

Directors' Report on the Operations of the LOTOS Group for H1 2013



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*An Excel file with the operating and financial data for Q2 2013 and H1 2013 and the previous reporting periods is published simultaneously with the semi-annual report in the Investor Relations section of our website as **"databook"**.*

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

1. ABOUT THE LOTOS GROUP

1.1. ORGANISATION OF THE LOTOS GROUP

1.1.1. ORGANISATIONAL STRUCTURE OF THE LOTOS GROUP AND GRUPA LOTOS S.A. BRANCHES (PLANTS)

As at June 30th 2013, the LOTOS Group comprised Grupa LOTOS S.A. (the Parent) and 32 production and service companies, including:

- 14 subsidiaries of Grupa LOTOS S.A.,
- 18 indirect subsidiaries of Grupa LOTOS accounted for using the proportional method.

Grupa LOTOS S.A. also holds shares in jointly-controlled entities.

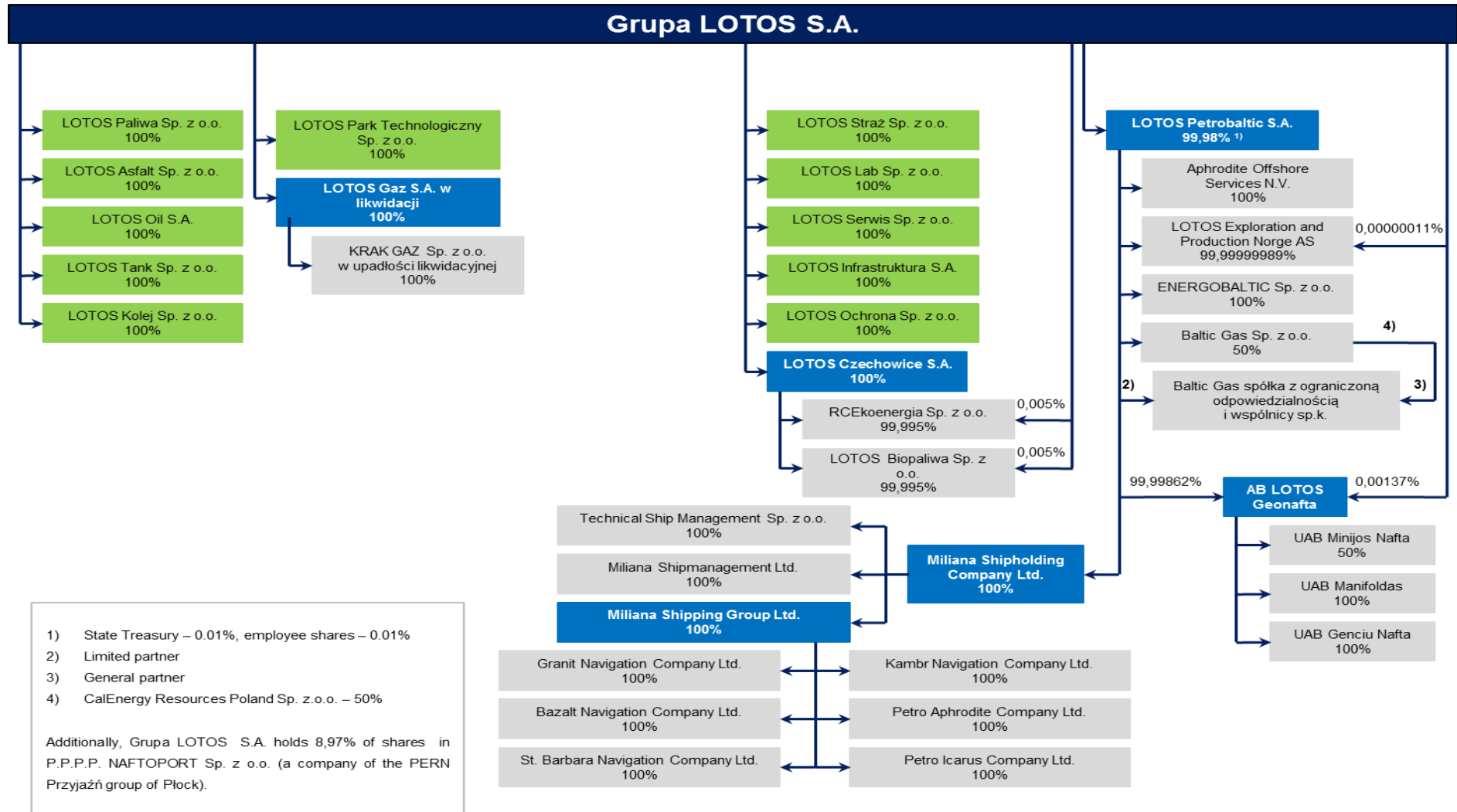
Grupa LOTOS operates no branches (plants) within the meaning of the Polish Accountancy Act.

The Group's operations are divided into two main reportable operating segments:

- **Upstream segment** – comprising acquisition of crude oil and natural gas reserves, and crude oil and natural gas production,
- **Downstream segment** – comprising production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities.

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Organisational structure of the LOTOS Group by business segments as at June 30th 2013



1.1.2. CHANGES IN ORGANISATIONAL OR CAPITAL LINKS BETWEEN GRUPA LOTOS S.A. AND OTHER ENTITIES

Detailed information on the registered addresses and business profiles of these entities, the ownership interests of Grupa LOTOS S.A. and the applied method of consolidation is presented below.

Entities with organisational links to Grupa LOTOS S.A.

Company name	Registered office	Business profile	Method of consolidation	The Group's ownership interest		
				Jun 30 2013	Dec 31 2012	Jun 30 2012
Parent						
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable	Not applicable
Direct subsidiaries						
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%	100.00%
LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	full	100.00%	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	full	100.00%	100.00%	100.00%
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	full	100.00%	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Rail transport	full	100.00%	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electrical systems and controlling devices, overhaul and repair services	full	100.00%	100.00%	100.00%
LOTOS LAB Sp. z o.o.	Gdańsk	Laboratory analyses	full	100.00%	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire safety	full	100.00%	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection	full	100.00%	100.00%	100.00%
LOTOS Tank Sp. z o.o.	Gdańsk	Until October 16th 2011 – trading in aviation fuel and, as of January 1st 2013 – logistics services	full	100.00%	100.00%	100.00%
LOTOS Czechowice S.A. (parent of another group: LOTOS Czechowice Group)	Czechowice-Dziedzice	Storage and distribution of fuels	full	100.00%	100.00%	100.00%
LOTOS Infrastruktura S.A. ⁽¹⁾	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	full	100.00%	100.00%	100.00%
LOTOS Petrobaltic S.A. (parent of another group: LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits and their exploitation	full	99.98%	99.96%	99.95%
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Dormant	full	100.00%	100.00%	100.00%

