	-15.6%
Lithuania **	**120,755**	152,101	140,791	-20.6%	-14.2%
Total	**571,932**	348,497	675,455	64.1%	-15.3%

**2P – proved and probable reserves.*

*** Pro rata to the ownership interest in the AB LOTOS Geonafta Group; the change in reserves relative to Q1 2012 results mainly from the purchase of a 50% interest in UAB Manifoldas.*

Natural gas reserves, production and sales

Reserves (billion m3)*	**Mar 31 2013**	**Dec 31 2012**	**Mar 31 2012**		
Poland	**0.480**	0.484	0.497		
Production (million m3)	**Q1 2013**	**Q4 2012**	**Q1 2012**	**Q1 13/ Q4 12**	**Q1 13/ Q1 12**
Poland	**3.80**	4.10	7.30	-7.3%	-47.9%
Sales (million m3)	**Q1 2013**	**Q4 2012**	**Q1 2012**	**Q1 13/ Q4 12**	**Q1 13/ Q1 12**
Poland	**2.60**	2.60	2.40	0.0%	8.3%

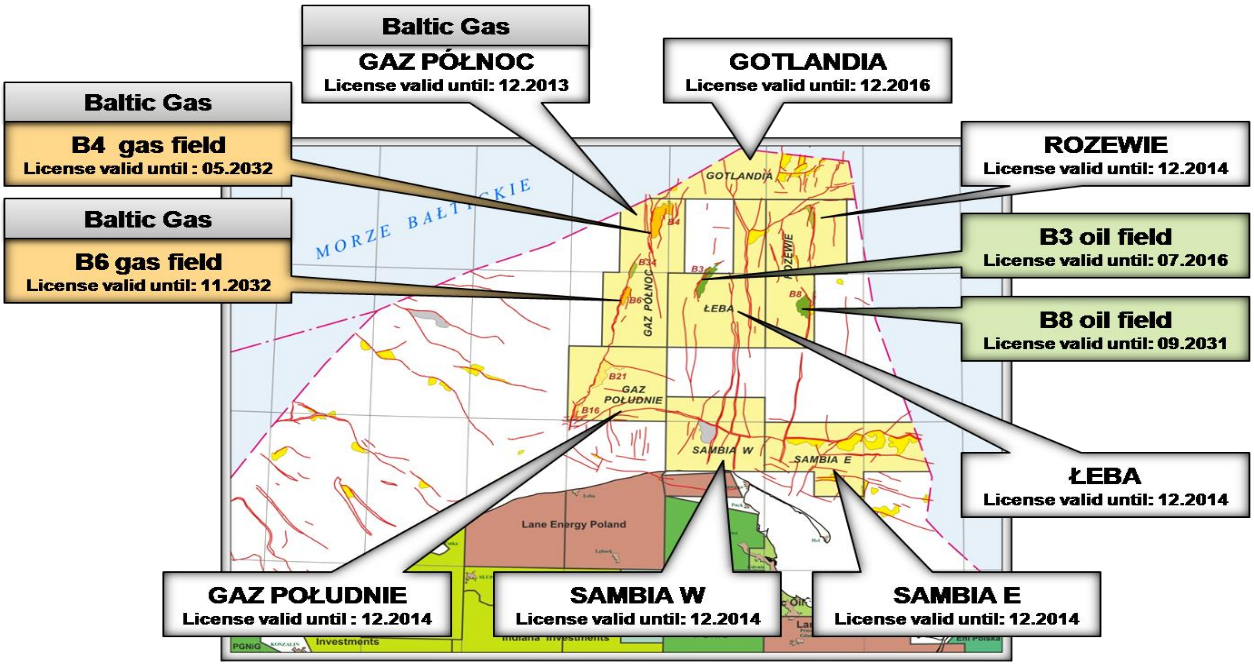
**2P – proved and probable reserves.*

LOTOS Petrobaltic S.A.

In Q1 2013, LOTOS Petrobaltic produced crude oil and natural gas from the B3 field. Further wells drilled as part of the B8 field development project confirmed the feasibility of achieving the assumed oil recovery factor.

Following the execution of a cooperation agreement between **LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o.,** setting out **the terms of cooperation between the parties in developing the B4 and B6** gas fields, two subsidiaries, Baltic Gas Sp. z o.o. and Baltic Gas Sp. z o.o. i Wspólnicy Spółka Komandytowa, were established to implement the project. On March 13th 2013, at the LOTOS Petrobaltic's request, the Minister of Environment transferred licences No. 2/2006 and No. 6/2007 for production of natural gas, and licence No. 35/2001/p, i.e. covering the Gaz Północ area, for exploration for crude oil and natural gas, to Baltic Gas. On April 10th 2013, CalEnergy Resources Poland Sp. z o.o.

