

**THE LOTOS GROUP
FINANCIAL HIGHLIGHTS**

	PLN '000		EUR '000	
	6 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2012 (restated) (unaudited)	6 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2012 (restated) (unaudited)
Revenue	13,296,173	16,216,454	3,155,238	3,838,577
Operating loss	(126,396)	(442,445)	(29,994)	(104,731)
Pre-tax loss	(392,627)	(550,655)	(93,172)	(130,345)
Net profit/(loss)	(273,413)	68,142	(64,882)	16,130
Net profit/(loss) attributable to owners of the Parent	(273,437)	68,185	(64,888)	16,140
Net profit/(loss) attributable to non-controlling interests	24	(43)	6	(10)
Total comprehensive income	(495,694)	87,267	(117,630)	20,657
Total comprehensive income attributable to owners of the Parent	(495,723)	87,318	(117,637)	20,669
Total comprehensive income attributable to non-controlling interests	29	(51)	7	(12)
Net cash from operating activities	890,177	221,719	211,243	52,483
Net cash from investing activities	(335,553)	(288,469)	(79,628)	(68,283)
Net cash from financing activities	(157,347)	(219,482)	(37,339)	(51,953)
Total net cash flow	397,277	(286,232)	94,276	(67,753)
Basic earnings/(loss) per share (PLN/EUR)	(2.11)	0.53	(0.50)	0.12
Diluted earnings/(loss) per share (PLN/EUR)	(2.11)	0.53	(0.50)	0.12

	PLN '000		EUR '000	
	As at Jun 30 2013 (unaudited)	As at Dec 31 2012 (audited)	As at Jun 30 2013 (unaudited)	As at Dec 31 2012 (audited)
Total assets	20,249,853	20,056,379	4,677,505	4,905,919
Equity attributable to owners of the Parent	8,566,140	9,061,740	1,978,689	2,216,560
Non-controlling interests	360	699	83	171
Total equity	8,566,500	9,062,439	1,978,772	2,216,731

Items in the Financial Highlights table have been translated at the following EUR exchange rates:

Items of the statement of financial position have been translated at the mid-exchange rates quoted by the National Bank of Poland for the last day of the reporting period:

As at Jun 30 2013	As at Dec 31 2012
EUR 1 = PLN 4.3292	EUR 1 = PLN 4.0882

Items of the statement of comprehensive income and the statement of cash flows have been translated using the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period:

6 months ended Jun 30 2013	6 months ended Jun 30 2012
EUR 1 = PLN 4.2140	EUR 1 = PLN 4.2246



THE LOTOS GROUP

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30TH 2013
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

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JUNE 30TH 2013

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THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and six months ended June 30th 2013

(PLN '000)	Note	3 months ended Jun 30 2013	6 months ended Jun 30 2013	3 months ended Jun 30 2012 (restated)	6 months ended Jun 30 2012 (restated)
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	8	6,118,796	13,296,173	8,384,112	16,216,454
Cost of sales	9.3	(5,956,768)	(12,791,659)	(7,947,001)	(15,035,246)
Gross profit		162,028	504,514	437,111	1,181,208
Distribution costs	9.3	(262,157)	(514,975)	(262,872)	(505,762)
Administrative expenses	9.3	(87,313)	(196,147)	(98,792)	(200,416)
Other income	9.1	93,712	98,438	7,710	13,581
Other expenses	9.4	(7,095)	(18,226)	(944,588)	(952,022)
Loss of control over subsidiary		-	-	-	20,966
Operating loss		(100,825)	(126,396)	(861,431)	(442,445)
Finance income	9.2	20,128	9,209	6,454	28,547
Finance costs	9.5	(91,639)	(275,440)	(432,676)	(136,757)
Pre-tax loss		(172,336)	(392,627)	(1,287,653)	(550,655)
Corporate income tax	10.1	46,263	119,214	758,681	618,797
Net profit/(loss):		(126,073)	(273,413)	(528,972)	68,142
Other comprehensive income					
<i>Items that may be reclassified to profit/loss:</i>					
Exchange differences on translating foreign operations		6,000	21,971	13,464	(18,638)
Cash flow hedges		(78,467)	(301,546)	(299,581)	42,251
Income tax on other comprehensive income	10.1	14,909	57,294	54,363	(4,488)
Other comprehensive income, net		(57,558)	(222,281)	(231,754)	19,125
Total comprehensive income		(183,631)	(495,694)	(760,726)	87,267
Net profit (loss) attributable to:					
Owners of the Parent		(126,085)	(273,437)	(528,865)	68,185
Non-controlling interests		12	24	(107)	(43)
		(126,073)	(273,413)	(528,972)	68,142
Total comprehensive income attributable to:					
Owners of the Parent		(183,645)	(495,723)	(760,625)	87,318
Non-controlling interests		14	29	(101)	(51)
		(183,631)	(495,694)	(760,726)	87,267
Net profit/(loss) attributable to owners of the Parent per share (PLN)					
Weighted average number of shares ('000)	12	129,873	129,873	129,873	129,873
- basic	12	(0.97)	(2.11)	(4.07)	0.53
- diluted	12	(0.97)	(2.11)	(4.07)	0.53

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2013, presented on pages 7 to 32, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30th 2013

(PLN '000)	Note	Jun 30 2013 (unaudited)	Dec 31 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		9,606,724	9,685,850
Goodwill		46,688	46,688
Other intangible assets		553,804	544,468
Equity-accounted jointly-controlled entities		52,023	-
Deferred tax assets	10.2	1,164,450	1,121,314
Derivative financial instruments		1,494	-
Other non-current assets		193,381	107,232
Total non-current assets		11,618,564	11,505,552
Current assets			
Inventories		5,801,860	5,965,705
- including mandatory reserves		4,253,485	4,353,207
Trade receivables		1,950,381	1,640,360
Current tax assets		96,856	90,566
Derivative financial instruments		2,863	121,334
Other current assets		423,767	462,101
Cash and cash equivalents		345,904	268,333
Total current assets		8,621,631	8,548,399
Assets held for sale		9,658	2,428
Total assets		20,249,853	20,056,379
EQUITY AND LIABILITIES			
Equity			
Share capital		129,873	129,873
Share premium		1,311,348	1,311,348
Cash flow hedging reserve		(281,053)	(36,801)
Retained earnings		7,350,104	7,623,418
Currency-translation differences		55,868	33,902
Equity attributable to owners of the Parent		8,566,140	9,061,740
Non-controlling interests		360	699
Total equity		8,566,500	9,062,439
Non-current liabilities			
Borrowings, other debt instruments and finance lease liabilities	16	4,851,094	4,462,098
Derivative financial instruments		54,359	88,325
Deferred tax liabilities	10.2	167,341	322,169
Employee benefit obligations		130,609	129,862
Other liabilities and provisions		460,176	412,260
Total non-current liabilities		5,663,579	5,414,714
Current liabilities			
Borrowings, other debt instruments and finance lease liabilities	16	1,610,594	2,094,602
Derivative financial instruments		100,401	91,000
Trade payables		2,367,760	2,178,760
Current tax payables		17,133	5,752
Employee benefit obligations		86,200	110,930
Other liabilities and provisions		1,837,686	1,098,182
Total current liabilities		6,019,774	5,579,226
Total liabilities		11,683,353	10,993,940
Total equity and liabilities		20,249,853	20,056,379

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2013, presented on pages 7 to 32, are an integral part of the statements.

(This is a translation of a document originally issued in Polish)

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2013
prepared using the indirect method

(PLN '000)	Note	6 months ended Jun 30 2013	6 months ended Jun 30 2012 (restated)
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net profit/(loss)		(273,413)	68,142
Adjustments:		1,203,808	193,724
Income tax expense	10.1	(119,214)	(618,797)
Depreciation and amortisation	15	329,667	329,888
Foreign exchange (gains)/losses		101,552	(28,101)
Interest and dividends		92,696	101,134
(Gain)/Loss from investing activities		(48,905)	924,771
Settlement and valuation of financial instruments		66,714	9,658
(Increase) in trade receivables	15	(310,021)	(89,926)
Decrease/(Increase) in other assets	15	211,565	(28,270)
Decrease in inventories	15	521,819	65,503
Increase/(Decrease) in trade and other payables	15	189,000	(306,747)
Increase/(Decrease) in other liabilities and provisions	15	192,918	(150,342)
Increase in employee benefit obligations		(23,983)	(15,047)
Income tax paid		(40,218)	(40,147)
Net cash from operating activities		890,177	221,719
Cash flows from investing activities			
Dividends received		680	567
Interest received		2,700	3,016
Sale of property, plant and equipment and other intangible assets		4,900	9,085
Sale of shares in other entities		-	350
Repayment of loans advanced		-	1,555
Loss of control over subsidiary, net of cash disposed of		-	78,000
Sale of organised part of business		672	-
Purchase of property, plant and equipment and other intangible assets	15	(325,758)	(332,193)
Acquisition of shares in related entities		(13,427)	-
Acquisition of a subsidiary, net of cash acquired		-	(25,029)
Bank deposits for financing of maintenance shutdown		-	(23,621)
Security deposits (margins)		(6,190)	(9,435)
Settlement of derivative financial instruments		870	9,236
Net cash from investing activities		(335,553)	(288,469)
Cash flows from financing activities			
Proceeds from borrowings		345,781	381,783
Issue of notes	17	-	297,664
Cash flows attributable to changes in interest in a subsidiary not resulting in loss of control	3	(245)	(3)
Repayment of borrowings		(440,708)	(542,357)
Redemption of notes	17	-	(200,000)
Interest paid		(87,846)	(102,833)
Decrease in finance lease liabilities		(8,321)	(7,368)
Settlement of derivative financial instruments		33,992	(46,368)
Net cash from financing activities		(157,347)	(219,482)
Total net cash flow		397,277	(286,232)
Effect of exchange rate fluctuations on cash held		23,269	2,884
Change in net cash flows	15	420,546	(283,348)
Cash at beginning of period	15	(240,655)	161,552
Cash at end of period	15	179,891	(121,796)