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Indirect subsidiaries						
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	full	100.00%	100.00%	100.00%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	full	100.00%	100.00%	100.00%
Miliana Shipholding Company Ltd. (parent of another group: Miliana Shipholding Company Group)	Nicosia, Cyprus	Storage and transport of crude oil, other sea transport related services, and managing own financial assets	full	99.98%	99.96%	99.95%
Technical Ship Management Sp. z o.o.	Gdańsk	On October 1st 2012, the company launched sea transport support activities involving advisory on the operation of ships.	full	99.98%	99.96%	100.00%
Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	full	99.98%	99.96%	99.95%
Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group Group)	Nicosia, Cyprus	Management of own assets	full	99.98%	99.96%	99.95%
Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98%	99.96%	99.95%
LOTOS Exploration and Production Norge AS	Norwegia, Stavanger	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	full	99.98%	99.96%	99.95%
Aphrodite Offshore Services N.V.	Curaçao, Netherlands Antilles	Dormant	full	99.98%	99.96%	99.95%
ENERGOBALTIC Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	full	99.98%	99.96%	99.95%
AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group)	Lithuania, Gargždai	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	full	99.98%	99.96%	99.95%
UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	full	99.98%	99.96%	99.95%
UAB Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	full	99.98%	99.96%	49.98%
Jointly-controlled companies						
Baltic Gas Sp. z o.o.	Gdańsk	The company has not commenced operations	equity-accounted	49.99% (3, 4)	99.96%	-
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy spółka komandytowa	Gdańsk	The company has not commenced operations	equity-accounted	99.97% (3, 5)	99.96%	-
UAB Minijos Nafta	Lithuania, Gargždai	Crude oil exploration and production	proportional	49.99%	49.98%	49.98%

(1) On April 18th 2013, a change of the company's name from LOTOS Jasło S.A. to LOTOS Infrastruktura S.A. was registered.

(2) In the six months ended on June 30th 2013, Grupa LOTOS S.A. continued the acquisition of LOTOS Petrobaltic S.A. shares from its non-controlling shareholders.

(3) The shareholding changes described in item (2) above had an impact on the indirect equity interests of Grupa LOTOS S.A. in the LOTOS Petrobaltic S.A. Group entities.

(4) Sale by LOTOS Petrobaltic S.A. of a 50% interest in Baltic Gas Sp. z o.o. to CalEnergy Resources Poland Sp. z o.o. was registered on May 17th 2013.

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⁽⁵⁾ The presented ownership interest in the entity was determined based on the value of contributions made by individual partners relative to the sum of all contributions:

- Baltic Gas Sp. z o.o. (General Partner) (0.00192286%),
- LOTOS Petrobaltic S.A. (Limited Partner) (99.9884629%),
- CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (Limited Partner) (0.00961428%).

The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. amounts to 99.97%.

Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. is a partnership, with the profit and loss sharing ratio defined in the partnership agreement. The profit sharing ratio is as follows: Baltic Gas Sp. z o.o. – 0.001%, LOTOS Petrobaltic S.A. – 50.9995% and CalEnergy – 48.9995%, while the loss sharing ratio is as follows: Baltic Gas Sp. z o.o. – 100%, LOTOS Petrobaltic S.A. – 0% and CalEnergy – 0%. The respective shares in the total votes are not given since any matters subject to decision by the partners (as set forth in the partnership agreement) require the unanimous approval of all the Partners or require the Partners to unanimously pass a resolution determining the procedure for deciding a matter (other matters not regulated in the partnership agreement). The partnership is a jointly-controlled entity for the purposes of the IFRS.

1.1.3. OWNERSHIP CHANGES AT THE LOTOS GROUP

Material processes and events at subsidiaries

Company	Description	Date
LOTOS Petrobaltic S.A.	Continuation of the minority squeeze-out process	H1 2013
LOTOS Jasło S.A. and LOTOS Czechowice S.A.	Names changed to LOTOS Infrastruktura S.A. and LOTOS Terminale S.A., respectively	Apr 9 2013 Jul 30 2013

Ownership and business profile changes at subsidiaries

Company	Description	Date
LOTOS Petrobaltic S.A.	Sale of 50% of Baltic Gas Sp z o.o. shares to CalEnergy Resources Poland Sp. z o.o.	May 17 2013
LOTOS Oil S.A.	Sale of the Jasło Branch (organised part of business) outside the LOTOS Group	May 10 2013
LOTOS Tank Sp. z o.o.	Joint-venture agreements with BP Europa SE German Branch a new entity was established on the basis of LOTOS Tank Sp. z o.o., through which the two partners will pursue joint operations in the aviation fuel market..	Jun 25 2013

- On June 27th 2013, LOTOS Asphalt Sp. z o.o. executed a notarial deed concerning the sale of (JBMH) Nexler of Jasło Waterproofing Materials business as of July 1st 2013. As at June 30th 2013, the Group recognised assets related to the Waterproofing Materials business in the statement of financial position under assets held for sale.

Changes in the share capital of subsidiaries

Company	Registration date	Share capital before the increase	Change	Share capital after the increase	Currency	Comments
LOTOS Norge AS	Jan 3 2013	779,718,441	+171,000,000	950,718,441	NOK	issue of 171,000,000 Series B shares with a par value of NOK 1 per share, all acquired by LOTOS Petrobaltic S.A.
LOTOS Norge AS	Apr 26 2013	950,718,441	+53,000,000	1,003,718,441	NOK	issue of 53,000,000 Series B shares with a par value of NOK 1 per share, all acquired by LOTOS Petrobaltic S.A.
LOTOS Norge AS	Jun 18 2013	1,003,718,441	+60,000,000	1,063,718,441	NOK	issue of 60,000,000 Series B shares with a par value of NOK 1 per share, all acquired by LOTOS Petrobaltic S.A.

In H1 2013, there were no changes in the key management policies at Grupa LOTOS S.A. and the LOTOS Group.

1.2. GRUPA LOTOS S.A. SHARES

1.2.1. SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL VOTE AT THE GENERAL MEETING OF GRUPA LOTOS S.A.

Grupa LOTOS S.A. shareholder structure as at the publication date of the previous report for Q1 2012

Shareholders *	Number of shares/votes equal to par value of shares	Share of total votes equal to percentage of share capital held
State Treasury	69,076,392	53.19%
Other shareholders	60,796,970	46.81%
Total	129,873,362	100.00%

* Based on the information available to the Company as at the publication date of the Q1 2013 report (May 7th 2013).

Grupa LOTOS S.A. shareholder structure as at the publication date of the H1 2013 report

Shareholders *	Number of shares/votes equal to par value of shares	Share of total votes equal to percentage of share capital held
State Treasury	69,076,392	53.19%
ING OFE	6,893,079	5.31%
Other shareholders	53,903,891	41.50%
Total	129,873,362	100.00%

*Based on the information available to the Company as at the publication date of the H1 2013 report (August 13th 2013).

1.2.2. SHARES OF GRUPA LOTOS S.A. HELD BY MANAGEMENT AND SUPERVISORY STAFF

Grupa LOTOS S.A. shares held by management/supervisory staff*

	Number of Grupa LOTOS shares	Par value (PLN)
Management Board, including:	9,636	9,636
Mr Zbigniew Paszkowicz	1,000	1,000
Mr Marek Sokołowski	8,636	8,636
Supervisory Board	0	0
Total	9,636	9,636





*Based on the information available to the Company as at the publication date of the Q1 2013 report (May 7th 2013) and as at the publication date of the H1 2013 report (August 13th 2013)

1.3. PERSONNEL AND EMPLOYMENT

1.3.1. CHANGES IN THE COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS






Composition of the Management Board of Grupa LOTOS S.A. appointed as of June 28th 2012 for the eighth joint term of office:

Management Board of Grupa LOTOS S.A.