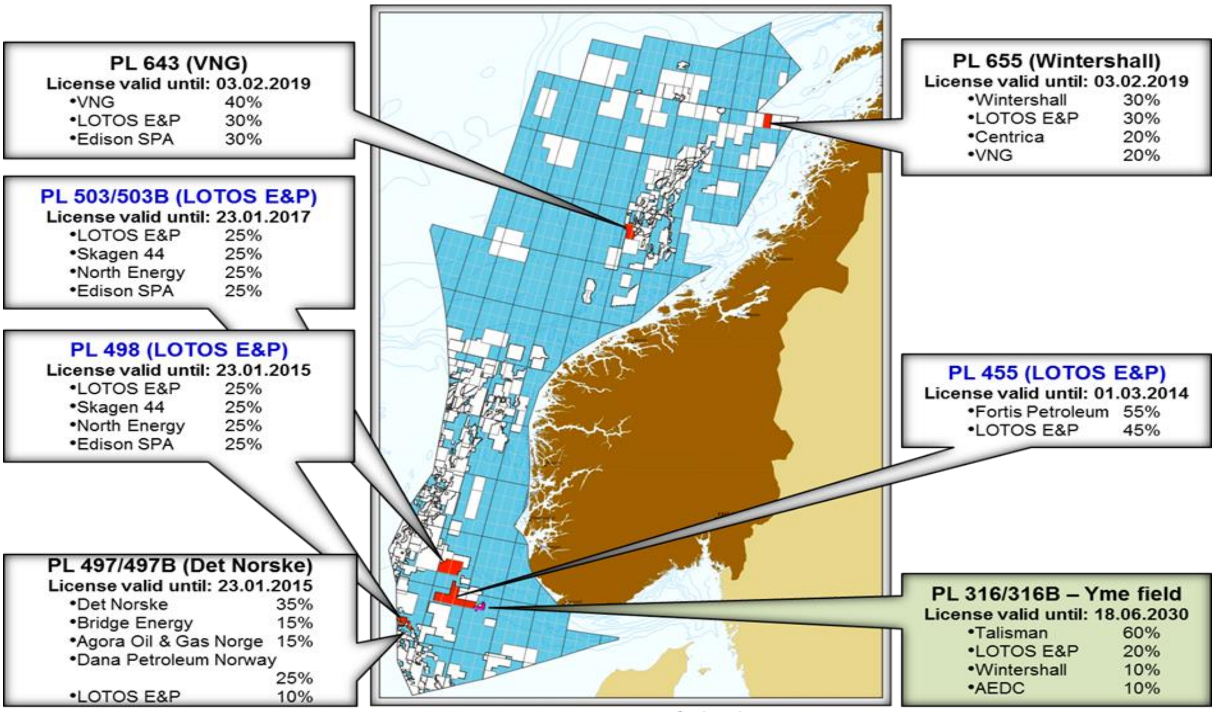
acquired a 50% interest in Baltic Gas. It also became a limited partner in Baltic Gas Sp. z o.o. i Wspólnicy Spółka Komandytowa. Profits and losses in that company will be shared as follows: Baltic Gas Sp. z o.o. – 0.001%, LOTOS Petrobaltic S.A. – 50.9995%, and CalEnergy Resources Poland Sp. z o.o. – 48.9995%.



* Situation as at 31.03.2013

LOTOS Exploration & Production Norge AS (LOTOS EPN)

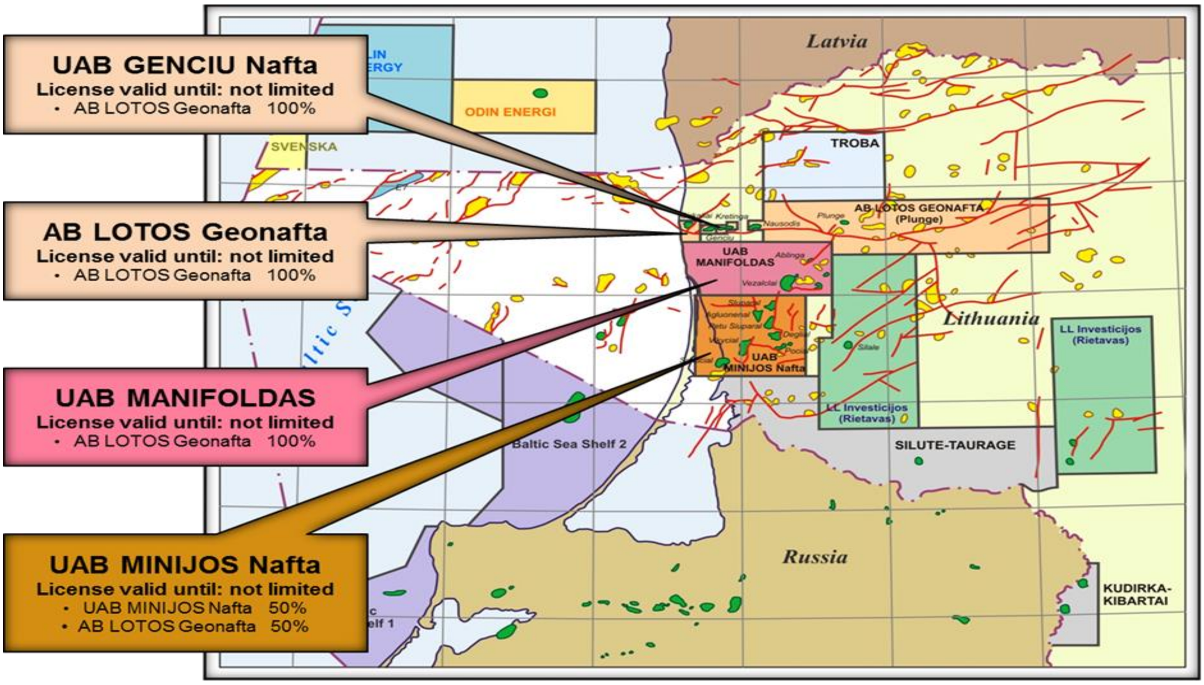
On March 11th 2013, Talisman Energy, the operator of the Yme field, and SBM, the provider of the platform, signed an agreement to terminate all existing contracts and agreements executed by the parties in connection with the YME project and remove the platform from the YME field. The settlement was approved by all partners in the YME licence, including LOTOS Exploration & Production Norge AS. Under the agreement, SBM Offshore paid joint venture partners an amount of USD 470m. On behalf of the licence holders, Talisman Energy agreed to make the necessary preparations and remove the platform from the field. SBM Offshore will be responsible for towing and scrapping the platform onshore. At the same time, the ownership of the subsea structure installed on the YME field will be transferred to the joint venture partners. The structure was supplied by SBM and the company has an obligation to disassemble it and reclaim the drilling site upon completion of work. The parties will cover the costs of decommissioning work as set out in the agreement.



* *Situation as at 31.03.2013*

AB LOTOS Geonafta Group

In Q1 2013, Lithuanian companies AB LOTOS Geonafta and UAB Genciu Nafta were engaged in production of crude oil from the Girkaliai, Kretinga, Nausodis and Genciu on-shore fields. UAB Manifoldas conducted production from the Auksoras, Liziai and Veziaciai fields.