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2013, presented on pages 7 to 32, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended June 30th 2013

(PLN '000)	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Jan 1 2013 (audited)		129,873	1,311,348	(36,801)	7,623,418	33,902	9,061,740	699	9,062,439
<i>Net profit/(loss)</i>		-	-	-	(273,437)	-	(273,437)	24	(273,413)
<i>Other comprehensive income, net</i>		-	-	(244,252)	-	21,966	(222,286)	5	(222,281)
Total comprehensive income		-	-	(244,252)	(273,437)	21,966	(495,723)	29	(495,694)
Purchase of shares from non-controlling shareholders	3	-	-	-	123	-	123	(368)	(245)
Jun 30 2013 (unaudited)		129,873	1,311,348	(281,053)	7,350,104	55,868	8,566,140	360	8,566,500
Jan 1 2012 (audited)		129,873	1,311,348	(419,281)	6,700,396	59,100	7,781,436	947	7,782,383
<i>Net profit/(loss)</i>		-	-	-	68,185	-	68,185	(43)	68,142
<i>Other comprehensive income, net</i>		-	-	34,223	-	(15,090)	19,133	(8)	19,125
Total comprehensive income		-	-	34,223	68,185	(15,090)	87,318	(51)	87,267
Purchase of shares from non-controlling shareholders		-	-	-	2	-	2	(5)	(3)
Jun 30 2012 (unaudited)		129,873	1,311,348	(385,058)	6,768,583	44,010	7,868,756	891	7,869,647

The Notes to the interim condensed financial statements for the six months ended June 30th 2013, presented on pages 7 to 32, are an integral part of the statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2013

1. General information

Grupa LOTOS Spółka Akcyjna ("Grupa LOTOS S.A.", the "Company", the "Parent"), was established on September 18th 1991. The Company's registered address is ul. Elbląska 135, 80-718 Gdańsk, Poland.

The core business of the LOTOS Group (the "LOTOS Group" the "Group") consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas deposits and oil and gas production. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Composition of the LOTOS Group

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 S.A.

The Group also holds shares in jointly-controlled entities.

Detailed information on the registered addresses and business profiles of these entities, the Group's ownership interests and the applied method of consolidation is presented below.

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	Sale of aviation fuel and 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% ⁽²⁾	99.96%	99.95%
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Dormant	full	100.00%	100.00%	100.00%

THE LOTOS GROUP
Notes to the interim condensed consolidated financial statements
for the six months ended June 30th 2013

Company name	Registered office	Business profile	Method of consolidation	The Group's ownership interest		
				Jun 30 2013	Dec 31 2012	Jun 30 2012
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 Group)	Nicosia, Cyprus	Storage and transport of crude oil, other sea transport related services, and managing own financial assets	full	99.98% ⁽³⁾	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% ⁽³⁾	99.96%	100.00%
Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	full	99.98% ⁽³⁾	99.96%	99.95%
Miliana Shipping Group Ltd. (spółka posiada swoją grupę kapitałową: GK Miliana Shipping Group Ltd.)	Nicosia, Cyprus	Management of own assets	full	99.98% ⁽³⁾	99.96%	99.95%
Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	full	99.98% ⁽³⁾	99.96%	99.95%
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	full	99.98% ⁽³⁾	99.96%	99.95%
Aphrodite Offshore Services N.V.	Curaçao, Netherlands Antilles	Dormant	full	99.98% ⁽³⁾	99.96%	99.95%
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	full	99.98% ⁽³⁾	99.96%	99.95%
AB LOTOS Geonafra (parent of another group: AB LOTOS Geonafra Group)	Gargždai, Lithuania	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	full	99.98% ⁽³⁾	99.96%	99.95%
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production	full	99.98% ⁽³⁾	99.96%	99.95%
UAB Manifoldas	Gargždai, Lithuania	Crude oil exploration and production	full	99.98% ⁽³⁾	99.96%	49.98%
Jointly-controlled entities						
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 sp.k.	Gdańsk	The company has not commenced operations	equity-accounted	99.97% ^(3,5)	99.96%	-
UAB Minijos Nafta	Gargždai, Lithuania	Crude oil exploration and production	proportional	49.99% ⁽³⁾	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 first six months ended June 30th 2013, Grupa LOTOS S.A. continued the acquisition of LOTOS Petrobaltic S.A. shares from its non-controlling shareholders (see Note3.)

⁽³⁾ The shareholding changes described in item ⁽²⁾ above had an impact on the Group's indirect equity interests 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.

⁽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.

3. Changes in the entity's structure in the interim period, including changes which follow from mergers, acquisitions or sale of subsidiaries, long-term investments, restructurings or discontinuation of any businesses

In the period from the end of the previous financial year, that is from December 31st 2012 (see Note 2 to the consolidated financial statements for 2012), the Group's structure was subject to the changes listed below.

Acquisition of Series A shares in LOTOS Petrobaltic S.A.

In 2013, Grupa LOTOS S.A. continued to purchase LOTOS Petrobaltic S.A. shares from the company's non-controlling shareholders as part of the squeeze-out process. In the six months ended June 30th 2013 Grupa LOTOS S.A. purchased 1,949 shares with an aggregate value of PLN 245 thousand, representing 0.0196% of the company's share capital, of which 1,859 LOTOS Petrobaltic S.A. shares with the aggregate value of PLN 233 thousand, representing 0.0187% of the company's share capital, were entered in the share register.

In line with IAS 27 Consolidated and Separate Financial Statements, the above transactions were accounted for as equity transactions, as a result of which an amount of PLN 123 thousand was recognised under retained earnings attributable to the Parent, and the value of non-controlling interests decreased by PLN 368 thousand.

Following acquisition of shares in LOTOS Petrobaltic S.A. from its non-controlling shareholders as part of the squeeze-out process, as at June 30th 2013 Grupa LOTOS S.A. held a 99.98% interest in the share capital of LOTOS Petrobaltic S.A. (9,938,221 shares), including 9,938,131 shares (99.98% of the share capital) entered in the share register, in respect of which voting rights can be exercised.

CalEnergy Resources Poland Sp. z o.o. a limited partner in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k.

On April 9th 2013, CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") became a limited partner in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy spółka komandytowa (Baltic Gas), a partnership established by LOTOS Petrobaltic S.A. for the purpose of implementing an investment agreement with CalEnergy of October 2012, which provides a framework of cooperation between the parties through a special purpose vehicle (the agreement was concluded subject to certain conditions precedent). CalEnergy made a cash contribution of PLN 5 thousand to Baltic Gas. Concurrently, LOTOS Petrobaltic S.A., as the other limited partner, increased its equity contribution from PLN 5 thousand to PLN 52,000 thousand, making a cash payment of PLN 295 thousand and an in-kind contribution worth PLN 51,700 thousand (see Note 6). The cooperation agreement is for the development of the B - 4 and B - 6 fields. Under the preparatory work schedule, seismics acquisition and selection of a preliminary field development concept are scheduled for 2013–2014. On completion of that stage, the partners will be able to make a final investment decision concerning the development of the B - 4 and B - 6 fields.

Acquisition of an equity interest in Baltic Gas by CalEnergy marked the end of preparation for joint operations on the fields and the beginning of CalEnergy's financial commitment to the project. During the preparatory work, a number of conditions precedent were met, including the transfer of licences upon LOTOS Petrobaltic S.A.'s consent. By virtue of the Minister of the Environment's decision dated March 13th 2013, the following licences have been transferred to Baltic Gas:

- licence for exploration and appraisal of oil and gas deposits in the Gaz Północ area,
- licence for extraction of natural gasoline gas from the B - 4 field located in the Polish economic zone of the Baltic Sea,
- licence for extraction of natural gas condensate from the B - 6 field located in the Polish economic zone of the Baltic Sea.

Under the investment agreement, CalEnergy will finance the costs of seismic surveys, selection of development concept and preparation of the front end engineering design.

The partners' participation in profits and losses and the percentage ownership interest in the entity, calculated on the basis of the value of contributions made by individual partners, is presented in Note 2.

Sale of shares and increase of the share capital of Baltic Gas Sp. z o.o.

The 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. ("CalEnergy") was registered on May 17th 2013.

On May 28th 2013, the Extraordinary General Meeting of Baltic Gas Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 5,000 to PLN 45,000 by way of issue of 800 new shares with a par value of PLN 50 per share. All the new shares were acquired by the existing shareholders, LOTOS Petrobaltic S.A. and CalEnergy, in proportion to their existing shareholdings. The two companies acquired 400 new shares each in exchange for cash contributions equal to the shares' par value of PLN 50 per share.