Management Board Members	Function	Scope of responsibilities	Term
 Paweł Olechnowicz	President of the Management Board, Chief Executive Officer	In charge of the overall management and direction of the LOTOS Group's operations.	Mar 12 2002 - present
 Mariusz Machajewski	Vice-President of the Management Board, Chief Financial Officer	In charge of the overall management of the Company's economic, financial and accounting functions, as well as the assets and restructuring processes. Also, in charge of oversight of development of corporate guidelines and standardisation of processes in the area of agreement execution, counterparty selection and assessment, as well as development of IT systems and telecommunications services.	Jun 19 2006 - present
 Zbigniew Paszkowicz	Vice-President of the Management Board, Exploration and Production	In charge of overall management of the LOTOS Group's upstream segment, including upstream companies.	Jun 28 2012 - present
 Marek Sokołowski	Vice-President of the Management Board, Chief Operation Officer	In charge of the overall production and technical management, technology development and capex programmes (technical and technological development projects). In 2004–2011, Mr. Sokołowski was in charge of the refinery extension – the 10+ Programme. Also responsible for oversight of companies allocated to the Group's operating segment.	Apr 19 2002 - present
 Maciej Szozda	Vice-President of the Management Board, Chief Commercial Officer	In charge of the overall management of marketing, supply and distribution processes at the LOTOS Group. Also responsible for oversight of companies allocated to the Group's marketing segment.	Jul 1 2009 - present

There were no changes in the composition of the Company's Supervisory Board in the reporting period.

Composition of the Supervisory Board

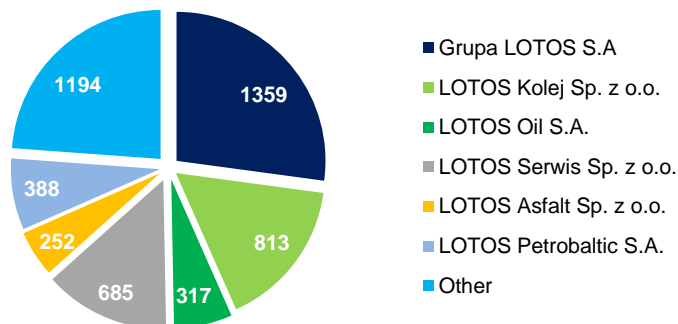
Members of the Supervisory Board	Function on Supervisory Board of 8th term	Supervisory Board of 8th term	Biography, professional experience
 Wiesław Skwarko	Chairman	Jun 27 2011–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-21
 Marcin Majeranowski	Deputy Chairman	Feb 29 2012–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-53
 Oskar Pawłowski	secretary	Jun 27 2011–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-54
 Małgorzata Hirszel	member	Jun 27 2011–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-55
 Agnieszka Trzaskalska	member	Feb 29 2012–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-56
 Michał Rumiński	member	Jun 27 2011–	http://inwestor.lotos.pl/en/1142/corporate_governance/organizational_structure#person-57

1.3.2. WORKFORCE STRUCTURE OF THE LOTOS GROUP:

LOTOS Group workforce structure by job category (as at June 30th 2013)

Company	Workforce as at June 30 2013		
	Blue-collar jobs	White-collar jobs	Total
Grupa LOTOS S.A.	523	836	1359
LOTOS Paliwa Sp. z o.o.	0	271	271
LOTOS Kolej Sp. z o.o.	592	221	813
LOTOS Oil S.A.	115	202	317
LOTOS LAB Sp. z o.o.	107	45	152
LOTOS Serwis Sp. z o.o.	507	178	685
LOTOS Straż Sp. z o.o.	75	14	89
LOTOS Asphalt Sp. z o.o.	112	140	252
LOTOS Gaz S.A.	0	1	1
LOTOS Ochrona Sp. z o.o.	139	22	161
LOTOS Park Technologiczny Sp. z o.o.	0	1	1
LOTOS Parafiny Sp. z o.o.	0	0	0
LOTOS Tank Sp. z o.o.	22	9	31
LOTOS Jasło S.A.	41	34	75
LOTOS Czechowice S.A.	73	45	118
RC Ekoenergia Sp. z o.o.	48	30	78
LOTOS Biopaliwa Sp. z o.o.	21	14	35
LOTOS Petrobaltic S.A.	153	235	388
ENERGOBALTIC Sp. z o.o.	3	31	34
LOTOS Norge AS	0	20	20
AB LOTOS Geonafta	93	23	116
Miliana Shipping Ltd	0	2	2
Technical Ship Management	0	10	10
Total	2,624	2,384	5,008

LOTOS Group workforce structure by key companies (as at June 30th 2013)



LOTOS Group workforce structure by gender (as at June 30th 2013)

Item	Men	Women	Total
Blue-collar jobs	2,454	170	2,624
White-collar jobs	1,442	942	2,384
Total	3,896	1,112	5,008

Grupa LOTOS S.A. workforce structure by gender (as at June 30th 2013)

Item	Men	Women	Total
Blue-collar jobs	518	5	523
White-collar jobs	421	415	836
Total	939	420	1,359

2. FINANCIAL PERFORMANCE OF THE LOTOS GROUP

2.1. FACTORS AFFECTING THE GROUP'S PERFORMANCE IN H1 2013

Crude oil prices, differential and model margin (USD/bbl)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
DATED Brent FOB prices	107.50	113.61	-5.4%
Urals CIF Rotterdam prices	106.22	111.76	-5.0%
Brent/Urals differential *	1.23	1.67	-26.3%
Model refining margin**	4.22	5.08	-16.9%

* Brent vs. Urals spread

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

Crack margins on petroleum products (USD/t)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Gasoline	186.22	192.09	-3.1%
Naphtha	70.86	86.46	-18.0%
Diesel oil (10 ppm)	120.58	120.73	-0.1%
Light fuel oil	99.41	99.06	0.4%
Aviation fuel	167.49	165.47	1.2%
Heavy fuel oil	-220.10	-206.19	-6.7%

USD/PLN exchange rates

	H1 2013	H1 2012	H1 2013 vs. H1 2012
USD/PLN exchange rate at end of the period	3.32	3.39	-2.1%
Average USD/PLN exchange rate	3.18	3.27	-2.8%

Upstream segment

Crude oil reserves, production and sales

Reserves (m bbl) *	Jun 30 2013	Jun 30 2012	
Norway	13.33***	12.95	
Poland	31.78	33.03	
Lithuania **	7.79	6.35	
Total	52.90	52.33	
Production (bbl/d)	H1 2013	H1 2012	H1 2013 vs. H1 2012
Poland	3,010	4,775	-37.0%
Lithuania **	1,556	1,624	-4.2%
Total	4,566	6,399	-28.7%
Sales of own products (bbl)	H1 2013	H1 2012	H1 2013 vs. H1 2012
Poland	676,062	977,760	-30.9%
Lithuania **	262,868	318,919	-17.6%
Total	938,930	1,296,679	-27.6%

*2P – proved and probable reserves

** pro rata to the ownership interest in the AB LOTOS Geonafta Group

*** change in the reported size of the resources attributable to changes in the methodology of conversion of the barrel

The drop in the upstream segment's revenue by PLN 168.9m (or 33.7%) was mainly the result of a nearly 31% decline in the volume of Rozewie crude sales, following the discontinuation of temporary production from the B8 field. The segment's lower revenue in H1 2013 vs. H1 2012 was also attributable to a 5.4% drop in Brent dtd crude prices on the global markets and a 2.8% drop in the average PLN/USD exchange rate.

