

FINANCIAL HIGHLIGHTS - CONSOLIDATED

| | PLN '000 | | EUR '000 | |
|--|-------------------------------|---|-------------------------------|---|
| | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 (restated) | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 (restated) |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 21,092,487 | 24,785,234 | 4,994,551 | 5,908,562 |
| Operating profit | 214,392 | 161,351 | 50,766 | 38,465 |
| Pre-tax profit/(loss) | (4,993) | 198,279 | (1,182) | 47,268 |
| Net profit | 63,817 | 694,149 | 15,111 | 165,478 |
| Net profit attributable to owners of the Parent | 63,795 | 694,154 | 15,106 | 165,479 |
| Net profit/(loss) attributable to non-controlling interests | 22 | (5) | 5 | (1) |
| Total comprehensive income | 41,086 | 961,398 | 9,729 | 229,188 |
| Total comprehensive income attributable to owners of the Parent | 41,063 | 961,415 | 9,724 | 229,192 |
| Total comprehensive income attributable to non-controlling interests | 23 | (17) | 5 | (4) |
| Net cash from operating activities | 1,095,856 | 951,411 | 259,491 | 226,807 |
| Net cash from investing activities | (449,199) | (478,512) | (106,367) | (114,073) |
| Net cash from financing activities | (218,047) | (487,975) | (51,632) | (116,329) |
| Total net cash flow | 428,610 | (15,076) | 101,492 | (3,595) |
| Basic earnings per share (PLN/EUR) | 0.49 | 5.34 | 0.12 | 1.27 |
| Diluted earnings per share (PLN/EUR) | 0.49 | 5.34 | 0.12 | 1.27 |

| | PLN '000 | | EUR '000 | |
|---|----------------------|------------------------------------|----------------------|------------------------------------|
| | As at Sep 30 2013 | As at Dec 31 2012 (restated) | As at Sep 30 2013 | As at Dec 31 2012 (restated) |
| | (unaudited) | (audited) | (unaudited) | (audited) |
| Total assets | 19,960,958 | 20,020,907 | 4,734,236 | 4,897,243 |
| Equity attributable to owners of the Parent | 9,102,944 | 9,061,740 | 2,158,988 | 2,216,560 |
| Non-controlling interests | 306 | 699 | 73 | 171 |
| Total equity | 9,103,250 | 9,062,439 | 2,159,061 | 2,216,731 |

FINANCIAL HIGHLIGHTS - SEPARATE

| | PLN '000 | | EUR '000 | |
|--------------------------------------|-------------------------------|---|-------------------------------|---|
| | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 (restated) | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 (restated) |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 19,754,325 | 23,327,807 | 4,677,683 | 5,561,125 |
| Operating profit/(loss) | (236,092) | 490,987 | (55,905) | 117,047 |
| Pre-tax profit/(loss) | (41,310) | 882,904 | (9,782) | 210,476 |
| Net profit | 16,401 | 769,178 | 3,884 | 183,365 |
| Total comprehensive income | (7,709) | 1,058,548 | (1,825) | 252,348 |
| Net cash from operating activities | 804,495 | 165,905 | 190,499 | 39,550 |
| Net cash from investing activities | 8,864 | 116,667 | 2,099 | 27,812 |
| Net cash from financing activities | (267,809) | (338,908) | (63,415) | (80,792) |
| Total net cash flow | 545,550 | (56,336) | 129,183 | (13,430) |
| Basic earnings per share (PLN/EUR) | 0.13 | 5.92 | 0.03 | 1.41 |
| Diluted earnings per share (PLN/EUR) | 0.13 | 5.92 | 0.03 | 1.41 |

| | PLN '000 | | EUR '000 | |
|--------------|----------------------|------------------------------------|----------------------|------------------------------------|
| | As at Sep 30 2013 | As at Dec 31 2012 (restated) | As at Sep 30 2013 | As at Dec 31 2012 (restated) |
| | (unaudited) | (audited) | (unaudited) | (audited) |
| Total assets | 15,735,811 | 15,976,645 | 3,732,137 | 3,907,990 |
| Equity | 7,044,644 | 7,052,353 | 1,670,812 | 1,725,051 |

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:

| Sep 30 2013 | Dec 31 2012 |
|--------------------|--------------------|
| EUR 1 = PLN 4.2163 | 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 calendar month in the reporting period:

| 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 |
|-------------------------------|-------------------------------|
| EUR 1 = PLN 4.2231 | EUR 1 = PLN 4.1948 |