Execution of a joint venture agreement between Grupa LOTOS S.A. and BP Europa SE German Branch

On June 25th 2013, Grupa LOTOS S.A. and BP Europa SE German Branch executed a joint venture agreement to establish a new entity on the basis of LOTOS Tank Sp. z o.o. (a Grupa LOTOS subsidiary), through which the two partners could pursue joint operations in the aviation fuel market.

The event described above had no effect on the data disclosed in these interim condensed consolidated financial statements as the agreement is subject to certain conditions precedent.

4. Basis of preparation and presentation

These interim condensed consolidated financial statements of the LOTOS Group ("these interim consolidated financial statements", "these interim financial statements") have been prepared in accordance with the EU-endorsed International Financial Reporting Standards ("IFRS"), as published and effective on June 30th 2013, including in particular International Accounting Standard 34 Interim Financial Reporting.

These interim condensed consolidated financial statements present the Group's financial position as at June 30th 2013 and December 31st 2012, as well as its performance for the three and six months ended June 30th 2013 and June 30th 2012, and cash flows for the six months ended June 30th 2013 and June 30th 2012.

These interim financial statements should be read in conjunction with the audited *consolidated financial statements of the LOTOS Group for 2012*, published on March 21st 2013.

The financial information as at June 30th 2013 and for the six months ended on that date, as well as the comparative financial data for the six months ended June 30th 2012, contained in these interim condensed consolidated financial statements, have been reviewed by an auditor. The financial information for the three months ended June 30th 2013 and the comparative financial data for the three months ended June 30th 2012, contained in these interim condensed consolidated financial statements, have not been reviewed by an auditor. The financial information as at December 31st 2012 has been audited. The auditor's opinion on the *consolidated financial statements of the LOTOS Group for 2012* was issued on March 19th 2013.

The Parent's functional currency and the reporting currency of these interim consolidated financial statements is the Polish zloty, and all the amounts presented herein, unless indicated otherwise, are stated in thousands of zloty.

4.1 Accounting policies

The accounting policies and calculation methods adopted by the Group in the preparation of these interim condensed consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for 2012 (see Note 7 to the consolidated financial statements for 2012).

The following new standards, amendments to the existing standards and interpretations which have been endorsed by the European Union (the "EU") are effective in periods beginning after January 1st 2013:

- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1st 2012),
- Amendments to IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 19 Employee Benefits (effective for annual periods beginning on or after January 1st 2013),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1st 2012; in the EU effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1st 2011; in the EU effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Government Loans (effective for annual periods beginning on or after January 1st 2013),
- Amendments introduced as part of the Improvements to IFRSs (published in May 2012) (effective for annual periods beginning on January 1st 2013).

4.2 New standards and interpretations which have been published but are not yet effective

New standards, amendments to the existing standards and interpretations, which have been endorsed by the European Union (the "EU"):

- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014).

New standards, amendments to the existing standards and interpretations, which have not been endorsed by the European Union (the "EU"):

- IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (published on May 29th 2013) (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (published on June 27th 2013) (effective for annual periods beginning on or after January 1st 2014),
- IFRIC 21 Levies (published on May 20th 2013) (effective for annual periods beginning on or after January 1st 2014).

As at the approval date of these interim condensed consolidated financial statements, the first phase of IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after January 1st 2015) had not been endorsed by the European Union. During the next phases, the International Accounting Standards Board will focus on hedge accounting and impairment. Implementation of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will analyse this effect along with the effect from the other phases of the project after their publication, in order to present a coherent picture.

The Group has not opted for early application of any of the standards, interpretations, or amendments which have not yet become effective. The Company's Management Board is analysing and assessing the effect of the new standards and interpretations on the accounting policies applied by the Group and on the Group's future financial statements.

As of January 1st 2014, the Group will apply the following set of standards: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The method of proportionate consolidation applied by the Group in respect of UAB Minijos Nafta, controlled jointly by AB LOTOS Geonafta, is expected to change to the equity method for financial statements prepared for periods beginning on or after January 1st 2014.

4.3 Exchange rates

The following exchange rates, determined on the basis of the exchange rates quoted by the National Bank of Poland (the "NBP"), have been used for the purpose of balance-sheet valuation and translation of the financial statements of foreign entities and groups:

Mid-exchange rate quoted by the NBP for:	Jun 30 2013 ⁽¹⁾	Dec 31 2012 ⁽²⁾
USD	3.3175	3.0996
EUR	4.3292	4.0882
NOK	0.5486	0.5552
LTL	1.2538	1.1840

⁽¹⁾ NBP's mid-exchange rates table, effective for June 30th 2013.

⁽²⁾ NBP's mid-exchange rates table, effective for December 31st 2012.

NBP's average exchange rate for the reporting period	6 months ended Jun 30 2013 ⁽¹⁾	6 months ended Jun 30 2012 ⁽²⁾
USD	3.2165	3.2453
EUR	4.2140	4.2246
NOK	0.5553	0.5590
LTL	1.2205	1.2235

⁽¹⁾ Based on the arithmetic mean of the mid-exchange rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2013.

⁽²⁾ Based on the arithmetic mean of the mid-exchange rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2012.

4.4 Change of information presented in previous reporting periods, change of accounting policies and correction of errors

The Group reclassified some of its costs (amortisation/depreciation, overhauls, real estate tax) previously recognised as administrative expenses, into cost of sales. The Group accordingly restated its comparative data for the three and six months ended June 30th 2012. As a result of this change, administrative expenses fell by PLN 3,937 thousand and PLN 8,118 thousand, respectively, while cost of sales increased by PLN 3,937 thousand and PLN 8,118 thousand, respectively.

The Group changed its policies with respect to the presentation in the consolidated statement of cash flows of settlement of futures contracts to purchase carbon dioxide (CO₂) emission allowances. As a result of this change, in the statement of cash flows for the six months ended June 30th 2012, cash from investing activities increased, and cash from financing activities decreased, by PLN 9,236 thousand.

5. Seasonality and cyclicity of operations in the interim period

There was no seasonality or cyclicity in the Group's operations in the interim period.

6. Significant changes in reporting items, including amounts with a significant bearing on assets, liabilities, equity, net profit/loss or cash flows which are non-typical due to their nature, value, effect or frequency

As regards the period of the six months ended June 30th 2013, any amounts having a material effect on the Group's assets, liabilities, equity, net profit/loss or cash flows are presented in these interim condensed consolidated financial statements in a manner that facilitates the understanding of changes in the Group's financial situation and financial performance occurring subsequent to the end of the most recent annual reporting period, that is 2012. All significant changes to reporting items presented in the key sections of the financial statements were supplemented with additional information included in the related notes to the financial statements. In addition the Group notes that:

- In the six months ended June 30th 2013, other assets, liabilities and provisions presented in these interim condensed consolidated financial statements were affected by a number of factors, including by an agreement executed by the parties in the YME project in Norway, as discussed in detail in Note 21. As at the last day of the reporting period, the Group presented cash received as a result of the agreement in the statement of financial position as financial assets under *Other non-current assets* – PLN 84,389 thousand (NOK 153,825 thousand) and *Other current assets* – PLN 178,034 thousand (NOK 324,524 thousand). In addition, a provision was recognised for future costs of removing the rig and disassembly of fixed assets (provision related to the offshore oil production facility in Norway under *Other liabilities and provisions*, including non-current portion – PLN 60,697 thousand (NOK 110,639 thousand) and current portion – PLN 182,640 thousand (NOK 332,921 thousand), respectively. The amount of the provision, totalling PLN 243,337 thousand, was calculated based on the following assumptions:
 - Mobile Offshore Production Unit (MOPU) will be removed from the YME field not later than in 2014;
 - The costs related to the MOPU removal, development of new Plans for Development and Operation ("new PDO"), and maintenance of the existing infrastructure will not be higher than the amount agreed upon with the operator, Talisman Energy Norge AS ("Talisman", "the Operator").

It was also assumed that the preliminary estimate of the Group's share in the value of the YME in situ subsea infrastructure that is to be transferred to the consortium (see Note 21) will be confirmed by an independent valuation and will amount to no less than NOK 249m (value determined based on internal analyses and consultations with the Operator). The effect of revaluation of the estimated provision for the offshore oil facility in the YME field is presented by the Group in Notes 9.1 and 19.

Despite the execution of the agreement, some reasonable changes to the agreed solutions can be made, necessitating a further reduction of the carrying value of the YME project assets as a result of exceeding their recoverable value or revaluation of recognised provisions. Hence the Management Board would like to point to a number of uncertainties regarding the realisable value of the assets and the amounts of the provisions recognised in connection with the YME field, namely:

- the new development plan for the YME field, as adopted by the consortium,
- the estimated quantities and market value of hydrocarbons recoverable from the YME field, depending on the PDO,
- the estimated fair value of tax assets taken into account in the impairment test for the YME project, carried out at the end of the year,
- valuation of subsea infrastructure components and reclamation obligations, which will be taken over by the consortium once the rig is removed from the field,
- deadline for and cost of the rig's removal from the YME field,
- volatility of the NOK/USD exchange rate,
- discount rates.

