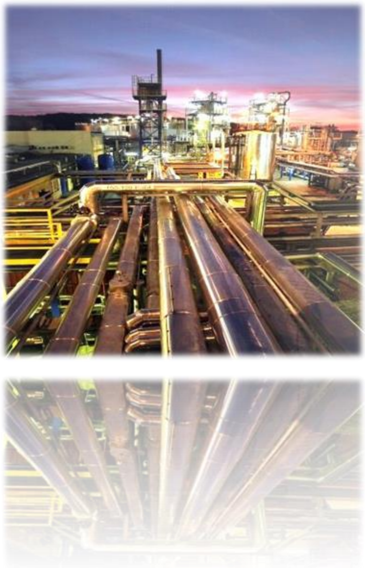
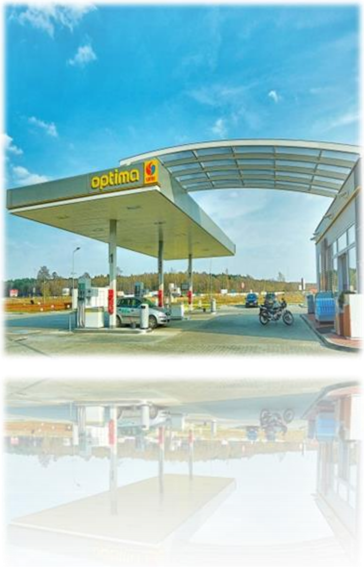




This is a translated version of a document originally issued in Polish

MANAGEMENT’S DISCUSSION AND ANALYSIS OF Q2 2013 CONSOLIDATED FINANCIAL PERFORMANCE

GRUPA LOTOS S.A.

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

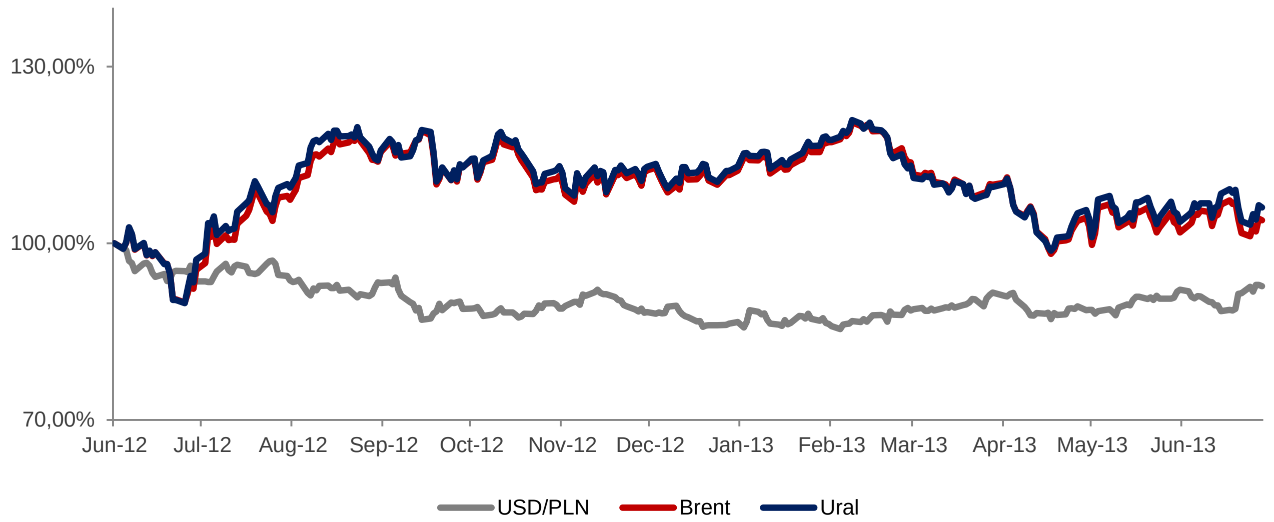
Contents

*An excel file with the operating and financial data for Q2 2013 and the previous reporting periods is published together with the Q2 2013 quarterly reports and the H1 2013 report as the **"databook"**, and can be found in the Investor Relations section of our website.*

1 Market environment

- **Grupa LOTOS S.A.'s model refining margin at 4.08 USD/bbl.**
- **Lower Brent and Urals crude prices and lower Brent/Urals differential (-1 USD/bbl quarter on quarter, and -1.38 USD/bbl year on year)**
- **Quarter-on-quarter appreciation of the złoty against the US dollar**

Brent/Urals prices and the USD/PLN exchange rate



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

	Q2 2013	Q1 2013	Q2 2012	Q2 13/Q1 13	Q2 13/ Q2 12
DATED Brent FOB prices	**102.43**	112.57	108.29	-9,0%	-5,4%
ral CIF Rotterdam prices	**101.91**	110.53	106.31	-7,8%	-4,1%
Brent/Ural differential *	**0.73**	1.73	2.11	-57,8%	-65,4%
Model refining margin **	**4.08**	4.46	6.52	-8,5%	-37,4%

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

Crack margins (USD/t)

	Q2 2013	Q1 2013	Q2 2012	Q2 13/Q1 13	Q2 13/Q2 12
Gasoline	**186.83**	185.59	213.67	0.7%	-12.6%
Naphtha	**52.37**	89.34	55.84	-41.4%	-6.2%
Diesel oil (10 ppm)	**117.13**	124.03	126.78	-5.6%	-7.6%
Light fuel oil	**93.37**	105.44	104.12	-11.4%	-10.3%
Aviation fuel	**151.92**	183.06	171.67	-17.0%	-11.5%
Heavy fuel oil	**-197.96**	-242.23	-197.00	18.3%	-0.5%

USD/PLN exchange rates

	Q2 2013	Q1 2013	Q2 2012	Q2 13/Q1 13	Q2 13/Q2 12
PLN/USD exchange rate at end of period	**3.32**	3.26	3.39	1.8%	2.1%
Average quarterly PLN/USD exchange rate	**3.21**	3.15	3.33	1.9%	-3.6%

Grupa LOTOS S.A.'s model refining margin Q2 2012 – Q2 2013

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

Exchange rates:

- Continued appreciation of the US dollar against the złoty observed since Q1 2013
- Net foreign exchange gains on operating activities (PLN 18.3m, compared with a net loss of PLN 32.2m in Q1 2013)
- Slight appreciation of the US dollar at the end of the period (up 1.8% relative to Q1 2013) had a negative effect on remeasurement of the LOTOS Group's debt, most of which is denominated in the US dollar.