* *Situation as at 31.03.2013*

Upstream segment's operating results (PLNm)

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Revenue	**196.1**	132.8	264.3	47.7%	-25.8%
Operating profit/(loss)	**70.3**	-25.3	134.5	-	-47.7%
Operating result net of non-recurring events*	**73.8**	25.0	134.5	195.4%	-45.1%
Depreciation and amortisation expense	**36.3**	44.5	31.2	-18.4%	16.3%
EBITDA	**106.6**	19.2	165.7	455.2%	-35.7%

** Net of effects of non-recurring events.*

The upstream segment's revenue for Q1 2013 was down year on year. The primary cause of the PLN 68.2m decline in the revenue relative to Q1 2012 was lower sales volumes of the Rozewie crude (in Q1 2012 the B8 field was on temporary production, and yielded 27.0 thousand tonnes of oil) and the Lithuanian crude. The segment's revenue was higher by PLN 63.3m relative to Q4 2012, which came as the effect of higher sales of the Rozewie crude in connection with the schedule of its deliveries to Grupa LOTOS S.A.

Higher volumes of crude sold in Q1 2013 (vs. Q4 2012) were reflected in a higher operating result of the downstream segment in Q1 2013 relative to the operating result for Q4 2012, which accounted for PLN 74.5m impairment losses on LOTOS Norge's Norwegian exploration licences (PL 497 and PL 498), impairment losses on AB Geonafta assets due to impairment of licenses in the amount of PLN 14.5m, a provision for the unavoidable costs arising under the previously executed agreement for the transport of crude oil from the Yme field of PLN 12.6m, and the effect of accounting for the step acquisition of control over UAB Manifoldas of PLN 57.7m. The lower operating result of the upstream segment in Q1 2013 vs. Q1 2012 was chiefly attributable to lower sales volumes of the Rozewie and Lithuanian crudes, which were down respectively by 15.7% (or 10.8 thousand tonnes) and 31.7% (or 2.6 thousand tonnes).

3 Downstream segment

- **The "Spring 2013" maintenance shutdown at the Gdańsk refinery**
- **LOTOS Tank's presence at the Chopin airport in Warsaw**
- **Share in the domestic retail market up to 8.6%**

Structure of crude oil refining ('000 tonnes)

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Volume of crude oil processed by the Gdańsk refinery	**2,281.5**	**2,535.3**	**2,272.5**	**-10.0%**	**0.4%**
including:					
Urals crude	**1,954.7**	2,324.6	2,022.9	-15.9%	-3.4%
Rozewie crude	**32.8**	24.3	36.3	35.0%	-9.6%
Other types of crude	**294.0**	186.4	213.3	57.7%	37.8%

In Q1 2013, the Gdańsk refinery's processing capacities were utilised at 89.8%, down 6pp on Q4 2012 and up 3pp on Q1 2012. The crude processing volumes were similar as in Q1 2012, up 9 thousand tonnes vs. Q1 2012 and down 253.8 thousand tonnes vs. Q4 2012.

The refining margin fell 8% on Q4 2012, but rose 20% on Q1 2012, and came in at the average quarterly value of 4.46 USD/bbl.

On March 29th 2013, a maintenance shutdown at the refinery started, and will continue until May 10th 2013. Crude oil processing has been suspended for some 23 days. Following completion of the 10+ Programme, the refinery's configuration makes it possible to divide repair work between the two production lines, while shortening the necessary downtime. The shutdown will decrease the refinery's processing capacity by 8% in 2013. During the shutdown, apart from the repairs work is being performed under an investment programme designed to increase the capacities of individual units and reduce operating expenses. The stoppage of production units will not result in suspension of shipment or sale of products (kept in storage tanks and purchased from other suppliers).

Since January 2013, the LOTOS Group has been supplying aviation fuel at the Warsaw's Chopin airport to air carriers such as Air France, KLM or TNT. LOTOS Tank is also present at the Gdańsk airport, where it cooperates with a number of carriers, including Wizz Air, Lufthansa and SAS airlines.

Increased yields of aviation fuel (up 46 thousand tonnes vs. Q1 2012) and motor gasolines (up 32.6 thousand tonnes vs. Q1 2012) as well as reclassification of LPG from own use into sales (up 26.8 thousand tonnes vs. Q1 2012), accompanied by continued attractive crack margins vs. Q1 2012, had a positive effect on the operating result of the LOTOS Group. At the same time the Group's operating result was negatively affected by crack margins on heavy fuel oil (down 27.4 USD/tonne on Q1 2012).

Structure of Grupa LOTOS S.A.' output ('000 tonnes)

Total output	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
	2,430.1	**2,692.6**	**2,447.9**	**-9.7%**	**-0.7%**
Gasolines	**346.6**	388.8	314.0	**-10.9%**	**10.4%**
Naphtha	**69.8**	104.6	101.4	**-33.3%**	**-31.2%**
Diesel oils	**1,007.7**	1,148.3	1,045.5	**-12.2%**	**-3.6%**
Light fuel oils	**109.1**	115.2	116.5	**-5.3%**	**-6.4%**
Jet fuel	**159.3**	130.6	115.0	**22.0%**	**38.5%**
Heavy fuel oils	**380.3**	306.0	368.9	**24.3%**	**3.1%**
Bitumen components	**63.7**	186.6	78.0	**-65.9%**	**-18.3%**
Other*	**293.6**	312.5	308.6	**-6.0%**	**-4.9%**

** Including: fuel and technical gases, sulphur, reformate, base oils, Hydrowax, xylene distillate and LPG.*

Sales structure of the downstream segment ('000 tonnes)