In the consolidated statement of comprehensive income for the reporting period, the total effect of the agreement was recognised under other income, in the amount of PLN 21,665 thousand, due to a change of the estimated provision related to the offshore oil production facility in the YME field in Norway, as well as a PLN 13,618 thousand decrease in finance costs as a result of foreign exchange gains on funds placed in the escrow account.

- In connection with the performance of the investment agreement executed with CalEnergy (see Note 3), in the interim period ended June 30th 2013, the Group reversed an impairment loss on capital expenditure on non-current assets related to the development of the B - 4 and B - 6 fields of PLN 48,273 thousand, the effect of which was recognised in the statement of comprehensive income under Other income and in Notes 13 and 9.1 to these condensed consolidated financial statements. The assets referred to above were contributed to Baltic Gas, a special purpose vehicle, in exchange for Baltic Gas shares acquired by the Group. As at June 30th 2013, the value of Baltic Gas shares was disclosed in the statement of financial position under Equity-accounted jointly-controlled entities in the amount of PLN 52,000 thousand.
- As at June 30th 2013, under *Other liabilities and provisions* (current portion) in the statement of financial position, the Group also presented the amount of PLN 358,195 thousand representing a contractual obligation under a fuel stock rotation agreement with the Material Reserves Agency (Agencja Rezerw Materiałowych).
- The Parent's liabilities to the state budget, totalling PLN 1,010,496 thousand as at June 30th 2013 (December 31st 2012: PLN 635,564 thousand), accounted for a major share of other current non-financial liabilities disclosed under *Other liabilities and provisions* in the statement of financial position. The Parent's liabilities to the state budget were mainly driven by growth in liabilities related to fuel charge and excise duty, as well as output VAT on crude oil imports delivered by sea. The balance of Grupa LOTOS S.A.'s liabilities to the state budget as at the end of the reporting period was the effect of standard tax settlements resulting from the ordinary course of business.

Changes in material reporting items and factors with a bearing on the Group's financial performance in the reporting period and on its performance outlook are presented in the Directors' Report.

7. Changes of estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect on the current interim period

There were no material changes in estimates reported in prior interim periods of the current financial year or prior financial years.

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8. Business segments

PLN '000	Upstream segment		Downstream segment		Other ⁽¹⁾		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2013	6 months ended Jun 30 2013	3 months ended Jun 30 2013	6 months ended Jun 30 2013	3 months ended Jun 30 2013	6 months ended Jun 30 2013	3 months ended Jun 30 2013	6 months ended Jun 30 2013	3 months ended Jun 30 2013	6 months ended Jun 30 2013
	(unaudited)									
Revenue:	136,625	332,688	6,110,822	13,287,718	5,486	11,264	(134,137)	(335,497)	6,118,796	13,296,173
<i>Intersegment sales</i>	118,600	305,928	11,651	21,917	3,886	7,652	(134,137)	(335,497)	-	-
<i>External sales</i>	18,025	26,760	6,099,171	13,265,801	1,600	3,612	-	-	6,118,796	13,296,173
Operating profit/(loss) (EBIT)	122,543	191,333	(226,242)	(275,206)	791	948	2,083	(43,471)	(100,825)	(126,396)
Depreciation and amortisation	33,174	69,448	125,620	256,326	2,434	4,792	(449)	(899)	160,779	329,667
Operating profit/(loss) before amortisation and depreciation (EBITDA)	155,717	260,781	(100,622)	(18,880)	3,225	5,740	1,634	(44,370)	59,954	203,271
PLN '000	Upstream segment		Downstream segment		Other⁽¹⁾		Consolidation adjustments		Consolidated	
	Jun 30 2013									
	(unaudited)									
Total assets	3,755,093		17,428,227		148,593		(1,082,060)		20,249,853	
<i>- including net exploration and appraisal assets and evaluation of mineral resources</i>		217,773		-		-		-		217,773

⁽¹⁾ Includes LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

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PLN '000	Upstream segment		Downstream segment		Other ⁽¹⁾		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012	3 months ended Jun 30 2012	6 months ended Jun 30 2012
	(unaudited) (restated)									
Revenue:	237,230	501,562	8,318,588	16,096,705	7,266	14,271	(178,972)	(396,084)	8,384,112	16,216,454
<i>Intersegment sales</i>	162,637	363,873	10,845	21,823	5,490	10,388	(178,972)	(396,084)	-	-
<i>External sales</i>	74,593	137,689	8,307,743	16,074,882	1,776	3,883	-	-	8,384,112	16,216,454
Operating profit/(loss) (EBIT)	(835,826)	(701,318)	(57,472)	287,907	2,474	3,854	29,393	(32,888)	(861,431)	(442,445)
Depreciation and amortisation	31,553	62,764	131,098	263,053	2,421	4,966	(452)	(895)	164,620	329,888
Operating profit/(loss) before amortisation and depreciation (EBITDA)	(804,273)	(638,554)	73,626	550,960	4,895	8,820	28,941	(33,783)	(696,811)	(112,557)
PLN '000	Upstream segment	Downstream segment			Other⁽¹⁾			Consolidation adjustments	Consolidated	
	Dec 31 2012									
	(audited) (restated)									
Total assets	3,368,645	17,430,978			148,607			(891,851)	20,056,379	
<i>- including net exploration and appraisal assets and evaluation of mineral resources</i>	150,033	-			-			-	150,033	

⁽¹⁾ Includes LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

9. Income and expenses

9.1 Other income

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of non-financial non-current assets		2,037	2,184	1,968	3,832
Subsidies		519	1,036	511	1,036
Provisions		2,728	2,860	61	150
Reversal of impairment losses on receivables		427	703	394	1,287
Reversal of impairment losses on property, plant and equipment and other intangible assets including:		56,867	56,989	104	206
- Reversal of impairment losses on assets related to the B-4 and B-6 fields, contributed to Baltic Gas	6, 13	48,273	48,273	-	-
Revaluation of estimated provision related to the offshore oil production facility in the YME field in Norway	6	21,665	21,665	-	-
Compensations/damages		4,486	6,238	1,313	2,338
Gain on sale of organised part of business ⁽¹⁾		379	379	-	-
Other		4,604	6,384	3,359	4,732
Total		93,712	98,438	7,710	13,581

⁽¹⁾ Concerns the sale by LOTOS Oil S.A. of the Jasto Branch (an organised part of business). The proceeds from the transaction of PLN 672 thousand are presented in the statement of cash flows from investing activities.

9.2 Finance income

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dividend received	840	840	700	700
Interest	3,850	8,350	5,750	11,156
Foreign exchange differences:	-	-	-	16,525
- on foreign-currency denominated bank borrowings	-	-	-	18,861
- on foreign-currency denominated non-bank borrowings	-	-	-	(1,488)
- on realised foreign-currency transactions in bank accounts	-	-	-	(8,542)
- on debt securities	-	-	-	(479)
- other foreign exchange differences	-	-	-	8,173
Gain on disposal of investments	-	-	-	150
Revaluation of financial assets:	15,419	-	-	-
- valuation of derivative financial instruments	(71,156)	-	-	-
- settlement of derivative financial instruments	86,575	-	-	-
Other	19	19	4	16
Total	20,128	9,209	6,454	28,547

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9.3 Expenses by nature

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
		(unaudited)	(unaudited)	(restated) (unaudited)	(restated) (unaudited)
Depreciation and amortisation	15	160,779	329,667	164,620	329,888
Raw material and consumables used		4,394,264	10,918,485	7,090,150	13,888,219
- including foreign exchange differences ⁽¹⁾		(18,303)	13,756	89,878	91,359
Services		351,036	623,011	287,160	527,628
Taxes and charges		39,589	95,483	41,879	97,778
Employee benefit expenses		161,050	341,024	153,127	320,076
Other expenses by nature		31,614	67,277	39,687	78,547
Cost of merchandise and materials sold		866,040	1,168,110	474,143	770,465
Total expenses by nature		6,004,372	13,543,057	8,250,766	16,012,601
Change in products and adjustments to cost of sales		301,866	(40,276)	57,899	(271,177)
Total		6,306,238	13,502,781	8,308,665	15,741,424
including:					
Cost of sales		5,956,768	12,791,659	7,947,001	15,035,246
Distribution costs		262,157	514,975	262,872	505,762
Administrative expenses		87,313	196,147	98,792	200,416

⁽¹⁾ Foreign exchange differences related to operating activities are recognised in cost of sales.

9.4 Other expenses

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
		(unaudited)	(unaudited)	(unaudited)
Loss on disposal of non-current non-financial assets		60	175	559
Revaluation of receivables		1,195	3,278	3,318
Revaluation of property, plant and equipment and other intangible assets, including:		1,027	5,296	935,011
- impairment loss on YME field assets		-	-	934,578
Provisions		1,995	1,995	-
Fines and damages		422	705	505
Other		2,396	6,777	5,195
Total		7,095	18,226	944,588
				952,022

9.5 Finance costs

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest, including:	55,213	104,325	64,066	121,632
- discount on provisions for oil production facilities	4,118	5,805 ⁽¹⁾	5,761	6,584 ⁽¹⁾
Foreign exchange differences:	31,191	93,189	211,419	-
- on foreign-currency denominated bank borrowings	27,295	100,720	234,842	-
- on foreign-currency denominated non-bank borrowings	19,718	15,273	(27,727)	-
- on realised foreign-currency transactions in bank accounts	1,397	1,450	24,927	-
- on debt securities	3,175	2,240	(4,812)	-
- other foreign exchange differences	(20,394)	(26,494) ⁽²⁾	(15,811)	-
Revaluation of financial assets, including:	-	66,714	153,128	9,658
- valuation of derivative financial instruments	-	101,576	141,478	(27,474)
- settlement of derivative financial instruments	-	(34,862)	11,650	37,132
Bank fees	3,733	8,996	3,299	6,606
Other	2,039	3,287	2,974	3,471
Amounts capitalised as part of the cost of qualifying assets	(537)	(1,071)	(2,210)	(4,610)
Total	91,639	275,440	432,676	136,757

⁽¹⁾ For more information on the discount related to the estimated provision for oil and gas facilities, see Note 19.