Operating results of the upstream segment (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Revenue	332.7	501.6	-33.7%
Operating profit/(loss)	191.3	-701.3	-
Depreciation and amortisation expense	69.5	62.8	10.7%
EBITDA	260.8	-638.5	-
Operating result net of non-recurring events*	121.3	233.9	-48.1%

* Adjusted for the effect of non-recurring events, including revaluation of estimated provision for offshore oil and gas facilities in Norway and reversal of impairment losses on the B4 and B6 fields in H1 2013, and impairment loss on the interest in the YME project in H1 2012

The H1 2013 operating result of the upstream segment increased on the year before, when a PLN 935.2m impairment loss was recognised on the YME field assets. The decline in adjusted operating result (that is, net of the

effect of non-recurring events) reported by the upstream segment in H1 2013 was attributable mainly to a decline in volume of the segment's crude sales (both Rozewie and Lithuanian crude), which followed from lower production.

Downstream segment

The lower volume of crude processed in H1 2013 was due to the maintenance shutdown at the Gdańsk refinery. In line with the adopted schedule, the Gdańsk refinery of Grupa LOTOS S.A. underwent a scheduled maintenance and upgrade shutdown, from March 29th 2013 to May 10th 2013. Crude oil processing was suspended for around 23 days. Following completion of the 10+ Programme, the refinery's setup configuration makes it possible to divide maintenance and repair work between the two production lines, while shortening the necessary downtime. The shutdown decreased the refinery's processing capacity by approximately 8% in 2013. During the shutdown, apart from the scheduled repairs, work was performed under an investment programme designed to increase the capacities of individual units and reduce operating expenses. The stoppage of production units did not result in suspension of shipment or sale of products (kept in storage tanks and purchased from other suppliers).

Structure of crude refining output ('000 tonnes)

Volume of crude oil processed by the Gdańsk refinery	H1 2013	H1 2012	H1 2013 vs. H1 2012
	3,838.6	4,688.0	-18.1%
including:			
Urals crude	3,441.1	4,253.4	-19.1%
Rozewie crude	65.1	107.9	-39.7%
Other types of crude	332.4	326.7	1.7%

Structure of Grupa LOTOS' output ('000 tonnes)

Total output	H1 2013	H1 2012	H1 2013 vs. H1 2012
	4,161.1	5,032.0	-17.3%
Gasolines	583.6	684.8	-14.8%
Naphtha	137.9	181.5	-24.0%
Diesel oils	1,817.8	2,203.1	-17.5%
Light fuel oils	147.8	163.9	-9.8%
Jet fuel	226.1	268.4	-15.8%
Heavy fuel oils	587.8	627.1	-6.3%
Bitumen components	168.2	328.2	-48.8%
Other	491.9	575.0	-14,5%

Sales structure of the downstream segment ('000 tonnes)

Sales of refining products, merchandise and materials	H1 2013	H1 2012	H1 2013 vs. H1 2012
	4,286.3	4,869.2	-12.0%
Gasolines	662.3	692.2	-4.3%
Naphtha	137.9	181.5	-24.0%
Diesel oils	2,077.5	2,217.3	-6.3%
Jet fuel	218.0	268.2	-18.7%
Light fuel oils	153.9	167.3	-8.0%
Heavy fuel oils	554.1	523.1	5.9%
Bitumens	150.7	301.4	-50.0%
Other petroleum products	331.9	518.2	-36.0%

In H1 2013, total production and sales volumes were lower than in the comparative period.

The maintenance downtime had a significant impact on capacity utilisation at the refinery – in H1 2013, utilisation was considerably lower than in H1 2012. In order to mitigate the impact of the downtime on the Polish fuel market, the Group compensated its lower production volumes by purchasing fuel from other entities; as a result, the interruption of supplies from the Gdańsk refinery affected customers to a lesser extent.

A 17.5% year-on-year decline in sales revenue posted by the downstream segment in H1 2013 was mostly attributable to a 12.0% drop in the segment's sales volume and lower net selling prices, caused by factors such as lower prices of petroleum products on the global markets and lower exchange rates. The average net selling price in the downstream segment was down 6.2%, from PLN 3,306 per tonne in H1 2012 to PLN 3,100 per tonne in H1 2013.

The downstream segment's weaker operating performance in H1 2013 relative to H1 2012 was primarily a result of the lower volume of own products sold and the weighted average method of inventory measurement applied by the Group. The LIFO effect amounted to PLN 241.6m in H1 2013, and was driven mainly by a reduction in crude oil inventories in H1 2013 ahead of the planned maintenance shutdown. In the comparative period, the applied inventory measurement method added PLN 28.1m to the operating result, mainly due to the growing quoted prices of crude in H1 2012.

Factors with a negative effect on the downstream segment's operating result in H1 2013 included lower margins on fuels and heavy fuel oil, a changed sales structure, a lower PLN/USD exchange rate, and a lower year-on-year Brent/Urals differential.

Costs directly related to the overhaul at the Gdańsk refinery in the reporting period reduced the consolidated operating result for H1 2013 by about PLN 92.1m.

Foreign exchange losses on operating activities in H1 2013 totalled PLN -13.9m, compared with PLN -92.8m in H1 2012.

Operating results of the downstream segment (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Revenue	13,287.7	16,096.7	-17.5%
Operating profit	-275.2	287.9	-
Depreciation and amortisation expense	256.3	263.0	-2.5%
EBITDA	-18.9	550.9	-
LIFO-based operating result	-33.6	259.8	-

Retail business

LOTOS service station network

Total	Jun 30 2013	Dec 31 2012	Jun 30 2012
	407	405	368
CODO	232	223	195
including: LOTOS OPTIMA	82	71	37
DOFO	154	154	138
including: LOTOS OPTIMA	34	30	19
franchise agreements signed	158	155	147
DODO	21	28	35

At the end of H1 2013, the LOTOS network comprised 407 stations. As part of network optimisation efforts, a new brand of economy service stations, LOTOS OPTIMA, was launched in Poland in mid-2011. As at June 30th 2013, their number had increased to 116, after 15 new LOTOS OPTIMA stations were opened in H1 2013.

Operating results of the retail business (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Sales volume	477.3	492.1	-3.0%
Revenue	2,723.1	2,842.3	-4.2%
Operating profit/(loss)	-22.3	-13.6	-
Depreciation and amortisation expense	26.6	24.7	7.7%
EBITDA	4.3	11.1	-61.3%

The continued negative operating performance of the retail segment is the consequence of a low unit margin on sale of fuels, caused by the deteriorating market conditions.

Other business

Operating results of other business (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Revenue	11.3	14.3	-21.0%
Operating profit/(loss)	1.0	3.9	-74.4%
Depreciation and amortisation expense	4.8	5.0	-4.0%
EBITDA	5.8	8.9	-34.8%

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

Statement of comprehensive income

The LOTOS Group's operating loss in H1 2013 amounted to PLN -126.4m.

Operating result of the LOTOS Group (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Revenue	13,296.2	16,216.4	-18.0%
EBITDA	203,3	-112.5	-
Operating profit/(loss)	-126.4	-442.4	-
LIFO-based operating result	115,2	-470.5	-

The Group's net finance loss of PLN -266.2m reported in H1 2013 was attributable mainly to an excess of interest expense and commission fees over interest income (PLN -103.8m), foreign exchange losses on debt denominated in foreign currencies (PLN -116.0m), and a net loss on the measurement and settlement of market risk hedging transactions (PLN -66.7m). In H1 2012, the Group's net finance loss of PLN -108.3m was driven by interest expense and commission fees under bank borrowings.