Sales of refining products, merchandise and materials	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
	2,290.7	2,614.6	2,307.1	**-12.4%**	**-0.7%**
Gasolines	**365.2**	417.7	338.1	**-12.6%**	**8.0%**
Naphtha	**69.8**	104.6	101.4	**-33.3%**	**-31.2%**
Diesel oils	**1,025.5**	1,151.0	1,021.5	**-10.9%**	**0.4%**
Light fuel oils	**109.6**	108.3	116.7	**1.2%**	**-6.1%**
Jet fuel	**140.0**	137.4	125.9	**1.9%**	**11.2%**
Heavy fuel oils	**357.7**	299.3	309.5	**19.5%**	**15.6%**
Bitumens	**29.2**	193.0	48.7	**-84.9%**	**-40.0%**
Other petroleum products	**193.7**	203.3	245.3	**-4.7%**	**-21.0%**

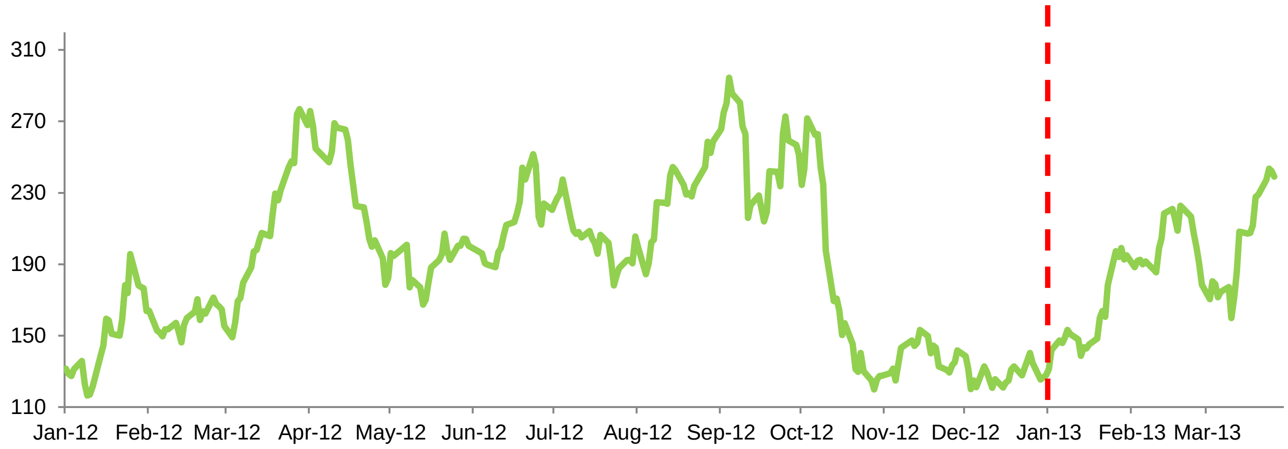
Petroleum products market in Q1 2013

After the first two months of 2013, demand for fuels fell by 6.9%* (including by 13% in February 2013*), for gasoline by 7.6% and diesel 5.6%, which may be attributable to economic stagnation, high unemployment rate, and negative growth rate of real gross pay levels. Higher fuel volumes traded in the black market were another factor which may have had a significant impact on the decline in fuel consumption.*

After the first two months of 2013, the LOTOS Group's share in the Polish fuels market as a whole fell to 32.4%, down 2.4pp relative to February 2012, due to opportunities of profitable sea export sales. In Q1 2013, the total production and sales volume of the Group's downstream segment remained stable relative to Q1 2012, and was slightly lower than in Q4 2012.

**Data by Polish Organisation of Oil Industry and Trade.*

Motor gasoline – Q1 2012–Q1 2013 crack margin

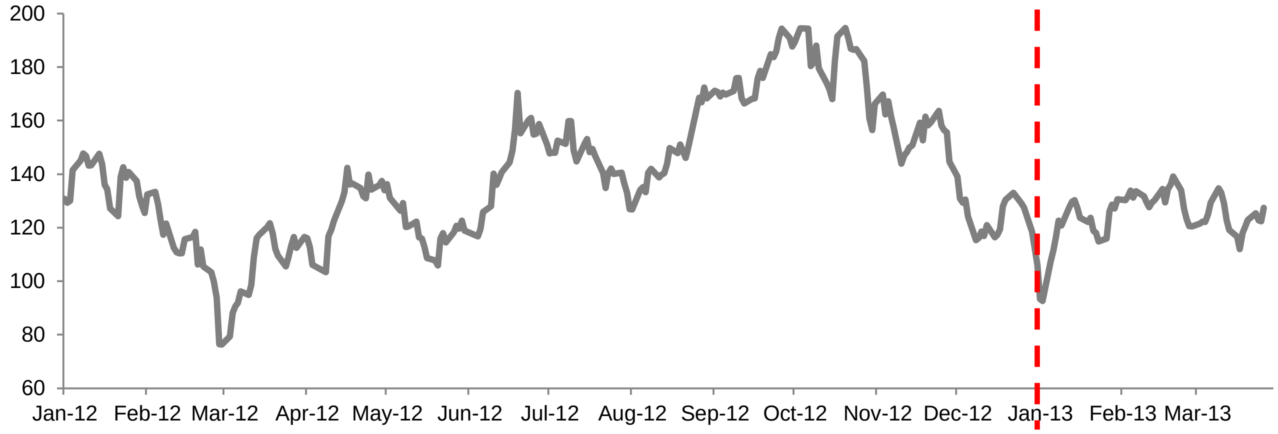


In Q1 2013, motor gasoline was sold with attractive year-on-year crack margins prevailing on the global markets (up 8%, or 13.75 USD/t), which were also considerably higher on a quarter-on-quarter basis (up 21.4%, or 32.73 USD/t).

After the first two months of 2013, total gasoline production in Poland rose by 4% year on year (production by the LOTOS Group rose by 8%, and production by PKN Orlen - by 3%). This rise came despite a nearly 8% decline in the domestic demand for the product. Given such a vast disproportion between shrinking demand and growing production, imports of gasolines were reduced by 11%, while their exports were increased by 75% year on year. The net import-export figure was positive, and four times higher than in the corresponding period of 2012. The LOTOS Group was the largest Polish exporter of motor gasoline, selling 61% more fuels abroad year on year, mainly to the United Kingdom and Sweden.