Feedstock and products:

- Crack margins on key products down quarter on quarter, except for a slight rise (0.7%) in gasoline prices and reduced negative margin on heavy fuel oil (up by 18.3%)
- Year-on-year drop in margins on all products (double-digit decline in gasolines, light fuel oil and aviation fuel)
- Prices of Brent Dated crude down in April 2013; in May and June, prices fluctuated within a range of 100-105 USD/bbl
- Brent/Urals differential down (USD -1.00 over Q1 2013, and USD -1.38 over Q2 2012) adding pressure on the LOTOS Group's margins

2 Upstream segment

- **Acquisition of two new conventional and unconventional oil and gas exploration licences in the Słupsk E and Słupsk W licence areas in the Baltic Sea**

Crude oil reserves, production and sales (mbbl)*

Reserves	Jun 30 2013	Mar 31 2013	Jun 30 2012		
Norway	**13.33*** **	12.95	12.95		
Poland	**31.78**	31.90	33.03		
Lithuania **	**7.79**	7.96	6.35		
Total	**52.90**	52.81	52.33		
Production (bbl/d)	**Q2 2013**	**1Q2013**	**Q2 2012**	**Q2 13 /Q1 13**	**Q2 13 /Q2 12**
Poland	**3,101**	2,916	4,004	6,3%	-22,6%
Lithuania **	**1,485**	1,601	1,620	-7,2%	-8,3%
Total	**4,586**	4,517	5,624	1,5%	-18,5%
Sales of own products (bbl)	**Q2 2013**	**1Q2013**	**Q2 2012**	**Q2 13 /Q1 13**	**Q2 13 /Q2 12**
Poland	**224,885**	451,177	443,096	-50,2%	-49,2%
Lithuania **	**142,113**	120,755	178,128	17,7%	-20,2%
Total	**366,998**	571,932	621,224	-35,8%	-40,9%

**2P – proved and probable reserves.*

*** Pro rata to the ownership interest in the AB LOTOS Geonafta Group; the change in reserves relative to Q2 2012 results mainly from the purchase of a 50% interest in UAB Manifoldas.*

**** The change in the reported reserves is a result of application of a different tonne-to-barrel conversion method*

Natural gas reserves, production and sales (billion cubic metres)*

Reserves	Jun 30 2013	Mar 31 2013	Jun 30 2012		
Poland	**0.476**	0.480	0.492		
Production (million m^3)	**Q2 2013**	**1Q2013**	**Q2 2012**	**Q2 13 /Q1 13**	**Q2 13 /Q2 12**
Poland	**3.9**	3.8	5.2	2,6%	-25,0%
Sales (million m^3)	**Q2 2013**	**1Q2013**	**Q2 2012**	**Q2 13 /Q1 13**	**Q2 13 /Q2 12**
Poland	**3.1**	2.6	2.9	19,2%	6,9%

**2P – proved and probable reserves.*

LOTOS Petrobaltic S.A.

In Q2 2013, LOTOS Petrobaltic continued crude production from the B3 field.

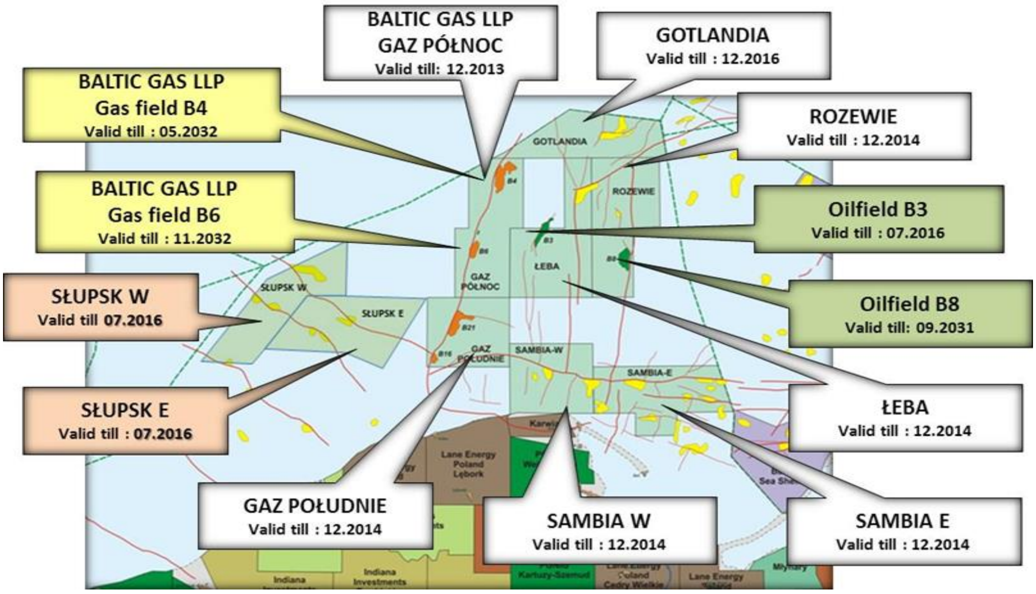
Further to the agreement between **LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o.** on the terms **of cooperation in development of the B4 and B6 gas fields**, CalEnergy Resources Poland Sp. z o.o. became the operator of the project and presented a work programme and budget for 2013, which was approved by the Operating Committee. On May 16th 2013, CalEnergy and Dolphin Geophysical Ltd. executed an agreement under which Dolphin Geophysical Ltd. was engaged to perform 3D seismic surveys in the Gaz Północ licence area.