In H1 2013, the Group posted a PLN -66.7m net loss on the settlement and valuation of derivative instruments, which comprised PLN -83.1m on currency forwards, PLN -3.8m on futures hedging the risk of changes in prices of CO2 emission allowances, PLN 6.0m on the effect of settlement and valuation of hedges of petroleum product prices, and PLN 14.2m on the settlement and valuation of interest rate risk hedges.

Transactions hedging petroleum products prices as at June 30th 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
3Q2013	Volume (mt)	72,500	-2,520	11,839
	Price range (USD/mt)	1,008	897 - 915	583.50 – 591.25
4Q2013	Volume (mt)	41,900	-1,589	7,468
	Price range (USD/mt)	1,008	897 - 915	583.50 – 591.25

Transactions hedging foreign exchange risk as at June 30th 2013

Currency pair	Instrument	Volume	Currency	FX exchange range
EUR/USD exchange rate	Forward	28,256,000	EUR	1.2828 – 1.3493
EUR/PLN exchange rate	Forward	-15,000,000	EUR	4.1621 – 4.3515
USD/PLN exchange rate	Forward	-292,492,536	USD	3.1574 – 3.3800

Transactions hedging interest rate risk as at June 30th 2013

Instrument	Start date	End date	Notional amount	Currency	Interest rate range	Reference rate
IRS	od 15.07.2011	od 15.01.2018	250,000,000	USD	2.476% - 4.045%	LIBOR 3M - LIBOR 6M
	do 15.01.2015	do 15.01.2019				

Futures hedging risk related to the prices of carbon dioxide (CO₂) emission allowances as at June 30th 2013

Instrument	Type of instrument	2013		2014		2015	
		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	481	3.14 – 9.05	198,000	2.98 – 5.63

For H1 2013, the LOTOS Group posted consolidated net loss of PLN -273.4m.

Net profit/loss of the LOTOS Group (PLNm)

	H1 2013	H1 2012	H1 2013 vs. H1 2012
Operating profit/(loss)	-126.4	-442.4	-
Finance income	9.2	28.5	-67.7%
Finance costs	-275.4	-136.8	101.3%
Pre-tax profit/(loss)	-392.6	-550.7	-
Net profit (loss)	-273.4	68.1	-

Consolidated statement of financial position

Consolidated statement of financial position - assets (PLNm)

	Jun 30 2013	Dec 31 2012	change	%
Total assets	20,249.9	20,056.4	193.5	1.0%
Non-current assets	11,618.6	11,505.6	113.0	1.0%
Property, plant and equipment	9,606.7	9,685.9	-79.2	-0.8%
Goodwill	46.7	46.7	0.0	0.0%
Other intangible assets	553.8	544.5	9.3	1.7%
Equity-accounted jointly-controlled entities	52.0	0.0	52.0	-
Deferred tax assets	1,164.5	1,121.3	43.2	3.9%
Derivative financial instruments	1.5	0.0	1.5	-
Other non-current assets	193.4	107.2	86.2	80.4%
Current assets	8,621.6	8,548.4	73.2	0.9%
Inventories	5,801.9	5,965.7	-163.8	-2.7%
Trade receivables	1,950.4	1,640.4	310.0	18.9%
Current tax assets	96.8	90.6	6.2	6.8%
Derivative financial instruments	2.9	121.3	-118.4	-97.6%
Other current assets	423.7	462.1	-38.4	-8.3%
Cash and cash equivalents	345.9	268.3	77.6	28.9%
Assets held for sale	9.7	2.4	7.3	304.2%

As at June 30th 2013, the balance-sheet total of the LOTOS Group stood at PLN 20,249.9m, having increased by PLN 193.5m throughout H1 2013.

Key changes in assets:

- Other non-current assets increased by PLN 86.2m following an agreement reached by the parties to the YME project in Norway, as discussed in detail in Notes 6 and 21 to the interim condensed consolidated financial statements for the six months ended June 30th 2013,
- The value of interests in Baltic Gas companies, totalling PLN 52.0m, was presented under equity-accounted jointly-controlled entities,
 - Deferred tax assets increased by PLN 43.2m, mainly in the upstream segment,
 - Trade receivables increased by PLN 310.0m, led primarily by higher sales volume in June 2013 relative to December 2012 (with LOTOS Paliwa and LOTOS Asphalt being the main contributors),
 - Cash and cash equivalents increased by PLN 77.6m (with the Parent as the main contributor),
 - Property, plant and equipment decreased by PLN 79.2m, as depreciation charges recognised in H1 2013 were higher than the value of property, plant and equipment acquired in that period,
 - Inventories decreased by PLN 163.8m, chiefly due to a lower volume of mandatory reserves,
 - Decrease in positive valuation of derivative financial instruments (mainly forwards) by PLN 118.4m.

Consolidated statement of financial position – sources of financing (PLNm)

	Jun 30 2013	Dec 31 2012	Change	%
Equity and liabilities	20,249.9	20,056.4	193.5	1.0%
Equity	8,566.5	9,062.4	-495.9	-5.5%
Share capital	129.9	129.9	0.0	0.0%
Share premium	1,311.3	1,311.3	0.0	0.0%
Cash flow hedging reserve	-281.1	-36.8	-244.3	663.9%
Retained earnings	7,350.1	7,623.4	-273.3	-3.6%
Currency-translation differences	55.9	33.9	22.0	64.9%
Non-controlling interests	0.4	0.7	-0.3	-42.9%
Non-current liabilities	5,663.6	5,414.7	248.9	4.6%
Borrowings, other debt instruments and finance lease liabilities	4,851.1	4,462.1	389.0	8.7%
Derivative financial instruments	54.4	88.3	-33.9	-38.4%
Deferred tax liability	167.3	322.2	-154.9	-48.1%
Employee benefit obligations	130.6	129.9	0.7	0.5%
Other liabilities and provisions	460.2	412.2	48.0	11.6%
Current liabilities	6,019.8	5,579.3	440.5	7.9%
Borrowings, other debt instruments and finance lease liabilities	1,610.6	2,094.6	-484.0	-23.1%
Derivative financial instruments	100.4	91.0	9.4	10.3%
Trade payables	2,367.8	2,178.8	189.0	8.7%
Current tax payables	17.1	5.8	11.3	194.8%
Employee benefit obligations	86.2	110.9	-24.7	-22.3%
Other liabilities and provisions	1,837.7	1,098.2	739.5	67.3%

The PLN 495.9m year-on-year decrease in the LOTOS Group's equity, to PLN 8,566.5m as at June 30th 2013, was mainly driven by:

- A decrease in retained earnings by PLN 273.3m,
- PLN 244.3m foreign exchange losses on measurement of cash flow hedges adjusted for the tax effect and charged to capital reserves.

In H1 2013, non-current liabilities rose by PLN 248.9m primarily as a result of:

- A PLN 389.4m increase in interest-bearing non-current borrowings and other debt instruments, primarily owing to measurement of the debt at a higher exchange rate;
- A PLN 154.9m decrease in deferred tax liabilities (mainly at Grupa LOTOS S.A.).