⁽²⁾ Including PLN 13,618 thousand of foreign exchange gains on revaluation of funds deposited in an escrow account of the YME project, as discussed in Notes 6 and 21.

10. Income tax

10.1 Tax expense

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2013	Jun 30 2013	Jun 30 2012	Jun 30 2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	16,147	38,550	20,982	58,371
Deferred tax	(62,410)	(157,764)	(779,663)	(677,168)
Total income tax charged to consolidated profit or loss	(46,263)	(119,214)	(758,681)	(618,797)
Tax expense recognised in other comprehensive income (net), including:				
- exchange differences on translating foreign operations	(14,909)	(57,294)	(54,363)	4,488
- cash flow hedging	-	-	2,557	(3,540)
	(14,909)	(57,294)	(56,920)	8,028

For the entities operating in Poland, the current and deferred portion of income tax was calculated at the rate of 19%.

In the case of Norwegian subsidiary LOTOS Exploration and Production Norge AS, the marginal tax rate is 78% of the tax base. LOTOS Exploration and Production Norge AS's activities are subject to taxation under two parallel tax systems: the corporate income tax system (28% tax rate) and the petroleum tax system (additional tax rate of 50%).

In the case of Lithuanian subsidiaries (AB LOTOS Geonafta Group), the current and deferred portion of income tax was calculated at the rate of 15%.

10.2 Deferred income tax

PLN '000	Statement of financial position		Statement of comprehensive income for the six months ended
	Jun 30 2013	Dec 31 2012	Jun 30 2013
	(unaudited)	(audited)	(unaudited)
Deferred tax assets	1,164,450	1,121,314	43,136
Deferred tax liabilities	167,341	322,169	(154,828)
Net deferred tax assets (liabilities)	997,109	799,145	197,964
<i>Exchange differences on translating foreign operations</i>			17,094
<i>Deferred tax disclosed under other comprehensive income, net</i>			(57,294)
Deferred tax expense recognised in the consolidated statement of comprehensive income			157,764

As the Group entities are independent taxpayers, deferred tax (deferred tax assets and liabilities) is assessed separately by each entity. The Group entities offset deferred tax assets and deferred tax liabilities.

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Net deferred tax assets/(liabilities) before set-off comprise the following items:

PLN '000	Statement of financial position		Statement of comprehensive income for the six months ended
	Jun 30 2013 (unaudited)	Dec 31 2012 (audited)	Jun 30 2013 (unaudited)
<i>Deferred tax assets</i>			
Impairment loss on assets connected with the YME field	797,369	806,962	(9,593)
Assets/provisions related to site reclamation and future costs of decommissioning of oil and gas facilities	221,525	28,086	193,439
Accrued tax loss carry-forward	1,159,900	986,442	173,458
Cash flow hedge accounting	65,927	8,633	57,294
Contractual obligation under fuel stock rotation agreement	75,715	-	75,715
Other	256,056	261,886	(5,830)
Total	2,576,492	2,092,009	484,483
<i>Deferred tax liabilities</i>			
Difference between present tax value and book value of property, plant and equipment and other intangible assets	1,413,270	1,112,151	301,119
Exchange differences on revaluation of foreign-currency denominated items	4,372	34,605	(30,233)
Other	161,741	146,108	15,633
Total	1,579,383	1,292,864	286,519
Deferred tax expense			197,964
<i>Exchange differences on translating foreign operations</i>			17,094
<i>Deferred tax disclosed under other comprehensive income, net</i>			(57,294)
Deferred tax expense recognised in the consolidated statement of comprehensive income			157,764
Net deferred tax assets/(liabilities)	997,109	799,145	
including:			
<i>Deferred tax assets</i>	2,576,492	2,092,009	
<i>Deferred tax liabilities</i>	(1,579,383)	(1,292,864)	

Taxable temporary differences are expected to expire in 2013–2083.

11. Dividends

On June 28th 2013, the General Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the Company's net profit generated in 2012. The General Meeting resolved not to distribute the Company's net profit for 2012, totalling PLN 836,431 thousand, to the Company shareholders, and to allocate the profit as follows:

- PLN 834,931 thousand was transferred to the Company's statutory reserve funds,
- PLN 1,500 thousand was transferred to the Special Account designated for financing corporate social responsibility (CSR) projects.

In these interim condensed consolidated financial statements, the Company presented the 2012 profit after distribution under *Retained earnings*.

As at June 30th 2013 and December 31st 2012, Grupa LOTOS S.A.'s ability to distribute funds in the form of dividends was limited. The limitations followed from the credit agreement executed on June 27th 2008 for the financing of the 10+ Programme, which provides that the dividend amount is conditional upon fulfilment of specific requirements, including generation of sufficient cash surplus and achievement of financial ratios at prescribed levels.

12. Earnings/(loss) per share

	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)	3 months ended Jun 30 2012 (unaudited)	6 months ended Jun 30 2012 (unaudited)
Net profit/(loss) attributable to owners of the Parent (PLN '000) (A)	(126,085)	(273,437)	(528,865)	68,185
Weighted average number of shares ('000) (B)	129,873	129,873	129,873	129,873
Earnings/(loss) per share (PLN) (A/B)	(0.97)	(2.11)	(4.07)	0.53

Earnings/(loss) per share for each reporting period are calculated by dividing the net profit/(loss) for the reporting period by the weighted average number of shares in the reporting period.

Diluted earnings/(loss) per share are equal to basic earnings/(loss) per share since the Company carries no instruments with a dilutive effect.

13. Impairment losses

PLN '000	Property, plant and equipment	Intangible assets	Inventories	Receivables	Total
Jan 1 2013 (audited)	1,316,600	151,065	2,293	177,152	1,647,110
Recognised Exchange differences on translating foreign operations	170 (13,654)	4,965 ⁽²⁾ (842)	6,355 ⁽⁴⁾ 52	5,801 108	17,291 (14,336)
Used / Reversed	(88,104) ⁽¹⁾	(562) ⁽³⁾	(146)	(1,555)	(90,367)
Jun 30 2013 (unaudited)	1,215,012	154,626	8,554	181,506	1,559,698
Jan 1 2012 (audited)	366,467	64,340	11,437	195,646	637,890
Recognised Exchange differences on translating foreign operations	935,114 ⁽⁵⁾ 9,626	- (238)	1,137 (43)	9,512 (590)	945,763 8,755
Used / Reversed	(748)	-	(9,414) ⁽⁶⁾	(7,463)	(17,625)
Jun 30 2012 (unaudited)	1,310,459	64,102	3,117	197,105	1,574,783

⁽¹⁾ Including:

- PLN 37,705 thousand under assets associated with the Waterproofing Materials Production Plant, which as at June 30th 2013 were classified as assets held for sale,
- PLN 48,273 thousand under assets associated with the B-4 and B-6 gas fields, contributed by LOTOS Petrobaltic S.A. to Baltic Gas (see Notes 3 and 6),

⁽²⁾ In respect of Norwegian exploration licence PL 498,

⁽³⁾ In respect of Norwegian exploration licence PL 497,

⁽⁴⁾ Including PLN 6,015 thousand towards natural wastage accounted for upon completion of an inventory-taking process,

⁽⁵⁾ Including PLN 934,578 thousand under assets associated with the YME field,

⁽⁶⁾ Including PLN 4,864 thousand under reversal of an impairment loss on materials.

Changes in impairment losses on property, plant and equipment and intangible assets are recognised under other income or expenses. The effect of revaluation of inventories is included in cost of sales. The amounts resulting from the recognition or reversal of impairment losses on receivables are presented under other income or expenses (the principal portion) and under finance income or costs (the default interest portion).

14. Purchase or sale of property, plant and equipment and intangible assets

PLN '000	6 months ended Jun 30 2013		6 months ended Jun 30 2012	
	(unaudited)		(unaudited)	
Acquisition of property, plant and equipment and other intangible assets	247,387		284,352	

PLN '000	6 months ended Jun 30 2013		6 months ended Jun 30 2012	
	(unaudited)		(unaudited)	
	Carrying amount	Effect of transaction	Carrying amount	Effect of transaction
Sale of property, plant and equipment and other intangible assets	195 ⁽¹⁾	2,103 ⁽¹⁾	3,842	3,415

⁽¹⁾ Including sale of non-current assets related to the sale of an organised part of business (Jasło Branch) by LOTOS Oil S.A.

The effect of the sale transactions specified above was recognised in the statement of comprehensive income under other income or expenses.

LOTOS Petrobaltic S.A., as a limited partner, made an in-kind contribution worth PLN 51,700 thousand to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (for more information see Note 3). The contributed assets were associated with the B - 4 and B - 6 gas fields, for which impairment losses were recognised at their full value, which were reversed in the reporting period (see: Note 13).