On May 28th 2013, drilling of the B28S-1 exploratory well commenced approximately 7.5 km north of the B8 field.

On June 28th 2013, LOTOS Petrobaltic and Dolphin Geophysical Ltd. executed an agreement under which Dolphin Geophysical Ltd. was engaged to perform 3D seismic surveys in the Gaz Południe licence area.

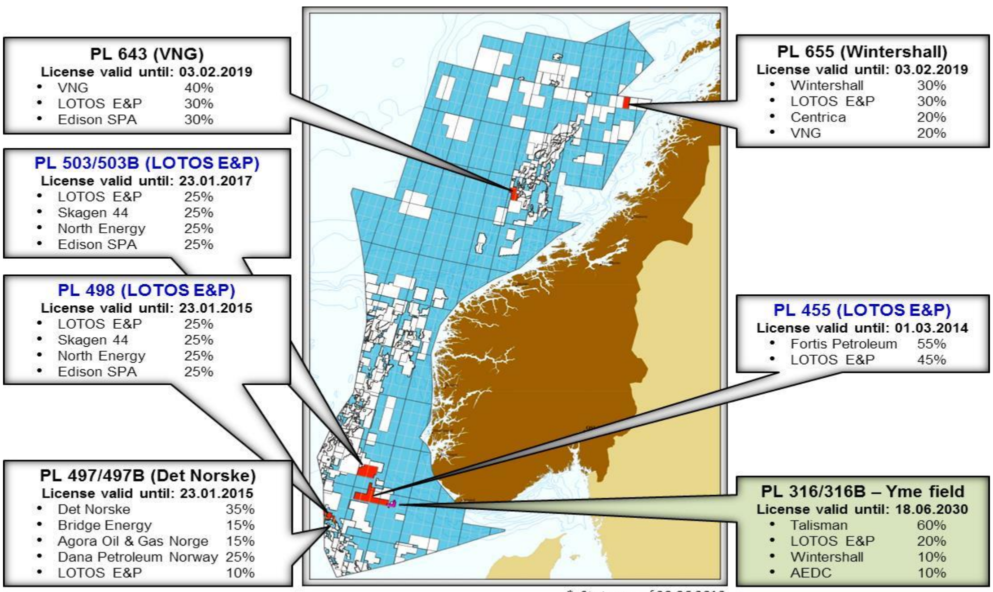
LOTOS Petrobaltic acquired **the following two new exploration licences** in the Słupsk E and Słupsk W licence areas, granted by the Ministry of Environment and expiring three years from the grant date:

- Licence No. 10/2013/p of July 31st 2013 for oil and gas exploration in the Słupsk W licence area,
- Licence No. 11/2013/p of July 31st 2013 for oil and gas exploration in the Słupsk E licence area,



LOTOS Exploration & Production Norge AS (LOTOS EPN)

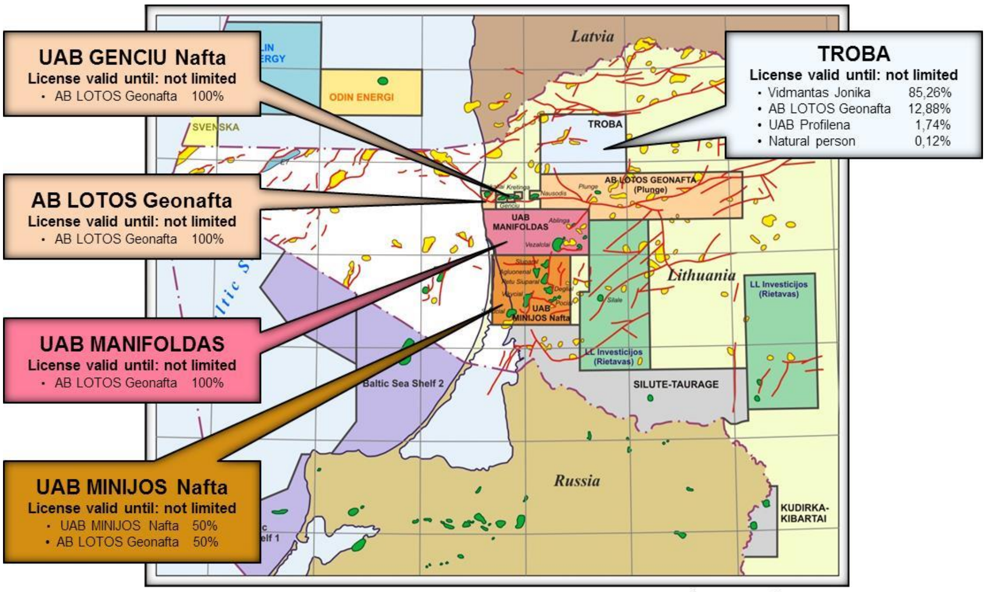
In Q2 2013, preparatory work was under way on the Yme field on the Norwegian Continental Shelf to remove a defective platform (MOPU). Also, **analyses were carried out to assess the feasibility of a revised concept for the Yme field's development** using another production unit in place of the removed MOPU.



* *Status as of 30.06.2013*

AB LOTOS Geonafta Group

In Q2 2013, Lithuanian companies AB LOTOS Geonafta and UAB Genciu Nafta were engaged in production of crude oil from the Girkaliai, Kretinga, Nausodis and Genciu on-shore fields. UAB Manifoldas conducted production from the Auksoras, Liziai and Veziaciai fields. In June 2013, drilling of the Kretinga-12 production well was completed. 2D seismic surveys were carried out in the Western part of the Klaipėda licence area (UAB Manifoldas). In the reporting period, 2D seismic acquisition was completed in the southern and north-western part of the area.