As at June 30th 2013, current liabilities increased by PLN 440.5m (relative to December 31st 2012), which was a result of:

- A PLN 739.5m increase in other liabilities and provisions, under which the Group presented PLN 358.2m representing a contractual obligation under a fuel stock rotation agreement with the Material Reserves Agency (Agencja Rezerw Materialowych), and PLN 182.6m arising from a settlement reached by the parties involved in the YME project in Norway (see Notes 6 and 21 to the interim condensed consolidated financial statements for the six months ended June 30th 2013); the increase was also attributable to a PLN 394.0m rise in liabilities to the state budget other than income tax,

- A PLN 189.0m increase in trade payables related to crude oil purchases (mainly at Grupa LOTOS S.A.)
- A PLN 485.1m decrease in current borrowings and other debt instruments (mainly at Grupa LOTOS S.A.

and at the upstream subsidiaries).

As at June 30th 2013, the LOTOS Group's financial debt totalled PLN 6,294.9m, down by PLN 95.7m on December 31st 2012. The ratio of financial debt (adjusted for free cash) to equity was 69.4% (1.8pp more than as at December 31st 2012).

Consolidated statement of cash flows

Cash flow (PLNm)

	H1 2013	H1 2012	change
Cash flows from operating activities	890.2	221.8	668.4
Cash flows from investing activities	-335.6	-288.5	-47.1
Cash flows from financing activities	-157.3	-219.5	62.2
Change in net cash flows	420.6	-283.3	703.9
Cash and cash equivalents at the beginning of the period	-240.7	161.6	-402.3
Cash and cash equivalents at the end of the period	179.9	-121.7	301.6

As at June 30th 2013, the LOTOS Group's cash balance (including current account overdrafts) was PLN 179.9m.

Net cash from operating activities of PLN 890.2m posted in H1 2013 was the outcome of lower inventories and other assets and higher liabilities, compounded by a concurrent increase in trade receivables.

Net cash used in investing activities of PLN -335.6m posted in H1 2013 was related mainly to expenditure on purchases of property, plant and equipment and other intangible assets.

Net cash of PLN -157.3m used in financing activities included an excess of cash outflows under principal and interest payments of PLN -182.8m over cash inflows under borrowings and other debt instruments, and was adjusted for a positive result on derivative financial instruments of PLN 34.0m.

Ability to meet obligations

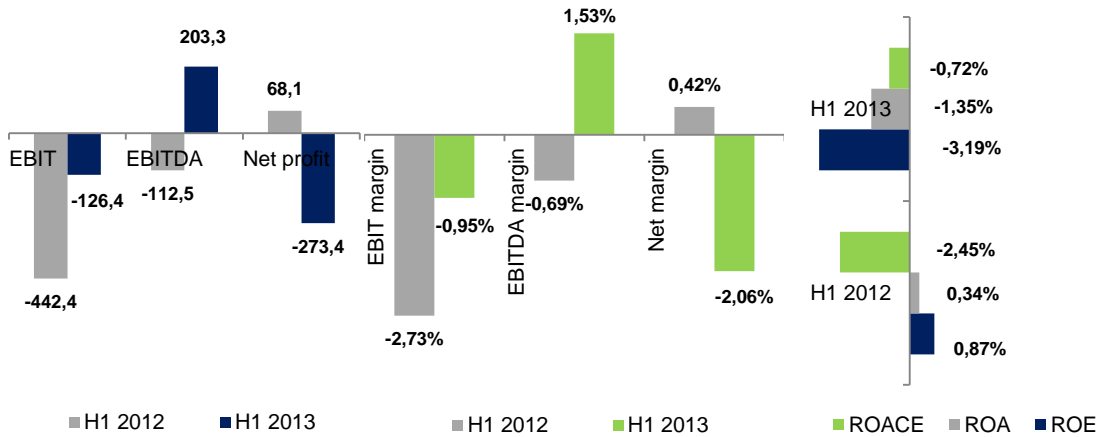
In H1 2013, the LOTOS Group was able to meet all of its liabilities towards third parties.

Information material for assessment of the Group's assets, financial standing and financial performance, or changes in any of the foregoing

A brief assessment of the LOTOS Group's overall economic and financial standing has been prepared in the form of a ratio analysis covering margins, liquidity, turnover and debt levels.

Profitability ratios

(PLNm or %)

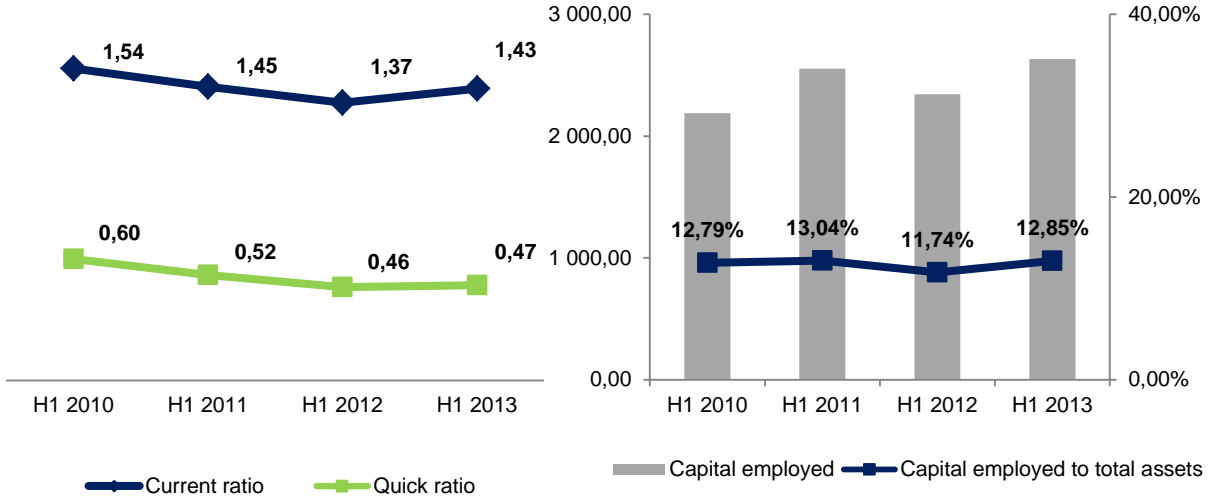


- Improved operating performance and ratios (reduced losses), deteriorated net ratios and earnings

Profitability ratio formulas	
EBIT margin	operating profit/(loss) to net sales
EBITDA	EBIT before amortisation/depreciation
EBITDA margin	EBITDA to net sales
Net margin	net profit/(loss) to net sales
Return on equity (ROE)	net profit/(loss) to equity at the end of period
Return on assets (ROA)	net profit/(loss) to assets at the end of period
Return on average capital employed (ROACE)	operating profit/(loss) after tax to equity plus long-term and short-term borrowings and other debt instruments, net of cash and current financial assets (at the end of the period)

Liquidity ratios

(PLNm, absolute value or %)