After the first two months of 2013, the LOTOS Group's share in the shrinking Polish motor gasoline market fell year on year, to 26.1% (3.1pp), which followed from lower gasoline sales dynamics in the wholesale channel. Owing to the expansion of the Group's service station network, the share of gasolines marketed under the LOTOS brand in total retail sales rose by 0.4%.

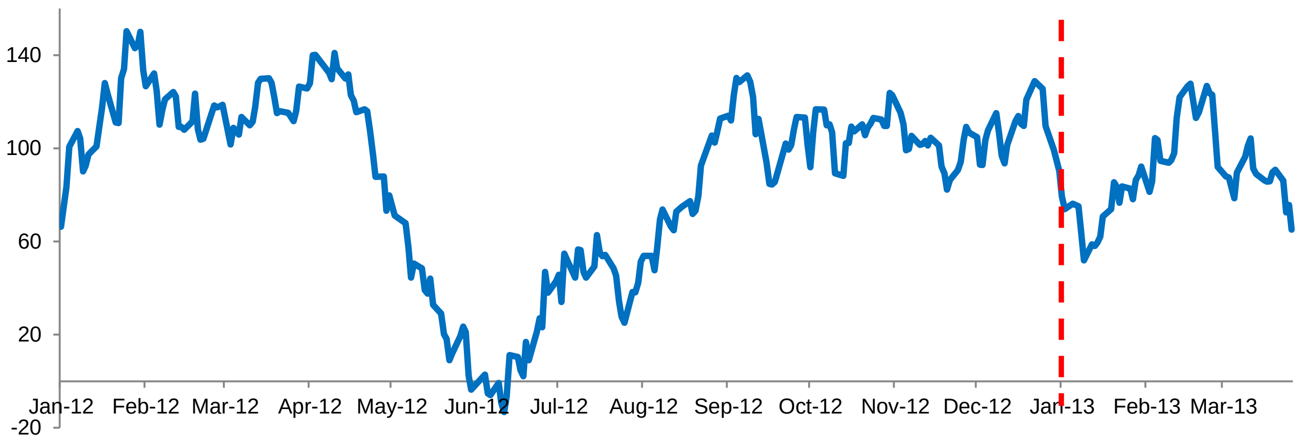
Diesel oil – Q1 2012–Q1 2013 crack margin



In the first quarter of 2013, the average crack margin on **diesel oil** in the global markets was slightly better relative to the previous quarter (up 7.8%, or 8.98 UDS/t), but much worse year on year (down 19.3%, or 29.66 USD/t).

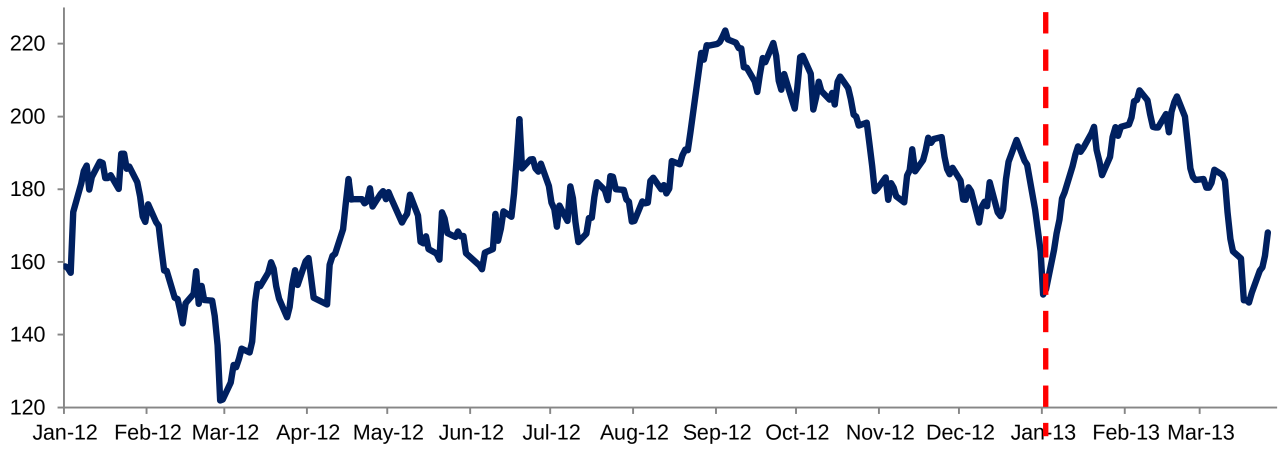
After the first two months of 2013, the LOTOS Group’s share in the diesel oil market was 33.9%, down 2.6pp yoy. Similarly as in Q4 2012, in Q1 2013 the largest improvement in market share was seen in retail sales of LOTOS branded diesel oil, which accounted for 10.3% of the market (up 0.5pp on 2011). The Company reduced its output of diesel oil relative to the previous year. This change was compatible with the trends seen in domestic consumption of diesel oil, which after the first two months of 2013 fell by 6% year on year. Given reduced domestic consumption, exports of diesel oil by Grupa LOTOS S.A. only rose by 169% relative to the previous year. The Netherlands were the main foreign customer purchasing the Company's diesel oil.