As at June 30th 2013, the Group's contractual commitments for the acquisition of property, plant and equipment totalled PLN 77,717 thousand (December 31st 2012: PLN 82.633 thousand).

15. Cash structure in the statement of cash flows

PLN '000	Jun 30 2013	Jun 30 2012
	(unaudited)	(unaudited)
Cash at bank	344,866	366,398
Cash in hand	373	322
Other cash	665	794
Cash and cash equivalents	345,904	367,514
Overdraft facilities	(166,013)	(489,310)
Total	179,891	(121,796)

Causes of differences between changes in certain items as shown by the statement of financial position and as shown by the statement of cash flows

Trade receivables	6 months ended Jun 30 2013		6 months ended Jun 30 2012	
	(unaudited)		(restated) (unaudited)	
PLN '000				
Change in trade receivables	(310,021)		(89,901)	
Change in the Group structure	-		(25)	
Change in trade receivables in the statement of cash flows	(310,021)		(89,926)	

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Other assets		6 months ended	6 months ended
PLN '000	Note	Jun 30 2013	Jun 30 2012
		(unaudited)	(restated)
		(unaudited)	(unaudited)
Change in other non-current and current assets in the statement of financial position		(47,815)	(54,886)
Change in investment property		60	-
Change in other financial assets		1,612	5,519
Change in investment receivables		(2,164)	(1,512)
Change in receivables from sale of shares		-	(200)
Set-off of current tax payables against VAT receivables		-	(5,184)
Change in commission fees on revolving facilities, amortised over time		-	(182)
Cash blocked under agreement with SBM	6	262,423	-
Other		(2,551)	28,175
Change in other assets in the statement of cash flows		211,565	(28,270)
Inventories			
PLN '000	Note	6 months ended	6 months ended
		Jun 30 2013	Jun 30 2012
		(unaudited)	(unaudited)
Change in inventories in the statement of financial position		163,845	65,289
Contractual obligation under fuel stock rotation agreement	6	358,195	-
Other		(221)	214
Change in inventories in the statement of cash flows		521,819	65,503
Trade payables			
PLN '000		6 months ended	6 months ended
		Jun 30 2013	Jun 30 2012
		(unaudited)	(restated)
		(unaudited)	(unaudited)
Change in trade payables in the statement of financial position		189,000	(316,667)
Change in the Group structure		-	9,920
Change in trade payables in the statement of cash flows		189,000	(306,747)
Other liabilities and provisions			
PLN '000	Note	6 months ended	6 months ended
		Jun 30 2013	Jun 30 2012
		(unaudited)	(restated)
		(unaudited)	(unaudited)
Change in other provisions and liabilities in the statement of financial position		787,420	(159,064)
Change in provision for offshore oil and gas facilities		(247,706) ⁽¹⁾	(5,875)
Adjustment for deposits earmarked for repayment of bank borrowings		(79,815)	(136,015)
Change in investment commitments		78,472	10,627
Contractual obligation under fuel stock rotation agreement	6	(358,195)	-
Change in liabilities related to acquisition of shares		12,284	26,173
Set-off of current tax assets against VAT liabilities		9,817	80,390
Adjustment for cash earmarked for acquisition of shares		-	26,169
Other		(9,359)	7,253
Change in other provisions and liabilities in the statement of cash flows		192,918	(150,342)

⁽¹⁾ Including PLN (243.337) thousand related to the provision for the offshore oil production facility in the YME field in Norway (see Notes 6 and 21).

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Cash and cash equivalents	6 months ended	6 months ended
PLN '000	Jun 30 2013	Jun 30 2012
	(unaudited)	(unaudited)
Change in cash and cash equivalents in the statement of financial position	77,571	(16,166)
Change in interest-bearing overdraft facilities	342,975	(267,182)
Change in cash in the statement of cash flows	420,546	(283,348)

Causes of differences between the items disclosed in the Notes to the financial statements and the items as shown in the statement of cash flows

Depreciation and amortisation expense	6 months ended	6 months ended
PLN '000	Jun 30 2013	Jun 30 2012
	(unaudited)	(unaudited)
Depreciation/amortisation disclosed in changes in property, plant and equipment and other intangible assets	329,667	329,889
Depreciation directly related to expenditure on property, plant and equipment in the course of its construction	-	(1)
Depreciation/amortisation disclosed in the statement of cash flows	329,667	329,888

Purchase of property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets		6 months ended	6 months ended
PLN '000	Note	Jun 30 2013	Jun 30 2012
		(unaudited)	(restated)
		(unaudited)	(unaudited)
Purchase of property, plant and equipment and other intangible assets	14	(247,387)	(284,352)
Change in investment commitments		(78,473)	(10,627)
Acquisition of property, plant and equipment under a lease agreement		108	(10,067)
Other		(6)	(27,147)
Purchase of property, plant and equipment and other intangible assets as disclosed in the statement of cash flows		(325,758)	(332,193)

16. Borrowings, other debt instruments and finance lease liabilities

PLN '000	Jun 30 2013 (unaudited)	Dec 31 2012 (audited)
Bank borrowings	6,281,156	6,373,535
Non-bank borrowings	13,805	17,056
Finance lease liabilities	166,727	166,109
Total	6,461,688	6,556,700
<i>including:</i>		
<i>non-current</i>	4,851,094	4,462,098
<i>current</i>	1,610,594	2,094,602

Bank borrowings are primarily attributable to the Parent.

As at June 30th 2013, the Parent had drawn (in nominal terms) USD 1,389m (PLN 4,607.9m translated at the mid-exchange rate quoted by the National Bank of Poland for June 30th 2013) under investment facilities related to the 10+ Programme. As at December 31st 2012, the amount drawn was USD 1,423.7m (PLN 4,412.8m translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2013).

The Parent has also contracted a credit facility for the financing and refinancing of its inventories. As at June 30th 2013 and December 31st 2012, the amount drawn under the facility was USD 300m (*i.e.* PLN 995.3m translated at the mid-exchange rate quoted by the National Bank of Poland for June 30th 2013 and PLN 929.9m translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2012).

Moreover, a working capital facility was made available to the Parent in the form of overdraft facilities and credit facilities available on demand, which are used by the Parent on an as-needed basis.

In the six months ended June 30th 2013, the proceeds from borrowings and other debt instruments amounted to PLN 345,781 thousand, while the repayment of borrowings totalled PLN 440,708 thousand. Cash inflows and outflows from borrowings were presented in the consolidated statement of cash flows from financing activities under *Proceeds from borrowings* and *Repayment of borrowings*, respectively.

In the six months ended June 30th 2013, the Group did not default on any of its credit facilities or debt instruments or breach any material covenants under its credit facilities or debt instruments.

17. Issue, redemption and repayment of debt and equity securities

Under the Note Programme Agreement of July 27th 2010, LOTOS Asphalt Sp. z o.o. may carry out multiple note issues. The company's total liabilities under notes outstanding at any given time may not exceed PLN 300,000 thousand (based on the nominal value of the notes). The term of the programme is five years. The notes are denominated in the Polish zloty and are offered in private placements. The notes are issued as unsecured zero-coupon bearer notes in book-entry form and are redeemed at nominal values.

No debt or equity securities were issued, redeemed or repaid in the six months ended June 30th 2013.

In the six months ended June 30th 2012, LOTOS Asphalt Sp. z o.o. issued and redeemed its short-term bearer notes which were acquired by third-party investors and the Group companies. The proceeds from the notes issued to investors outside the Group (including the issue expenses) totalled PLN 297,664 thousand, with the related issue expenses amounting to PLN 200,000 thousand. The issue proceeds and expenses were presented in the statement of cash flows as cash flows from financing activities under *Issue of notes* and *Redemption of notes*, respectively.

No other debt or equity securities were issued, redeemed or repaid in the six months ended June 30th 2012.