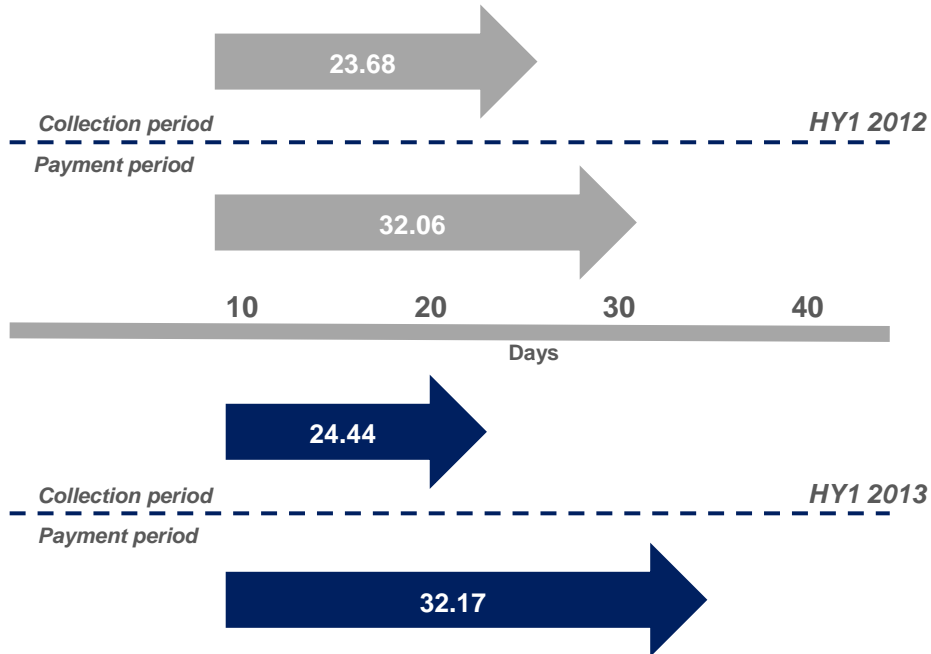


- improved current ratio (+4.4%) and improved quick ratio (+2.2%), as current assets (-1.2%) declined more slowly than current liabilities (-5.7%);
- increase in capital employed by 11.0%, as current assets (PLN -104.4m) decreased more slowly than current liabilities (PLN -363.1m), and as the share of capital employed increased in total assets.

Liquidity ratios formula

Current ratio	current assets to current liabilities (as at the end of the period)
Quick ratio	current assets net of inventories to current liabilities (as at the end of the period)
Capital employed	current assets net of current liabilities (as at the end of the period)
Capital employed to total assets	capital employed to total assets (as at the end of the period)

**Collection/repayment periods
(days)**



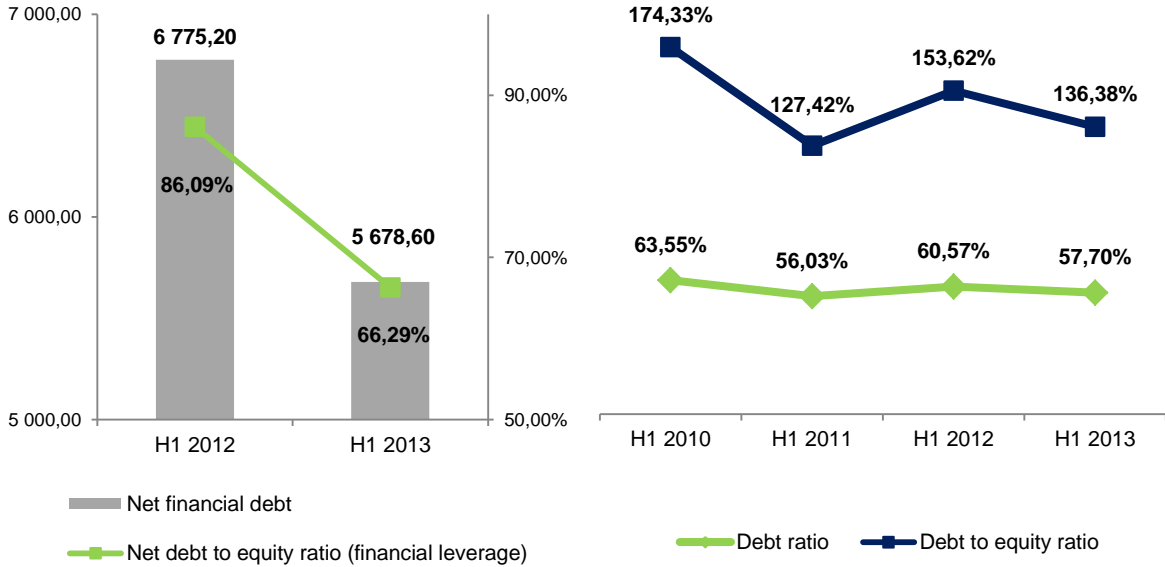
- a longer collection period (by 0.8 days) as average trade receivables (-15.4%) decreased slower than sales revenue (-18.0%); the payment period remained relatively flat year on year.

Calculation of collection/repayment periods

Average collection period (days)	average trade receivables to net sales multiplied by 181 days of a given period
Average payment period (days)	average trade payables to cost of sales multiplied by 181 days of a given period

Capital structure and debt ratios

(PLNm or %)



- 2.9pp decrease in debt ratio and a 17.2pp decrease in debt to equity ratio, mainly due to lower debt under bank borrowings and higher equity.

Formulas for the capital structure and debt ratios

Debt ratio	total liabilities to total assets (as at the end of the period)
Net financial debt	long-term and short-term borrowings and other debt instruments net of cash and other current financial assets (at the end of the period)
Net debt to equity ratio (financial leverage)	long-term and short-term borrowings and other debt instruments net of cash and other current financial assets to equity (as at the end of the period)
Debt to equity ratio	total liabilities to equity (as at the end of the period)

2.2. FACTORS WHICH, IN THE COMPANY'S OPINION, MAY AFFECT THE LOTOS GROUP'S PERFORMANCE IN Q3 AND Q4 2013

Key factors which, in the Company's opinion, may affect performance in H2 2013 include:

- The macroeconomic environment; in particular, prices of crude oil and petroleum products and the USD/PLN exchange rate, which has a bearing on the Group's financial performance as prices of crude oil and of some products are quoted in the American dollar, which Grupa LOTOS S.A.'s debt is denominated in;
- The level of demand for and supply of petroleum products in Poland and Europe. The demand for diesel oil is expected to rise in the long run, while the demand for motor gasolines is expected to weaken. These trends are reflected in the strategy pursued by the LOTOS Group,
- Execution of projects in the exploration and production segment,
- Optimisation of operations in the production and sales segment with a view to maximising Grupa LOTOS S.A.'s refining margin (increased processing capacities of the Gdańsk refinery and flexibility of production following completion of the 10+ Programme),
- Further strengthening of the market position of the LOTOS Group, with special emphasis on the development and improved profitability of retail sales.

2.3. RISKS AND THREATS RELATED TO THE COMPANY'S OPERATIONS IN THE REMAINING MONTHS OF 2013

The LOTOS Group operates in an environment and under conditions which entail a large number of risks. The risks inherent in the various areas of the Company's activities are identified, assessed and then analysed to determine the feasibility of reducing their potential effect on the Company's operations. Relative to the previous year, the Company has been able to consistently reduce the expected level of certain operational, financial and market risks by implementing measures to mitigate the identified risks. The Company is also alert to potential risks arising from the new "Efficiency and Growth" programme, with respect to which adequate mitigating measures are implemented on a regular basis.

For detailed information on the key risks, opportunities and challenges of the LOTOS Group, see the [2012 Integrated Annual Report](#).

The identified risks are monitored on an ongoing basis. They include:

- Risks and opportunities in the context of the oil sector strategy prepared by the Polish government and the European Commission,
- Risks related to changes and interpretations of law, including tax law,
- Risks related to the upstream business,
- Operational risks, including technological risks and risks related to occupational safety and environmental protection,
- Risks related to the supply of raw materials,
- Risks related to marketing activities,
- Financial risks,
- Reputation and social risk,
- Risk of misconduct.