** Status as of 30.06.2013*

Upstream segment operating results (PLNm)

	Q2 2013	1Q2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
Revenue	**136.6**	196.1	237.3	-30,3%	-42,4%
Operating profit/(loss)	**122.5**	68.8	-835.8	78,1%	-
Operating result net of non-recurring events*	**52.5**	68.8	99.4	-23,7%	-47,2%
Depreciation and amortisation	**33.2**	36.3	31.6	-8,5%	5,1%
EBITDA	**155.7**	105.1	-804.2	48,1%	-

** Adjusted for the effect of non-recurring events, including reversal of impairment losses on the B4 and B6 fields, revaluation of estimated provision for offshore oil and gas facilities in Norway (Q2 2013) and impairment loss on interest in the YME project (Q2 2012)*

The upstream segment's revenue for Q2 2013 was down year on year and quarter on quarter. The primary cause of the PLN 100.7m decline in revenue relative to Q2 2012 was lower sales volumes of Lithuanian crude, and Rozewie crude (having yielded ca. 8,1 thousand tonnes of oil, in Q2 2012 the B8 field was on temporary production and had an irregular delivery schedule). The segment's revenue was lower by PLN 59.5m quarter on quarter, an effect of the lower sales volumes of Rozewie crude in connection with the schedule of its deliveries to Grupa LOTOS S.A.

The lower volume of crude oil sold in Q2 2013 (compared with Q2 2012) reduced the upstream segment's adjusted operating result (excluding the effect of non-recurring events, including reversal of impairment losses on the B4 and B6 fields, and revaluation of estimated provision for offshore oil and gas facilities in Norway) in the reporting period relative to Q2 2012.

3 Downstream segment

- **Completion of the 'Spring 2013' maintenance shutdown at the Gdańsk refinery**
- **Construction of the Hydrogen Recovery Unit begun**
- **Share in the domestic retail market at 8.3%**

Structure of crude oil refining ('000 tonnes)

Volume of crude oil processed by the Gdańsk refinery	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
	1,557.1	**2,281.5**	**2,415.5**	-31,8%	-35,5%
including:					
Urals crude	**1,486.4**	1,954.7	2,230.5	-24,0%	-33,4%
Rozewie crude	**32.3**	32.8	71.6	-1,5%	-54,9%
Other types of crude	**38.4**	294.0	113.4	-86,9%	-66,1%

Completed according to schedule, the 'Spring 2013' maintenance shutdown at the Gdańsk refinery was the first on record to cover such a large number of process units. Most maintenance work was done in April 2013, when crude processing at the refinery was suspended for 22 days. The downtime led to a markedly lower throughput capacity utilisation in Q2 2013 (relative to Q2 2012). To mitigate the impact of the overhaul on the LOTOS Group's position in the domestic fuels market, resale product purchases from external suppliers were increased in order to compensate for the refinery's lower output.

In Q2 2013, the Gdańsk refinery's processing capacities were utilised at 84.4%, down 7.8pp on Q2 2012 and down 5.4pp on Q1 2013. The volume of crude oil processed shrank to 1,557.1 thousand tonnes (down by 858.4 thousand tonnes on Q2 2012 and down by 724.4 thousand tonnes on Q1 2013).

The refining margin fell 35% on Q2 2012, and 5% on Q1 2013, with an average quarterly value of 4.08 USD/bbl.

All capital work requiring the shutdown of systems was completed as planned during the overhaul. The work comprised mainly upgrades and efficiency enhancements to some of the refinery's units. April 2013 saw the launch of the 'Construction of a Hydrogen Recovery Unit' (HRU) project. The unit will serve to process refinery gases, so far burned in furnaces, to generate streams of high-quality products, such as hydrogen, LPG and naphtha, with the refinery gases replaced with natural gas as a less expensive fuel. The total cost of the project is estimated at PLN 100m, and the unit is expected to be placed in operation in December 2015.

The LOTOS Group has been supplying aviation fuel at Warsaw's Chopin airport to air carriers such as Air France, KLM and TNT since January 2013, and to the Lufthansa Group's airlines since April, and the Israeli El Al airlines since July. LOTOS Tank, a subsidiary, is also present at Gdańsk airport, where it works with a number of carriers, including Wizz Air, Lufthansa and SAS airlines. On June 25th 2013, a joint venture agreement was signed with Air BP, under which 50% of LOTOS Tank shares were sold to the new shareholder. Since July 2013, LOTOS aviation fuel has also been supplied to carriers operating at Kraków airport.

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

Total output	Q2 2013	1Q2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
	1,731.0	**2,430.1**	**2,584.1**	**-28,8%**	**-33,0%**
Gasolines	**237.0**	346.6	370.8	**-31,6%**	**-36,1%**
Naphtha	**68.1**	69.8	80.1	**-2,4%**	**-15,0%**
Diesel oils	**810.1**	1,007.7	1,157.6	**-19,6%**	**-30,0%**
Light fuel oils	**38.7**	109.1	47.4	**-64,5%**	**-18,4%**
Jet fuel	**66.8**	159.3	153.4	**-58,1%**	**-56,5%**
Heavy fuel oils	**207.5**	380.3	258.2	**-45,4%**	**-19,6%**
Bitumen components	**104.5**	63.7	250.2	**64,1%**	**-58,2%**
Other	**198.3**	293.6	266.4	**-32,5%**	**-25,6%**

***** *Other products include fuel and technical gases, sulphur, reformate, base oils, Hydrowax, xylene fraction and LPG*

Sales structure of the downstream segment ('000 tonnes)