Naphtha – Q1 2012–Q1 2013 crack margin



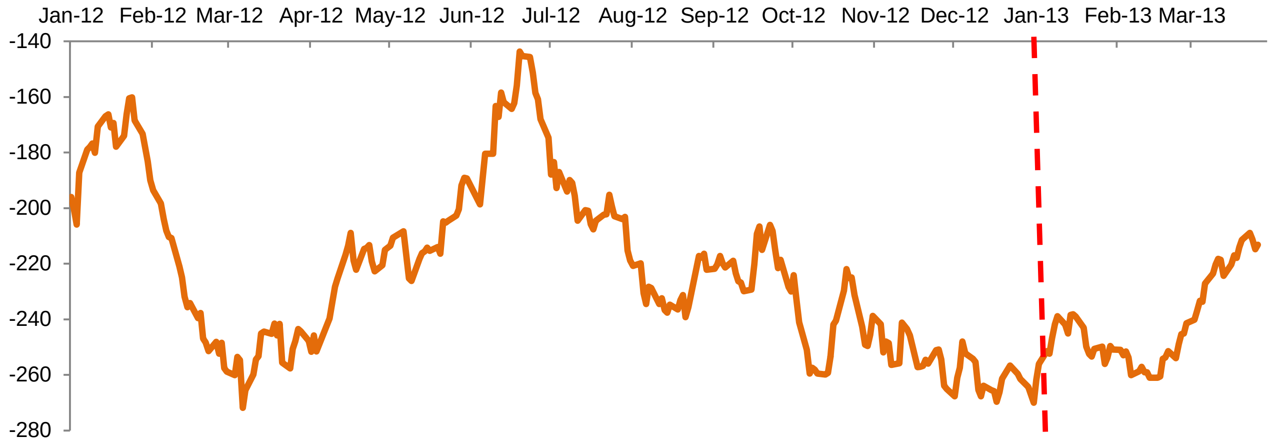
The production and sales volumes of naphtha, which is exported by the Company to France, the Netherlands and Great Britain, were reduced significantly in Q1 2013 as part of the optimisation processes, given unfavourable crack margins (down 15.2%, or -15.96 USD/t, vs. Q4 2012, and down 22.4%, or 25.82 USD/t, vs. Q1 2012).

Aviation fuel – Q1 2012–Q1 2013 crack margin



In Q1 2013, the LOTOS Group enjoyed record high output and sales volumes for aviation fuel (up 22%, or 28.7 thousand tonnes, on Q4 2012, and up 38.5%, or 44.3 thousand tonnes, on Q1 2012), which enabled the Group to realise the attractive quarter-on-quarter (up 14.7%, or 23.43 USD/t), though slightly lower year-on-year (down 3.9% or 7.47 USD/t), global market crack margins on this fuel.

Heavy fuel oil – Q1 2012–Q1 2013 crack margin



Negative crack margins on heavy fuel oil declined further year on year, by 12.8%, or 27.4 USD/t, which had an adverse effect on the operating result of the LOTOS Group's downstream segment.

Downstream segment's operating results (PLNm)

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Revenue	**7,176.9**	8,272.9	7,778.1	-13.2%	-7.7%
Operating profit/(loss)	**-49.0**	165.4	345.4	-	-
Depreciation and amortisation expense	**130.7**	125.6	132.0	4.1%	-1.0%
EBITDA	**81.7**	291.0	477.4	-71.9%	-82.9%
LIFO-based operating result	**106.3**	226.2	112.7	-53.0%	-5.7%

In Q1 2013, the downstream segment reported revenue lower by 7.7% than in Q1 2012, which is attributable mainly to the segment's lower average net selling price. In Q1 2013, the average net selling price was 3,133 PLN/t, down by 7.1% on Q1 2012, mainly due to a lower (-2.2% on Q1 2012) average quarterly USD exchange rate and lower prices of crude and petroleum products on the global markets. A 13.2% drop in the segment's revenue compared with Q4 2012 was chiefly the result of a 12.4% lower sales volume recorded by the segment.

The negative operating result of the downstream segment for Q1 2013 followed primarily from the weighted average method of inventory measurement applied by the LOTOS Group. LIFO effect in the quarter reached PLN 155.3m, and was strongly influenced by the decrease of oil inventories in preparation for maintenance shutdown (~PLN 162m as an effect of lower oil prices taken into account – from 2008 and 2009. . In the comparative period, the applied inventory measurement method added PLN 232.7m to the operating result due to growing quoted prices of crude. In the previous quarter, i.e. Q4 2012, the operating result decreased by PLN 60.8m, mainly on the back of falling crude prices and decreasing exchange rate. If the LIFO method had been applied to inventory measurement, the operating result of the downstream segment would have been PLN 106.3m in Q1 2013, PLN 226.2m in Q4 2012, and PLN 112.7m in Q1 2012.

The upward trend seen in the exchange rate in Q1 2013 entailed a negative effect of foreign exchange differences on the operating result of the downstream segment. At the Parent, those differences were mainly connected with the cycle of payments for crude oil, and amounted to PLN -31.7m.

In addition, the operating result for the comparative period (Q1 2012) accounted for the PLN 21.0m effect of loss of control over a subsidiary (sale of 100% of shares in LOTOS Parafiny Sp. z o.o.).

Network of LOTOS service stations

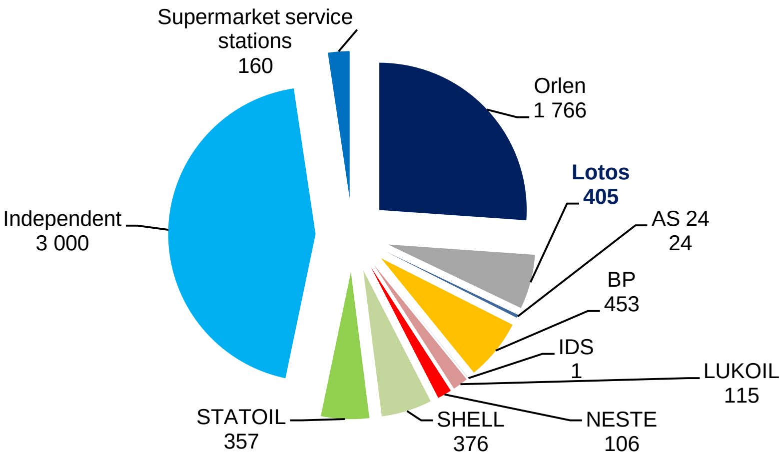
Number of service stations in the LOTOS network at end of the period