A detailed assessment of the risks listed above has been conducted, and relevant risk management strategies and mitigation plans are currently being implemented in line with the Company's internal policies. The Enterprise Risk Management System is described in [the 2012 Annual Report](#).

2.4. MANAGEMENT BOARD'S POSITION ON THE FEASIBILITY OF MEETING PREVIOUSLY PUBLISHED FORECASTS FOR 2013

Grupa LOTOS S.A. has not published any separate or consolidated performance forecasts for 2013.

3. OTHER INFORMATION

3.1. COURT, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

In H1 2013, LOTOS Group companies were not involved in any court, arbitration or administrative proceedings related to liabilities or claims, whose value concerning LOTOS Group companies would represent at least 10% of Grupa LOTOS S.A.'s equity. For other information on relevant proceedings, including the arbitration proceedings with respect to SBM's claims against the YME consortium and related counterclaims, see Note 21 to the interim condensed consolidated financial statements for the six months ended June 30th 2013.

3.2. MATERIAL RELATED-PARTY TRANSACTIONS

In H1 2013, Grupa LOTOS S.A. executed transactions with related parties at arm's length only, as presented in Note 22 to the interim condensed consolidated financial statements for the six months ended June 30th 2013.

3.3. SURETIES FOR THE REPAYMENT OF LOANS, GUARANTEES AND BORROWINGS, FACTORING AGREEMENTS, AND OTHER SECURITY INSTRUMENTS

LOTOS Petrobaltic S.A.'s liabilities towards the government of Norway

An unconditional and irrevocable guarantee issued by LOTOS Petrobaltic S.A. for the benefit of the government of Norway on June 17th 2008, concerning the activities of LOTOS Exploration and Production Norge AS related to its exploration and production operations on the Norwegian Continental Shelf, was effective as at June 30th 2013 and June 30th 2012. In the guarantee, LOTOS Petrobaltic S.A. undertook to assume any financial liabilities which may arise in connection with the operations of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, consisting in exploration for and extraction of natural resources from the sea bottom, including their storage and transport using means of transport other than ships.

Factoring agreement executed by Grupa LOTOS S.A.

On May 29th 2013, Grupa LOTOS S.A. executed an annex to a non-recourse factoring agreement with Bank PEKAO S.A. of July 7th 2010. Under the annex, the credit limit set in the agreement was reduced to PLN 570m.

The original agreement executed in 2010 provided for a credit limit of PLN 300m, expiring on August 30th 2011. The limit was again increased, to PLN 370m, under an annex of April 14th 2011. On August 23rd 2011, another annex

was executed under which the expiry date of the PLN 230m portion of the credit limit was extended until August 31st 2012, with the remaining portion (PLN 140m) set to expire on September 30th 2011. Under an annex of September 26th 2011 the expiration date of the credit limit was set for the same date (August 31st 2012). On June 14th 2012, another annex was signed to increase the credit limit to PLN 410m and extend its expiry date until May 31st 2013. Under the annex of August 13th 2012, the credit limit was further increased to PLN 610m.

Other security instruments

As at June 30th 2013, Grupa LOTOS S.A. had a PLN 240,000 thousand blank promissory note deposited at the Customs Office in Gdańsk as lump-sum security for excise duty in the amount of PLN 800,000 thousand. The security is valid until August 19th 2013.

Loans advanced by Grupa LOTOS S.A. to related entities in the six months ended on June 30th 2013

Related entity	Loan agreement date	Principal, as specified in agreement		Maturity date	Security	Terms and conditions (interest rate)
		PLN	Currency			
LOTOS Petrobaltic S.A.	Jan 30 2013	23.000	-	December 31st 2015	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a floating rate based on 6M WIBOR plus margin.
	Mar 5 2013	7.000	-	December 31st 2015		

Under the amending annexes executed during the six months ended June 30th 2013, the final repayment date of loans advanced to LOTOS Gaz S.A. w likwidacji (in liquidation) under the PLN 247 thousand loan agreement of March 8th 2011, the PLN 352 thousand loan agreement of March 29th 2011, and the PLN 160 thousand loan agreement of August 5th 2011, was extended until April 30th 2014. The loans bear interest at a fixed annual interest rate based on 3M WIBOR plus margin.

Other intercompany loans

- On June 6th 2013, the debt outstanding under the agreement of October 17th 2012 for the grant of a USD 10,000 thousand loan (PLN 31,261 thousand translated at the USD mid-exchange rate quoted by the National Bank of Poland for October 17th 2012) to LOTOS Exploration and Production Norge AS by LOTOS Petrobaltic S.A. was fully repaid in accordance with the annex of May 24th 2013.

- On July 3rd 2013, an annex was executed to the agreement of September 14th 2012 under which a loan of USD 10,000 thousand (PLN 31,131 thousand translated at the USD mid-exchange rate quoted by the National Bank of Poland for September 14th 2012) was advanced to LOTOS Exploration and Production Norge AS by LOTOS Petrobaltic S.A.; the annex provided for earlier repayment of a loan instalment of USD 3,300 thousand.

- On July 5th 2013, another annex was executed to the agreement of October 24th 2011 under which a loan of USD 20,000 thousand (PLN 63,410 thousand translated at the USD mid-exchange rate quoted by the National Bank of Poland for October 24th 2011) was advanced to LOTOS Exploration and Production Norge AS by AB LOTOS Geonafta. Under the annex, the repayment date was extended until December 31st 2017. Originally, the loan was to be repaid within three months of the date upon which the loan agreement was signed by the parties. The loan is secured with a promissory note with a 'protest waived' clause, issued by LOTOS Exploration and Production Norge AS for the benefit of AB LOTOS Geonafta.

- On May 31st 2013, the Miliana Shipmanagement Co. Ltd. made an early repayment of the outstanding portion (USD 902 thousand) of an unsecured loan provided under the agreement of October 10th 2011 between the Miliana Shipping Company Ltd. (currently the Miliana Shipholding Company Ltd.) (as the lender) and Miliana Shipmanagement Ltd. (as the borrower) in the amount of USD 1,800 thousand (PLN 5,736 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for October 10th 2011). The loan was to be repaid in 18 equal monthly instalments, with the payment date of the first instalment set for August 31st 2012.

Other information

- On March 29th 2013, LOTOS Petrobaltic S.A. executed a loan commitment agreement with LOTOS Exploration and Production Norge AS, to secure a multi-purpose credit facility advanced to LOTOS Exploration and Production Norge AS by Bank PKO BP S.A. Under the commitment agreement, LOTOS Petrobaltic S.A. agreed to advance loans to LOTOS Exploration and Production Norge AS if: (1) LOTOS Exploration and Production Norge AS fails to acquire an interest in the Draugen field or any similar production field on the Norwegian Continental Shelf by September 30th 2013, and (2) LOTOS Exploration and Production Norge AS does not have sufficient funds to repay the credit facility of USD 80,000 thousand. In such case, LOTOS Petrobaltic S.A. agreed to transfer the amount due under the agreement to the Lending Bank. In addition, the multi-purpose credit facility advanced to LOTOS Exploration and Production Norge AS by Bank PKO BP S.A. is secured by a surety granted by LOTOS Petrobaltic S.A. to Bank PKO BP S.A in respect of the liabilities of LOTOS Exploration and Production Norge AS. The surety is for the lower of USD 80,000 thousand and PLN 293,828 thousand.

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