Sales of refining products, merchandise and materials	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
	1,995.6	2,290.7	2,562.1	**-12,9%**	**-22,1%**
Gasolines	**297.1**	365.2	354.1	**-18,6%**	**-16,1%**
Naphtha	**68.1**	69.8	80.1	**-2,4%**	**-15,0%**
Diesel oils	**1,052.0**	1,025.5	1,195.8	**2,6%**	**-12,0%**
Light fuel oils	**44.3**	109.6	50.6	**-59,6%**	**-12,5%**
Jet fuel	**78.0**	140.0	142.3	**-44,3%**	**-45,2%**
Heavy fuel oils	**196.4**	357.7	213.6	**-45,1%**	**-8,1%**
Bitumens	**121.5**	29.2	252.7	**316,1%**	**-51,9%**
Other petroleum products	**138.2**	193.7	272.9	**-28,7%**	**-49,4%**

Petroleum products market in H1 2013

From the beginning of the year to the end of June, fuel consumption in Poland declined by 6.9% compared with the previous year. Higher fuel volumes traded on the grey market had a significant impact on the decline in fuel consumption.*

LOTOS Group's share of the Polish fuel market fell to 32.7% at the end of H1 2013, compared with 34.1% in the same period last year (down 1.4pp year on year). This fall in market share is specific to the wholesale segment; the Group's share in the retail market has advanced year to date.

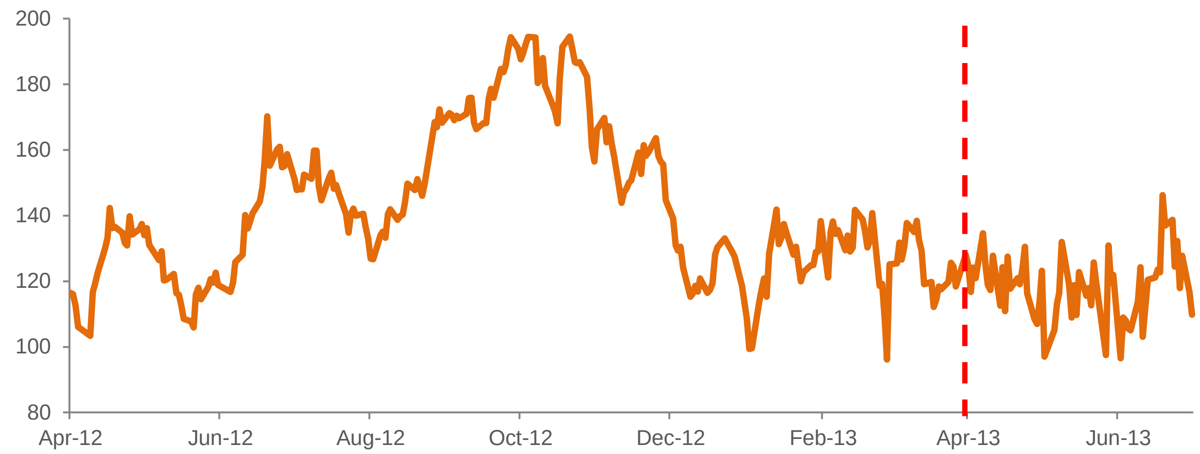
**Data by The Polish Organisation of Oil Industry and Trade.*

Motor gasoline – Q2 2012–Q2 2013 crack margin

In Q2 2013, motor gasoline was sold at a lower year-on-year global crack margin (down 12.6% or 26.84 USD/t).

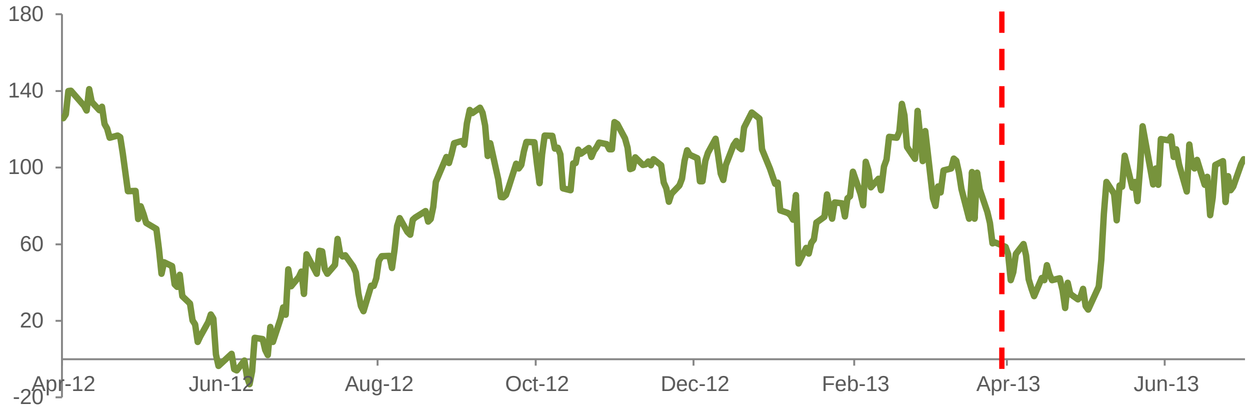
From the beginning of 2013 to the end of June, national gasoline consumption fell cumulatively by 3.2%. Despite the gasoline price being lower year on year, high unemployment rates and negligible real salary growth depressed society's purchasing power, consequently slowing demand for fuel. The Group's motor gasoline production volume was down 15% year on year, a result of the maintenance overhaul carried out in April and May 2013. In the first six months of 2013, domestic gasoline consumption fell by 4%, whereas export sales to the United Kingdom, Ukraine, the Netherlands and Sweden rose 40%. As at the end of the first six months of 2013, the Group's share in the market for gasolines dropped by 3.9%, or 3.8pp year-on-year, to 25.5%. This drop concerned the wholesale market, particularly sales to petroleum companies. As at the end of June 2013, the Group's share in the retail gasoline market increased to 5.3%, by 0.5pp.