	Mar 31 2013	Dec 31 2012	Mar 31 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Total number of service stations	**405**	405	365	0.0%	**11.0%**
CODO	**228**	223	191	**2.2%**	**19.4%**
including: LOTOS OPTIMA	**76**	71	33	**7.0%**	**130.3%**
DOFO	**155**	154	138	**0.6%**	**12.3%**
including: LOTOS OPTIMA	**32**	30	19	**6.7%**	**68.4%**
franchise agreements signed	**156**	155	142	**0.6%**	**9.9%**
DODO	**22**	28	36	**-21.4%**	**-38.9%**

After the first two months of 2013, the LOTOS Group's share in the Polish retail fuels market was 8.6%, up by 0.6pp on December 31st 2012. This expansion of the market share was owed mainly to a strong development of the service station network in Q4 2012, which allowed the Group to achieve a sales dynamics that outpaced the rate of decrease in retail fuels consumption in Poland. As part of its continuing commitment to expanding the distribution network, in Q1 2013 the LOTOS Group launched 10 service stations, including 7 service stations in the economy segment, operating under the LOTOS Optima brand (108 locations in total). At present, LOTOS Optima stations operate across the country.

Relative to the end of Q1 2012, the LOTOS Group increased the number of its service stations by 11%, and remained the fastest developing service station network in Poland.

Polish retail market as at March 31st 2013



Source: Polish Organisation of Oil Industry and Trade (POPiHN).

Operating results of the retail area (PLNm)

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Sales volume (thousand tonnes)	**225.0**	248.1	234.0	-9.3%	-3.9%
Revenue	**1,304.1**	1,453.0	1,366.1	-10.2%	-4.5%
Operating profit/(loss)	**-19.2**	-2.2	-16.3	-	-
Depreciation and amortisation expense	**12.9**	13.5	12.4	-4.4%	4.0%
EBITDA	**-6.3**	11.3	-3.9	-	-

The retail segment's operating profit (loss) was lower by PLN 2.9m than in Q1 2012; the chief cause of the decline was lower sales, following overall decrease of the retail market. At the same time, we would like to underline that CODO stations sales was increased by 26% year on year.

4 Other business

Operating result of other business (PLNm)*

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Revenue	**5.8**	7.2	7.0	-19.4%	-17.1%
Operating profit/(loss)	**0.2**	0.8	1.4	-75.0%	-85.7%
Depreciation and amortisation expense	**2.4**	2.6	2.5	-7.7%	-4.0%
EBITDA	**2.6**	3.4	3.9	-23.5%	-33.3%

** Includes: LOTOS Park Technologiczny Sp.z o.o. , Energobaltic Sp.z o.o. and LOTOS Gaz S.A. w likwidacji (in liquidation).*

5 Consolidated statement of comprehensive income

Operating performance of the LOTOS Group (PLNm)

	Q1 2013	Q4 2012	Q1 2012	Q1 13/ Q4 12	Q1 13/ Q1 12
Revenue	**7,177.4**	8,325.8	7,832.3	-13.8%	-8.4%
EBITDA	**143.3**	311.9	584.3	-54.1%	-75.5%
Operating profit/(loss)	**-25.6**	139.7	419.0	-	-
LIFO-based operating result	**129.7**	200.5	186.3	-35.3%	-30.4%

In Q1 2013, the LOTOS Group posted PLN -25.6m in operating loss, including PLN 70.3m from the upstream segment, PLN -49.0 from the downstream segment (reduced by the abovementioned foreign exchange differences related to operating activities of PLN -31.7), and PLN 0.2m from other business, less PLN 47.1m in consolidation adjustments (including mainly the adjustment related to realised margin on Rozewie crude and Lithuanian crude inventories). In addition, the operating result for the comparative period (Q1 2012) accounted for the PLN 21.0m effect of loss of control over a subsidiary (sale of 100% of shares in LOTOS Parafiny Sp. z o.o.), referred to above.

In Q1 2013, the LOTOS Group recorded net finance costs of PLN -194.7m. They included principally net foreign exchange losses of PLN -62.1m, a PLN -82.1m negative effect from measurement and settlement of hedging transactions, and a PLN -49.4m negative balance of interest on debt, interest income and commissions.

In Q1 2013, the effect of measurement and settlement of market risk hedging transactions at the LOTOS Group comprised a PLN -87.5m negative contribution from settlement and measurement of derivatives hedging the foreign exchange risk, a PLN -2.7m negative contribution from settlement and measurement of futures hedging the risk of changes in prices of CO_2 emission allowances, a PLN -3.7m negative contribution from settlement and measurement of interest rate swaps (IRS) hedging the interest rate risk, and a PLN +11.8m positive contribution from settlement and measurement of hedges of petroleum product prices.

Transactions hedging petroleum products prices as at March 31st 2013

Period	Product / commodity	Diesel oil	Light fuel oil	Heavy fuel oil
		ULSD 10ppm CIF NWE (Platts)	Gasoil .1 Cargoes CIF NWE / ARA	3.5 PCT Barges FOB Rotterdam
Q2 2013	Volume (mt)	-80,500	-570	2,674
	Price range (USD/mt)	1,008 - 1,031.25	915 - 975	591.25 - 615
Q3 2013	Volume (mt)	72,500	-1,710	8,033
	Price range (USD/mt)	1,008.00	915.00	591.25
Q4 2013	Volume (mt)	41,900	-1,050	4,932
	Price range (USD/mt)	1,008.00	915.00	591.25

Transactions hedging foreign exchange risk as at March 31st 2013

Currency pair	Instrument	Volume	Currency	FX exchange range
EUR/USD exchange rate	Forward	59,191,000	EUR	1.25981 - 1.3493
EUR/PLN exchange rate	Forward	0	EUR	4.1695 - 4.18189
USD/PLN exchange rate	Forward	-464,951,536	USD	3.1137 - 3.4565

Transactions hedging interest rate risk as at March 31st 2013

Instrument	Start date	End date	Notional amount	Currency	Interest rate range	Reference rate
IRS	from Jul 15 2011	from Jan 15 2018	250,000,000	USD	2.476% - 4.045%	3M LIBOR - 6M LIBOR
	to Jan 15 2015	to Jan 15 2019				

Futures hedging the risk related to the prices of carbon dioxide (CO_2) emission allowances as at March 31st 2013

Instrument	Type of instrument	2013		2014		2016	
		Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)
EUA	Futures	566,000	4.26 - 8.63	381,000	3.77 - 9.05	-25,000	4.65 - 5.64

For Q1 2013, the LOTOS Group posted a net loss of PLN -147.3m.