18. Liabilities under length-of-service awards and post-employment benefits

PLN '000	Length-of-service awards	Post-employment benefits	Total
Jan 1 2013 (audited)	110,441	35,175	145,616
Recognised	3,140	878	4,018
Exchange differences on translating foreign operations	-	33	33
Used	(939)	(473)	(1,412)
Released	(1,140)	(234)	(1,374)
Benefits paid	(2,616)	(848)	(3,464)
Jun 30 2013 (unaudited)	108,886	34,531	143,417
<i>including:</i>			
<i>non-current</i>	101,755	28,854	130,609
<i>current</i>	7,131	5,677	12,808
Jan 1 2012 (audited)	94,567	37,234	131,801
Recognised	3,024	844	3,868
Exchange differences on translating foreign operations	-	(28)	(28)
Used	(582)	(197)	(779)
Released	(1,217)	(448)	(1,665)
Benefits paid	(2,652)	(1,018)	(3,670)
Jun 30 2012 (unaudited)	93,140	36,387	129,527
<i>including:</i>			
<i>non-current</i>	84,862	30,469	115,331
<i>current</i>	8,278	5,918	14,196

19. Provisions

PLN '000	<u>Provisions for decommissioning and reclamation costs</u>			Other provisions	Total
	Provisions for retired refinery installations	Provision for onshore oil and gas facilities	Provision for offshore oil and gas facilities		
Jan 1 2013 (audited)	41,770	18,268	297,949	33,755	391,742
Recognised	-	199	277,189 ⁽¹⁾	1,503	278,891
Change in provisions for liabilities attributable to the approaching maturity date (discount reversal effect)	137	5	5,800	-	5,942
Exchange differences on translating foreign operations	-	1,082	(4,396)	(61)	(3,375)
Used	(427)	-	(30,887) ⁽¹⁾	(3,861)	(35,175)
Released	(2,840)	-	-	(5,094)	(7,934)
Jun 30 2013 (unaudited)	38,640	19,554	545,655	26,242	630,091
<i>including:</i>					
<i>non-current</i>	35,762	19,554	363,015	280	418,611
<i>current</i>	2,878	-	182,640	25,962	211,480
Jan 1 2012 (audited)	41,641	18,916	222,586	20,837	303,980
Recognised	-	-	-	1,500	1,500
Change in provisions for liabilities attributable to the approaching maturity date (discount reversal effect)	175	506	6,078	20	6,779
Exchange differences on translating foreign operations	-	(663)	(199)	-	(862)
Used	(90)	-	(4)	(820)	(914)
Released	(13)	-	-	(872)	(885)
Jun 30 2012 (unaudited)	41,713	18,759	228,461	20,665	309,598
<i>including:</i>					
<i>non-current</i>	41,480	18,759	228,461	280	288,980
<i>current</i>	233	-	-	20,385	20,618

⁽¹⁾ Revaluation of provision related to the offshore oil production facility in the YME field in Norway (see Notes 6 and 21).

20. Changes in the method of determination of fair value of financial instruments measured at fair value and in the classification of financial assets due to change in their purpose or use

In the six months ended June 30th 2013, the Group made no changes to the fair value measurement method applied to financial instruments measured at fair value (the method is described in more detail in Note 7.23 to the 2012 consolidated financial statements), made no transfers of financial instruments between fair value hierarchy Level 1 and Level 2 (see Note 32.2 to the 2012 consolidated financial statements), and did not reclassify any of its financial assets in terms of their purpose or use.

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Fair value hierarchy

PLN '000	Jun 30 2013		Dec 31 2012	
	(unaudited)		(audited)	
	Level 1	Level 2	Level 1	Level 2
Financial assets	1,494	2,863	-	121,334
Commodity swap	-	411	-	45
Futures (CO ₂ emissions)	1,494	-	-	-
Currency forward and spot contracts	-	600	-	73,452
Interest rate swap (IRS)	-	-	-	11,318
Currency swap	-	1,852	-	36,519
Financial liabilities	(9,947)	(144,813)	(3,787)	(175,538)
Commodity swap	-	(42,961)	-	(337)
Futures (CO ₂ emissions)	(9,947)	-	(3,787)	-
Currency forward and spot contracts	-	(7,553)	-	(9,161)
Interest rate swap (IRS)	-	(71,453)	-	(148,007)
Currency swap	-	(22,846)	-	(18,033)
Total	(8,453)	(141,950)	(3,787)	(54,204)

21. Material court, arbitration or administrative proceedings and other risks of the Parent or its subsidiaries, including contingent assets and liabilities, and material settlements under court proceedings

The following changes occurred with respect to pending material court, arbitration, or administrative proceedings or with respect to other risks of the Company or its subsidiaries after the end of the previous financial year, that is after December 31st 2012 (see Note 36.1 to the 2012 consolidated financial statements):

- Court proceedings are pending against LOTOS Paliwa Sp. z o.o., instigated by Mr Andrzej Wójcik who conducts business activity under the business name of WANDEKO. On October 28th 2009, the Regional Court of Gdańsk, Commercial Division IX, issued a default judgement awarding PLN 1,921 thousand plus contractual interest from the company to the plaintiff. In 2009, LOTOS Paliwa Sp. z o.o. recognised a PLN 15,318 thousand provision for the awarded amount, including interest. The company appealed against the judgement by lodging an objection to the default judgement with the Regional Court of Gdańsk on November 10th 2009. By virtue of its decision of December 28th 2010, the Court of Appeals dismissed Mr Andrzej Wójcik's complaint against the decision issued by the Regional Court of Gdańsk rejecting reversal of the decision to lift the court order making default judgement immediately enforceable, and awarded reimbursement of the cost of proceedings to LOTOS Paliwa Sp. z o.o. The most recent hearing was held on April 5th 2013 and as at the approval date of these interim condensed consolidated financial statements the case was pending.

Following prior decisions rendered in the case by the Regional Court in Gdańsk and the Court of Appeals in Gdańsk, on January 11th 2013 the Court Enforcement Officer issued a decision reversing the earlier seizure (dated December 14th 2009) of receivables from LOTOS Paliwa Sp. z o.o.'s bank account to secure the claims of Mr Andrzej Wójcik. The date of the next hearing was set for September 25th 2013.

- On January 16th 2012, the arbitration court held a session to hear a case concerning claims brought by Single Buoy Moorings Inc. ("SBM") – supplier of the MOPU (Mobile Operating and Production Unit) to be used in production operations on the YME field. The petition in which SBM presented its claims against Talisman Energy Norge AS, the operator of the YME field ("Talisman", "the Operator") and other holders of interests in the YME project was filed with the arbitration court in Norway on January 25th 2011. The petitioner demanded:
 - USD 90m as an additional bonus for delivering the MOPU within the deadline set forth in the agreement,
 - USD 3.7m as reimbursement of costs incurred in connection with using a different method to transport the MOPU.

The liability of LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") for SBM's claims was 20% of the amounts, i.e. USD 18.7m in total. On February 20th 2012, a decision in the arbitration proceedings was announced. All claims of SBM were dismissed and the arbitration proceedings were closed.

There were also second arbitration proceedings pending with respect to SBM's claims against the YME consortium and mutual claims. SBM's claims were reported and subsequently modified by the letters of December 14th 2011, May 2nd 2012 and October 16th 2012, and involved disputed costs of approximately USD 330m relating to dealings between the parties under the agreement for the delivery of the Mobile Operating and Production Unit (MOPU) to Norway.

As at June 30th 2013, in the interim condensed consolidated financial statements the Group recognised assets related to the YME field development project in Norway, amounting to PLN 419m (NOK 763m), as well as a deferred tax asset resulting from earlier recognition of impairment losses related to capital expenditure on the YME field, and incurred tax losses in Norway, amounting to PLN 1,116m (NOK 2,034m). On March 12th 2013, Talisman Energy Norge AS (the YME field operator) and SBM (owner of the platform) announced that an agreement was reached 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. Under the agreement, SBM paid joint venture partners an amount of USD 470m. Acting on behalf of the licence holders, Talisman agreed to make all the necessary preparations, remove the platform from the field and transfer it to the point of delivery. SBM Offshore will be responsible for transferring the platform from the point of delivery and towing and scrapping it onshore. Once certain works are performed, ownership of the subsea structure supplied by SBM will be transferred to the joint venture partners, who will be also obliged to perform reclamation work (including disassembly) related to the subsea structure once production is closed. The parties will cover the costs of decommissioning work as set out in the agreement. The settlement was approved by all partners in the YME licence, including LOTOS E&P Norge AS. The settlement includes an arrangement concerning termination of all arbitration proceedings between SBM and Talisman.

In accordance with the provisions of the agreement with SBM, USD 12.22m was paid to LOTOS E&P Norge AS's bank account by March 31st 2013. The amount represents a part of LOTOS Exploration and Production Norge AS's 20% interest in the amount of USD 470m, paid by SBM to the consortium members. The balance of the Group's share in the amount due to the consortium members under the agreement, that is USD 81.78m, was transferred to the escrow account of the YME Project, and will be gradually used to finance the work connected with the removal of the MOPU and infrastructure from the field, as defined in the agreement. The cash deposited in the escrow account, whose value expressed in the presentation currency is PLN 262,423 thousand, is recognised in the consolidated statement of financial position as at June 30th 2013 under *Other current/non-current assets* as well as under *Cash blocked under agreement with SBM* in Note 15. For more information on the effect of the agreement on material items presented in these interim condensed consolidated financial statements, see Note 6.

- On March 11th 2013, LOTOS Petrobaltic S.A. received the final pre-court payment notice for approximately GBP 6.5m from AGR Subsea Ltd. ("AGR"). The claim concerns AGR's remuneration for performance of an agreement to unearth the legs of the Baltic Beta platform. LOTOS Petrobaltic S.A. questioned the figure quoted by AGR as remuneration for services. In the course of negotiations, LOTOS Petrobaltic S.A. has proposed to pay PLN 16m (the equivalent of GBP 3.2m, translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2012) to AGR under the claim. AGR Subsea Ltd. did not accept the settlement and sent a payment notice to LOTOS Petrobaltic S.A. The dispute between the parties concerns the nature of the contract, the reasons behind its delayed and incomplete performance, as well as whether LOTOS Petrobaltic S.A. had grounds to terminate the contract and demand reimbursement of costs incurred for replacement contractors hired by LOTOS Petrobaltic S.A. to complete the work. Given the complex nature of the dispute, LOTOS Petrobaltic S.A. recognises the risk arising in relation to court proceedings, as in case of an unfavourable verdict, LOTOS Petrobaltic S.A. may have to incur additional expenses related to court proceedings, including costs of legal representation and costs of enforcement proceedings.