Diesel oil – Q2 2012 – Q2 2013 crack margin



In Q2 2013, the average global crack margin on **diesel oil** was lower relative to the previous quarter (down 5.6%, or 6.9 USD/t), and year on year (down 7.6%, or 9.65 USD/t). National consumption of diesel oil fell by 8.3% in the period January-June 2013. This was mainly attributable to the rampant growth of the grey market and a downturn in the Polish economy, which drove down demand for transport services. In May alone, the demand for diesel oil was 12.6% lower year on year, a record decline in 2013. During H1 2013, 13% less diesel oil was produced in Poland compared with 2012. Similar to gasolines, this was attributable to the overhaul shutdown at the LOTOS refinery which produced 18% less diesel oil in the period under review. At the same time, domestic diesel oil consumption fell by 8.3%, with export sales having increased by 49% (the Group's export sales recorded a 33% rise on H1 2012). The main foreign customers for Polish diesel oil were in the Netherlands, France, and the United Kingdom. In the period January-June 2013, the Group's share in the domestic diesel oil market fell by 0.5pp, to 35.1%.

Naphtha – Q2 2012–Q2 2013 crack margin



In Q2 2013, production and sales volumes of naphtha, which is exported by the Company to France, the Netherlands and the United Kingdom, remained low as a result of the optimisation processes, given unfavourable crack margins (down 41.4%, or 36.97 USD/t, vs. Q1 2013, and down 6.2%, or 9.65 USD/t, vs. Q2 2012).

Aviation fuel – Q2 2012–Q2 2013 crack margin

In Q2 2013, the aviation fuel output from the Gdańsk refinery, which was down due to the maintenance shutdown, was sold by the Group at a lower global crack margin (down 17.0%, or 31.14 USD/t, quarter-on-quarter and down 11.5%, or 19.75 USD/t, year on year).

Downstream segment's operating results (PLNm)

	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
Revenue	**6,110.8**	7,176.9	8,318.6	-14,9%	-26,5%
Operating profit/(loss)	**-226.2**	-49.0	-57.5	-	-
Depreciation and amortisation	**125.6**	130.7	131.0	-3,9%	-4,1%
EBITDA	**-100.6**	81.7	73.5	-	-

In Q2 2013, the downstream segment reported revenue lower by 26.5% than in Q2 2012, which was attributable mainly to a 22.1% decline in the segment's consolidated sales volumes and the segment's lower average net selling price. In Q2 2013, the average net selling price was 3,062 PLN/t, down by 5.7% on Q2 2012, mainly due to a lower average quarterly USD exchange rate (down 3.6% on Q2 2012) and lower prices of crude and petroleum products on the global markets. A 14.9% drop in the segment's revenue compared with Q1 2013 was chiefly the result of a 12.9% lower sales volume recorded by the segment and a 2.3% drop in the average net selling price.

The downstream segment's weaker operating performance in Q2 2013 relative to Q2 2012 was primarily a result of the lower volume of own products sold. Factors with a negative effect on the downstream segment's operating result in Q2 2013 (vs. Q2 2012) included lower margins on fuels and heavy fuel oil, changed sales structure, lower PLN/USD exchange rate, and lower Brent/Urals differential.

Costs directly related to the overhaul at the Gdańsk refinery in the reporting period reduced the consolidated operating result for Q2 2013 by about PLN 79.1m.

Foreign exchange gains on operating activities totalled PLN 18.3m in Q2 2013. In Q2 2012, foreign exchange losses on operating activities reduced the operating result by PLN 91.3m.

Effect of inventory measurement on the operating result of the downstream segment (PLNm)

	Q2 2013	Q1 2013	Q2 2012
Operating profit/(loss)	**-226.2**	-49.0	-57.5
LIFO* effect	**86.3**	155.3	204.6
LIFO-based operating result	**-139.9**	106.3	147.1

**In line with its inventory measurement policies, the LOTOS Group uses the weighted average method to measure decrease in inventories. This method of inventory measurement defers the impact of changes in crude oil prices on the prices of finished products. Thus, an increase in crude oil prices has a positive effect on financial performance, while a decrease drives it down. The operating result reflecting the impact of this inventory measurement method is presented in the table.*

In Q2 2013, the weighted average method of inventory measurement applied by the LOTOS Group, combined with fluctuations in crude prices and volatile exchange rates reduced the operating result of the downstream segment by PLN 86.3m (the LIFO effect). In the comparative period, the applied inventory measurement method reduced the operating result by PLN 204.6m, chiefly due to falling crude prices. If the LIFO method had been applied in Q1 2013, operating result for the period would have been PLN 155.3m higher. If the LIFO method had been applied to inventory measurement in Q2 2013, Q1 2013 and Q2 2012, the downstream segment's operating result for the periods would have been PLN -139.9m, PLN 106.3m, and PLN 147.1m, respectively.

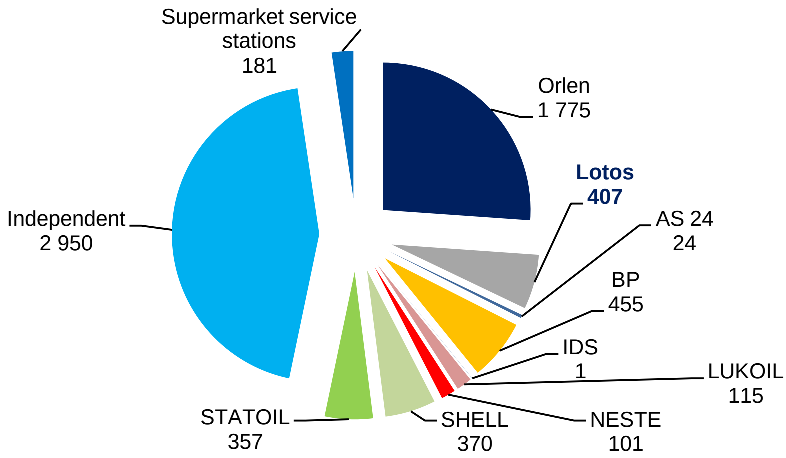
LOTOS service station network

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

Total	Jun 30 2013	Mar 31 2013	Jun 30 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
	407	405	368	**0,5%**	**10,6%**
CODO	**232**	228	195	**1,8%**	**19,0%**
including: LOTOS OPTIMA	**82**	76	37	**7,9%**	**121,6%**
DOFO	**154**	155	138	**-0,6%**	**11,6%**
including: LOTOS OPTIMA	**34**	32	19	**6,3%**	**78,9%**
franchise agreements signed	**158**	156	147	**1,3%**	**7,5%**
DODO	**21**	22	35	**-4,5%**	**-40,0%**