Net profit/(loss) of the LOTOS Group (PLNm)

	Q1 2013	Q4 2012	Q1 2012
Operating profit/(loss)	**-25.6**	139.7	419.0
Pre-tax profit/(loss)	**-220.3**	162.9	737.0
Net profit/(loss)	**-147.3**	228.8	597.1

6 Consolidated statement of financial position

Consolidated statement of financial position (PLNm)

Assets	Mar 31 2013	Dec 31 2012	Change	%
	19,932.1	20,056.4	-124.3	**-0.6%**
Non-current assets, including:	**11,796.3**	11,505.6	290.7	**2.5%**
Property, plant and equipment	**9,650.0**	9,685.9	-35.9	**-0.4%**
Other intangible assets	**540.4**	544.5	-4.1	**-0.8%**
Deferred tax assets	**1,179.6**	1,121.3	58.3	**5.2%**
Other non-current assets	**379.1**	107.2	271.9	**253.6%**
Current assets, including:	**8,134.2**	8,548.4	-414.2	**-4.8%**
Inventories	**5,747.8**	5,965.7	-217.9	**-3.7%**
Trade receivables	**1,581.1**	1,640.4	-59.3	**-3.6%**
Other current assets	**347.0**	462.1	-115.1	**-24.9%**
Cash and cash equivalents	**285.1**	268.3	16.8	**6.3%**
Assets held for sale	**1.6**	2.4	-0.8	**-33.3%**
Equity and liabilities	**19,932.1**	20,056.4	-124.3	**-0.6%**
Equity	**8,750.2**	9,062.4	-312.2	**-3.4%**
Non-current liabilities	**6,007.6**	5,414.7	592.9	**10.9%**
Current liabilities	**5,174.3**	5,579.3	-405.0	**-7.3%**

As at December 31st 2013, the LOTOS Group's total assets were PLN 19,932.1m, down by PLN 124.3m in Q1 2013.

Key changes in assets:

- other non-current assets rose by PLN 271.9m following the transfer by SBM to the consortium members of an amount which is to finance the removal of the platform and infrastructure from the YME field (for details see Note 20.1 to the interim condensed consolidated financial statements for Q1 2013),
- deferred tax assets increased by PLN 58.3m, mainly in the upstream segment,
- inventories were down by PLN 217.9m, chiefly due to a lower volume of mandatory reserves,
- other current assets fell by PLN 115.1m due to a lower level of deposits and cash blocked in bank accounts, mainly at Grupa LOTOS S.A., and receivables from the state budget other than income tax,
- trade receivables dropped by PLN 59.3m, largely on the back of lower volumes of fuel sales to petroleum companies in March 2013 relative to December 2012.

The PLN 312.2m year-on-year decrease in the LOTOS Group's equity, to PLN 8,750.2m as at the end of Q1 2013, was attributable mainly to:

- a PLN 147.2m decrease in retained earnings,
- PLN 180.7m foreign exchange losses on measurement of cash flow hedges, adjusted for the tax effect and charged to capital reserves.

In Q1 2013, non-current liabilities rose by PLN 592.9m:

- mainly due to a PLN 396.1m increase in non-current interest-bearing borrowings, primarily owing to measurement of the debt using a higher exchange rate;
- due to a PLN 300.6m increase in other non-current liabilities and provisions, chiefly in connection with the transfer by SBM to the consortium members of an amount intended to finance the removal of the platform and infrastructure from the YME field (for details see Note 20.1 to the interim condensed consolidated financial statements for Q1 2013),
- in connection with a PLN 88.3m decrease in deferred tax liabilities (mainly at Grupa LOTOS S.A.).

As at March 31st 2013, current liabilities declined by PLN 405,0m (relative to December 31st 2012), which was mainly attributable to:

- a PLN 300.8m drop in current borrowings, chiefly in the upstream segment and at the Parent,
- a PLN 320.8m decrease in trade and other payables related to crude oil purchases, mainly at the Parent.

As at March 31st 2012, the LOTOS Group's financial debt was PLN 6,486.6m, up by PLN 96.0m from December 31st 2012. The ratio of financial debt net of free cash to equity was 70.9%, 3.3pp more than as at December 31st 2012.

7 Consolidated statement of cash flows

Consolidated statement of cash flows (PLNm)

	Q1 2013	Q4 2012	Q1 2012
Cash flows from operating activities	**508.6**	395.6	-308.8
Cash flows from investing activities	**-196.7**	-348.6	-138.7
Cash flows from financing activities	**-80.6**	-406.3	12.6
Change in net cash	**244.4**	-367.0	-456.8
Cash and cash equivalents at beginning of the period	**-240.7**	126.3	161.6
Cash and cash equivalents at end of the period	**3.7**	-240.7	-295.2

As at the end of Q1 2013, the LOTOS Group's cash balance (including current account overdrafts) was PLN 3.7 m.

The PLN 508.6m positive net operating cash flows reported for Q1 2013 were principally attributable to lower inventories and other assets, and higher other liabilities and provisions.

Negative net cash flows from investing activities were mainly attributable to the expenses incurred to acquire property, plant and equipment and other intangible assets.

Cash flows from financing activities in Q1 2013, at PLN 80.6m, included chiefly a PLN -52.1m negative balance from settlement of financial instruments, and a negative balance of proceeds from borrowings and outflows on principal and interest payments of PLN -23.8.