As at June 30th 2013, the Group recognised a liability of PLN 16m towards AGR Subsea Ltd. for unearthing the legs of the Baltic Beta platform.

- On February 22nd 2013, the Court dismissed in its entirety an action brought by PETROECCO JV Sp. z o.o. against the Company whereby it sought the court's decision awarding PLN 6,975 thousand, plus statutory interest from May 1st 1999, as compensation for damage incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o. On June 26th 2013, PETROECCO JV Sp. z o.o. filed an appeal against the ruling, which has not yet been delivered to Grupa LOTOS S.A. As at the approval date of these interim condensed consolidated financial statements, the case was pending.

Given that there was little risk of an unfavourable outcome of the case, Grupa LOTOS S.A. did not recognise any provisions for potential liabilities related to the case. By virtue of its ruling of February 22nd 2013, the Court awarded PLN 57.6 thousand to Grupa LOTOS S.A. as reimbursement of the costs of proceedings.

Contingent liabilities and assets

- 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 for the amount of PLN 800,000 thousand. The security is valid until August 19th 2013.
- 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. 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 the natural resources from the sea bottom, including their storage and transport using means of transport other than ships.

In the six months ended June 30th 2013, the Group recorded no material settlements under court proceedings, other than those presented above.

22. Related parties

22.1 Related-party transactions

PLN '000	6 months ended	6 months ended
	Jun 30 2013 ⁽¹⁾	Jun 30 2012 ⁽²⁾
	<u>(unaudited)</u>	<u>(unaudited)</u>

Jointly-controlled entities

Sales to related entities	64	3,329
Contribution of non-current assets related to the B-4 and B-6 fields	51,700 ⁽³⁾	-
Purchases from related entities	108	19,937

⁽¹⁾ The Group traded with UAB Minijos Nafta, Baltic Gas Sp. z o.o. and Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy spółka komandytowa (Baltic Gas). The transactions comprised mainly sale and purchase of services.

⁽²⁾ The Group traded with UAB Minijos Nafta and UAB Manifoldas (prior to the acquisition of control over UAB Manifoldas on November 28th 2012, as discussed in Note 2 to the 2012 consolidated financial statements). The transactions comprised mainly sale and purchase of services and purchase of crude oil.

⁽³⁾ LOTOS Petrobaltic S.A., as the other limited partner in Baltic Gas, increased its equity interest in the partnership in exchange for contributions, including an in-kind contribution worth PLN 51,700 thousand (see Note 3).

PLN '000	Jun 30 2013	Dec 31 2012
	<u>(unaudited)</u>	<u>(audited)</u>

Jointly-controlled entities

Receivables from related entities	13	2,507
Liabilities to related entities	20	138

As at June 30th 2013, the Group had outstanding transactions with UAB Minijos Nafta and Baltic Gas Sp. z o.o. (December 31st 2012: UAB Minijos Nafta).

22.2 Entity exercising control over the Group

As at June 30th 2013 and December 31st 2012, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the six months ended June 30th 2013 and June 30th 2012, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

22.2.1 Transactions with related parties over which the State Treasury has control, joint control or significant influence

In the six months ended June 30th 2013, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the Company's day-to-day business and comprised mainly the sale of fuels and storage services and the purchase of energy, fuels, transport services and storage services, as well as lease arrangements. In the six months ended June 30th 2013, the value of sales generated under the transactions totalled PLN 55,852 thousand (six months ended June 30th 2012: PLN 395,457 thousand), with the value of purchases standing at PLN 777,887 thousand (six months ended June 30th 2012: PLN 495,311 thousand).

22.3 Transactions with members of the Company's Management and Supervisory Boards, their spouses, siblings, ascendants, descendants or other close persons

In the six months ended June 30th 2013 and June 30th 2012, save for remuneration paid to Management and Supervisory Board members⁽¹⁾ by the Company, the Group did not enter into any material transactions with any Management Board or Supervisory Board members, did not advance any loans, make any advance payments, issue any guarantees to or conclude any other agreements with any Management Board or Supervisory Board members, which would be advanced, made, issued or concluded otherwise than on an arm's length basis or which would have a material bearing on these interim consolidated financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the six months ended June 30th 2013 and June 30th 2012 Grupa LOTOS S.A. did not become aware of any transactions concluded with the Company or a company of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

⁽¹⁾ Taking into account changes in the composition of the Management and Supervisory Boards.

23. Material events occurring after the end of the interim period and not reflected in the consolidated financial statements for the interim period

- LOTOS Petrobaltic S.A. secured new oil and gas exploration licences in the Słupsk E and Słupsk W areas. The licences were issued by the Ministry of Environment on July 31st 2013 and have been granted for a period of three years.

24. Other information

- In line with the adopted schedule, the Gdańsk refinery of Grupa LOTOS S.A. underwent a technological overhaul which lasted 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 configuration makes it possible to divide repair work between the two production lines, while shortening the necessary downtime. The shutdown decreased the refinery's processing capacity by 8% in 2013. During the shutdown, apart from the 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).
- In the period from January 15th 2012 to January 15th 2013, Grupa LOTOS S.A. entered into contracts with ADM Group companies totalling approximately PLN 745m, i.e. the value of a significant agreement (more than 10% of Grupa LOTOS S.A.'s equity). On January 15th 2013, Grupa LOTOS S.A. and ADM Malbork S.A. of Malbork executed an annex to the agreement of February 24th 2012 concerning purchase of bio-components – fatty acid methyl esters. Under the annex the term of the agreement was extended until December 31st 2013. The estimated value of the agreement in the period from January 1st to December 31st 2013 is PLN 285m, making it the highest-value contract executed with ADM Group companies. The estimated amount of liquidated damages is PLN 43m. Under the agreement, the parties may seek additional compensation in excess of the liquidated damages.
- On January 17th 2013, Grupa LOTOS S.A. signed an indefinite term contract with AB LOTOS Geonafta for the supply of crude oil to Grupa LOTOS S.A. Under the contract, crude oil will be delivered by sea. The estimated value of the contract over its five-year term is approximately PLN 822m. The contract does not provide for any liquidated damages and its terms and conditions do not differ from the terms and conditions commonly applied in contracts of such type.
- In the period from January 22nd 2012 to January 22nd 2013, Grupa LOTOS S.A. entered into a series of contracts with Neste Group companies. The aggregate value of the contracts is approximately PLN 813m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the contract of July 17th 2012 providing for the sale of gasoline by Grupa LOTOS S.A. to Neste Oil (Suisse) SA of Geneva. The contract was concluded for the period from August 1st to December 31st 2012 and its estimated value (exclusive of VAT) is approximately PLN 152m. The contract does not include any condition precedent or subsequent, specify any date of events giving rise to a claim (dies a quo) or provide for any contractual penalties, and its terms and conditions do not differ from the terms and conditions commonly applied in agreements of such type. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type.
- In the twelve months to April 26th 2013, Grupa LOTOS S.A. entered into a series of contracts with DEVONOIL S.A., a trading arm of OAO Tatneft. The aggregate value of the contracts is approximately PLN 874m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the fixed-term crude oil supplies contract between Grupa LOTOS S.A. and DEVONOIL S.A. of January 21st 2013 (effective from February 1st 2013 until February 28th 2013), with an estimated value of PLN 257m VAT-exclusive. The contract does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo) or provide for any liquidated damages, and its terms and conditions do not differ from the terms and conditions commonly applied in agreements of such type.
- In the period from January 1st 2013 to June 28th 2013, Grupa LOTOS S.A. entered into a series of contracts with Statoil Group companies. The aggregate value of the contracts is approximately PLN 819m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the fixed-term crude oil supplies contract between Grupa LOTOS S.A. and Statoil ASA of January 14th 2013 (effective from February 1st 2013 until February 28th 2013). The value of the contract of January 14th 2013 is approximately PLN 292m. The contract does not include any condition precedent or specify any date of events giving rise to a claim (dies a quo), it does not provide for any contractual penalties and its terms and conditions do not differ from the terms and conditions commonly applied in contracts of such type.
- On June 27th 2013, LOTOS Asphalt Sp. z o.o. executed a notarial deed concerning the sale of (JBMH) Nexler of Jasto 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.
- On June 28th 2013, LOTOS Petrobaltic S.A., acting pursuant to the agreement of October 28th 2009 for the purchase of the remaining 49.08% interest in Energobaltic Sp. z o.o. (as part of a step acquisition), paid PLN 13,112 thousand to Stablewood Power Ventures Ltd. as the final instalment of the purchase price for the shares and debt claims in Energobaltic Sp. z o.o. The amount was disclosed in the cash flow statement as cash flows from investing activities under *Acquisition of shares in related entities*. The blank promissory note with a promissory note declaration issued by LOTOS Petrobaltic S.A. as security for payment of the third instalment of the purchase price expired after LOTOS Petrobaltic S.A. settled its liabilities.

25. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on August 12th 2013.

Signatures of the Management Board members and the person responsible for keeping the accounting books of Grupa LOTOS S.A.

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 for Exploration and Production	
	Zbigniew Paszkowicz
Vice-President of the Management Board, Chief Operation Officer	
	Marek Sokółowski
Vice-President of the Management Board, Chief Commercial Officer	
	Maciej Szozda
Chief Accountant	
	Tomasz Południewski