As at the end of H1 2013, the LOTOS Group's share in the domestic retail fuel market reached 8.3%, up 0.3 pp year on year. This increase was led by the expansion of the Group's service station network in previous quarters, which helped achieve sales growth that outpaced the decline in fuel consumption by retail customers. In a continued effort to grow its distribution network, the Group launched eight new LOTOS Optima economy brand service stations in Q2 2013 (as at the end of June 2013, the Group had a total of 407 stations). LOTOS Optima stations operate across the country.
Relative to the end of Q2 2012, the LOTOS Group increased the number of its service stations by 10.6%, and remained one of the fastest developing service station chains in Poland.

Polish retail market as at June 30th 2013



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

Operating results of the retail area (thousand tonnes / PLNm)

	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
Sales volume	**252.3**	225.0	258.1	12,1%	-2,3%
Revenue	**1,419.0**	1,304.1	1,476.2	8,8%	-3,9%
Operating profit/(loss)	**-3.1**	-19.2	2.7	-	-
Depreciation and amortisation	**13.7**	12.9	12.3	6,2%	11,4%
EBITDA	**10.6**	-6.3	15.0	-	-

The retail segment's operating result deteriorated by PLN 5.8m on Q2 2012, mainly due to overall economic conditions.

4 Other business

Operating result of other business* (PLNm)

	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
Revenue	**5.5**	5.8	7.3	-5,2%	-24,7%
Operating profit/(loss)	**0.8**	0.2	2.5	300,0%	-68,0%
Depreciation and amortisation	**2.4**	2.4	2.5	0,0%	-4,0%
EBITDA	**3.2**	2.6	5.0	23,1%	-36,0%

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

5 Consolidated statement of comprehensive income

Operating performance of the LOTOS Group (PLNm)

	Q2 2013	Q1 2013	Q2 2012	Q2 13 /Q1 13	Q2 13 /Q2 12
Przychody ze sprzedaży	**6,118.8**	7,177.4	8,384.1	-14,7%	-27,0%
EBITDA	**60.0**	143.3	-696.8	-58,1%	-
Wynik operacyjny	**-100.8**	-25.6	-861.4	-	-
Wynik operacyjny wg LIFO	**-14.5**	129.7	-656.8	-	-

In Q2 2013, the LOTOS Group posted PLN 100.8m in operating loss, including PLN 122.5m from the upstream segment, PLN 226.2 from the downstream segment, and PLN 0.8m from other business, compounded by PLN 2.1m in consolidation adjustments (mainly on the realised margin on stocks of Rozewie crude and Lithuanian crude). The operating result for the comparative period (Q2 2012) accounted for impairment loss on the interest on the Yme field.

In Q2 2013, the LOTOS Group recorded net finance costs of PLN -71.5m. These primarily included a PLN -54.5m negative balance of interest on debt, interest income and commissions, net foreign exchange losses of PLN -31.2m, and a PLN 15.4m positive effect of measurement and settlement of hedging transactions.

In Q2 2013, the effect of measurement and settlement of market risk hedging transactions at the LOTOS Group consisted in a PLN 17.9m positive contribution from settlement and measurement of interest rate swaps (IRS) hedging the interest rate risk, a PLN 4.4m positive contribution from settlement and measurement of derivatives hedging the foreign exchange risk, a PLN -1.1m negative contribution from settlement and measurement of futures hedging the risk of changes in prices of CO_2 emission allowances, and a PLN -5.8m negative contribution from settlement and measurement of hedges of petroleum product prices.

Transactions hedging petroleum products prices as at June 30th 2013

Period	Product / commodity	Diesel oil	Light fuel oil	Heavy fuel oil
		ULSD 10ppm CIF NWE (Platts)	Gasoil .1 Cargoes CIF NWE / ARA	3.5 PCT Barges FOB Rotterdam
Q3 2013	Volume (mt)	72,500	-2,520	11,839
	Price range (USD/mt)	1,008	897 - 915	583.50 – 591.25
Q4 2013	Volume (mt)	41,900	-1,589	7,468
	Price range (USD/mt)	1,008	897 - 915	583.50 – 591.25

Transactions hedging foreign exchange risk as at June 30th 2013

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

Transactions hedging interest rate risk as at June 30th 2013

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

Futures hedging the risk related to the prices of carbon dioxide (CO_2) emission allowances as at June 30th 2013

Instrument	Type of instrument	2013		2014		2015	
		Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)
EUA	Futures	566,000	4.26 - 8.63	481	3.14 - 9.05	198,000	2.98 - 5.63

For Q2 2013, the LOTOS Group posted net loss of PLN -126.1m.

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

	Q2 2013	1Q2013	Q2 2012
Operating profit/(loss)	**-100.8**	-25.6	-861.4
Pre-tax profit/(loss)	**-172.3**	-220.3	-1,287.7
Net profit (loss)	**-126.1**	-147.3	-529.0

6 Consolidated statement of financial position

Consolidated statement of financial position – assets (PLNm)

	Jun 30 2013	Dec 31 2012	Change	%
Assets	**20,249.9**	20,056.4	193.5	**1,0%**
Non-current assets	**11,618.6**	11,505.6	113.0	**1,0%**
Property, plant and equipment	**9,606.7**	9,685.9	-79.2	**-0,8%**
Goodwill	**46.7**	46.7	0.0	**0,0%**
Other intangible assets	**553.8**	544.5	9.3	**1,7%**
Equity-accounted jointly-controlled entities	**52.0**	0.0	52.0	**-**
Deferred tax assets	**1,164.5**	1,121.3	43.2	**3,9%**
Derivative financial instruments	**1.5**	0.0	1.5	**-**
Other non-current assets	**193.4**	107.2	86.2	**80,4%**
Current assets	**8,621.6**	8,548.4	73.2	**0,9%**
Inventories	**5,801.9**	5,965.7	-163.8	**-2,7%**
Trade receivables	**1,950.4**	1,640.4	310.0	**18,9%**
Current tax assets	**96.8**	90.6	6.2	**6,8%**
Derivative financial instruments	**2.9**	121.3	-118.4	**-97,6%**
Other current assets	**423.7**	462.1	-38.4	**-8,3%**
Cash and cash equivalents	**345.9**	268.3	77.6	**28,9%**
Assets held for sale	**9.7**	2.4	7.3	**304,2%**

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

Key changes in assets:

- Other non-current assets increased by PLN 86.2m following an agreement reached by the parties to the YME project in Norway, as discussed in detail in Notes 6 and 21 to the interim condensed consolidated financial statements for the six months ended June 30th 2013,

- The value of interests in Baltic Gas companies, totalling PLN 52.0m, was presented under equity-accounted jointly-controlled entities,

- Deferred tax assets increased by PLN 43.2m, mainly in the upstream segment,

- Trade receivables increased by PLN 310.0m, led primarily by higher sales volume in June 2013 relative to December 2012 (with LOTOS Paliwa and LOTOS Asfalt as the main contributors),

- Cash and cash equivalents increased by PLN 77.6m (with Grupa LOTOS S.A. as the main contributor)

- Property, plant and equipment decreased by PLN 79.2m, as depreciation charges recognised in H1 2013 were higher than the value of property, plant and equipment acquired in that period,

- Inventories decreased by PLN 163.8m, chiefly due to a lower volume of mandatory reserves,

- Decrease in positive valuation of derivative financial instruments (mainly forwards) by PLN 118.4m.

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

	Jun 30 2013	Dec 31 2012	Change	%
Equity and liabilities	**20,249.9**	**20,056.4**	**193.5**	**1,0%**
Equity	**8,566.5**	**9,062.4**	**-495.9**	**-5,5%**
Share capital	**129.9**	**129.9**	0.0	0,0%
Share premium	**1,311.3**	**1,311.3**	0.0	0,0%
Cash flow hedging reserve	**-281.1**	**-36.8**	-244.3	**663,9%**
Retained earnings	**7,350.1**	**7,623.4**	-273.3	**-3,6%**
Currency-translation differences	**55.9**	**33.9**	22.0	**64,9%**
Non-controlling interests	**0.4**	**0.7**	-0.3	**-42,9%**
Non-current liabilities	**5,663.6**	**5,414.7**	**248.9**	**4,6%**
Borrowings, other debt instruments and finance lease liabilities	**4,851.1**	**4,462.1**	389.0	**8,7%**
Derivative financial instruments	**54.4**	**88.3**	-33.9	**-38,4%**
Deferred tax liability	**167.3**	**322.2**	-154.9	**-48,1%**
Employee benefit obligations	**130.6**	**129.9**	0.7	**0,5%**
Other liabilities and provisions	**460.2**	**412.2**	48.0	**11,6%**
Current liabilities	**6,019.8**	**5,579.3**	**440.5**	**7,9%**
Borrowings, other debt instruments and finance lease liabilities	**1,610.6**	**2,094.6**	-484.0	**-23,1%**
Derivative financial instruments	**100.4**	**91.0**	9.4	**10,3%**
Trade payables	**2,367.8**	**2,178.8**	189.0	**8,7%**
Current tax payables	**17.1**	**5.8**	11.3	**194,8%**
Employee benefit obligations	**86.2**	**110.9**	-24.7	**-22,3%**
Other liabilities and provisions	**1,837.7**	**1,098.2**	739.5	**67,3%**

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

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

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

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

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

- A PLN 739.5m increase in other liabilities and provisions, under which the Group presented PLN 358.2m, representing a contractual obligation under a fuel stock rotation agreement with the Material Reserves Agency, as well as PLN 182.6m arising from a settlement reached by the parties involved in the YME project in Norway (see Notes 6 and

21 to the interim condensed consolidated financial statements for the six months ended June 30th 2013); the increase was also attributable to a PLN 394.0m rise in liabilities to the state budget other than income tax,

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

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

7 Consolidated statement of cash flows

Consolidated statement of cash flows (PLNm)

	Q2 2013	Q1 2013	Q2 2012
Cash flows from operating activities	**381.5**	508.7	530.6
Cash flows from investing activities	**-138.9**	-196.7	-149.8
Cash flows from financing activities	**-76.7**	-80.6	-232.1
Change in net cash flows	**176.1**	244.5	173.5
Cash and cash equivalents at beginning of the period	**3.8**	-240.7	-295.2
Cash and cash equivalents at end of the period	**179.9**	3.8	-121.7

As at the end of Q2 2013, the LOTOS Group's cash balance (including current account overdrafts) was PLN 179.9m.
The PLN 381.5m positive net operating cash flows reported for Q2 2013 were principally attributable to higher trade payables.
Negative net cash flows from investing activities were mainly attributable to the expenses incurred acquiring property, plant and equipment and other intangible assets.
Cash flows from financing activities in Q2 2013, at PLN -76.7m, mainly included an excess of cash outflows under principal, and interest payments of PLN -159.0m over cash inflows under borrowings and other debt instruments, as well as positive settlement of derivative financial instruments of PLN -86.1m.