THE LOTOS GROUP

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2013**

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

| (PLN '000) | Note | 3 months ended | 9 months ended | 3 months ended | 9 months ended |
|--|------|----------------|------------------|----------------|------------------|
| | | Sep 30 2013 | Sep 30 2013 | Sep 30 2012 | Sep 30 2012 |
| | | (unaudited) | (unaudited) | (restated) | (restated) |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 8 | 7,796,314 | 21,092,487 | 8,568,780 | 24,785,234 |
| Cost of sales | 9.3 | (7,047,985) | (19,839,644) | (7,596,187) | (22,631,433) |
| Gross profit | | 748,329 | 1,252,843 | 972,593 | 2,153,801 |
| Distribution costs | 9.3 | (302,919) | (813,039) | (265,748) | (770,533) |
| Administrative expenses | 9.3 | (104,643) | (305,645) | (104,660) | (306,053) |
| Other income | 9.1 | 3,660 | 92,292 | 7,619 | 18,888 |
| Other expenses | 9.4 | (3,639) | (12,059) | (6,008) | (955,718) |
| Loss of control over subsidiary | | - | - | - | 20,966 |
| Operating profit | | 340,788 | 214,392 | 603,796 | 161,351 |
| Finance income | 9.2 | 110,298 | 52,793 | 204,596 | 223,485 |
| Finance costs | 9.5 | (63,452) | (272,178) | (59,458) | (186,557) |
| Pre-tax profit/(loss) | | 387,634 | (4,993) | 748,934 | 198,279 |
| Corporate income tax | 10.1 | (50,404) | 68,810 | (122,927) | 495,870 |
| Net profit | | 337,230 | 63,817 | 626,007 | 694,149 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to profit/loss:</i> | | | | | |
| Translation reserve | | (20,592) | 1,379 | (8,669) | (27,307) |
| Cash flow hedges | | 271,780 | (29,766) | 314,996 | 357,247 |
| Income tax on other comprehensive income | 10.1 | (51,638) | 5,656 | (58,203) | (62,691) |
| Other comprehensive income (net) | | 199,550 | (22,731) | 248,124 | 267,249 |
| Total comprehensive income | | 536,780 | 41,086 | 874,131 | 961,398 |
| Net profit (loss) attributable to: | | | | | |
| Owners of the Parent | | 337,232 | 63,795 | 625,969 | 694,154 |
| Non-controlling interests | | (2) | 22 | 38 | (5) |
| | | 337,230 | 63,817 | 626,007 | 694,149 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Parent | | 536,786 | 41,063 | 874,097 | 961,415 |
| Non-controlling interests | | (6) | 23 | 34 | (17) |
| | | 536,780 | 41,086 | 874,131 | 961,398 |
| Net profit attributable to owners of the Parent per share (PLN) | | | | | |
| Weighted average number of shares ('000) | 11 | 129,873 | 129,873 | 129,873 | 129,873 |
| - basic | 11 | 2.60 | 0.49 | 4.82 | 5.34 |
| - diluted | 11 | 2.60 | 0.49 | 4.82 | 5.34 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, 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 FINANCIAL POSITION
as at September 30th 2013

| (PLN '000) | Note | Sep 30 2013 (unaudited) | Dec 31 2012 (restated) (audited) |
|--|------|----------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 9,523,619 | 9,685,850 |
| Goodwill | | 46,688 | 46,688 |
| Other intangible assets | | 530,769 | 544,468 |
| Equity-accounted jointly-controlled entities | | 52,023 | - |
| Deferred tax assets | 10.2 | 1,116,449 | 1,121,314 |
| Derivative financial instruments | | 1,942 | - |
| Other non-current assets | | 284,736 | 107,232 |
| Total non-current assets | | 11,556,226 | 11,505,552 |
| Current assets | | | |
| Inventories | | 5,404,930 | 5,965,705 |
| - including mandatory reserves | | 4,314,958 | 4,353,207 |
| Trade receivables | | 2,257,727 | 1,635,757 |
| Current tax assets | | 114,548 | 90,566 |
| Derivative financial instruments | | 45,574 | 121,334 |
| Other current assets | | 264,417 | 431,232 |
| Cash and cash equivalents | | 306,313 | 268,333 |
| Total current assets | | 8,393,509 | 8,512,927 |
| Assets held for sale | | 11,223 | 2,428 |
| Total assets | | 19,960,958 | 20,020,907 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 129,873 | 129,873 |
| Share premium | | 1,311,348 | 1,311,348 |
| Cash flow hedging reserve | | (60,911) | (36,801) |
| Retained earnings | | 7,687,354 | 7,623,418 |
| Translation reserve | | 35,280 | 33,902 |
| Equity attributable to owners of the Parent | | 9,102,944 | 9,061,740 |
| Non-controlling interests | | 306 | 699 |
| Total equity | | 9,103,250 | 9,062,439 |
| Non-current liabilities | | | |
| Borrowings, other debt instruments and finance lease liabilities | 16 | 4,501,954 | 4,462,098 |
| Derivative financial instruments | | 59,362 | 88,325 |
| Deferred tax liabilities | 10.2 | 270,282 | 322,169 |
| Employee benefit obligations | | 131,033 | 129,862 |
| Other liabilities and provisions | | 537,754 | 412,260 |
| Total non-current liabilities | | 5,500,385 | 5,414,714 |
| Current liabilities | | | |
| Borrowings, other debt instruments and finance lease liabilities | 16 | 1,535,899 | 2,094,602 |
| Derivative financial instruments | | 37,195 | 91,000 |
| Trade and other payables | | 2,116,973 | 2,174,451 |
| Current tax payables | | 11,631 | 5,752 |
| Employee benefit obligations | | 90,522 | 110,930 |
| Other liabilities and provisions | | 1,565,103 | 1,067,019 |
| Total current liabilities | | 5,357,323 | 5,543,754 |
| Total liabilities | | 10,857,708 | 10,958,468 |
| Total equity and liabilities | | 19,960,958 | 20,020,907 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, 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 nine months ended September 30th 2013
prepared using the indirect method

| (PLN '000) | Note | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 (restated) |
|---|------|-------------------------------|---|
| | | (unaudited) | (unaudited) |
| Cash flows from operating activities | | | |
| Net profit | | 63,817 | 694,149 |
| Adjustments: | | 1,100,585 | 330,384 |
| Corporate income tax | 10.1 | (68,810) | (495,870) |
| Depreciation and amortisation | 9.3 | 486,343 | 494,393 |
| Foreign exchange losses/(gains) | | 105,463 | (109,359) |
| Interest and dividends | | 140,670 | 148,736 |
| (Gain)/loss from investing activities | | (47,798) | 925,689 |
| Settlement and valuation of financial instruments | 9.2 | (34,538) | (89,991) |
| (Increase) in trade receivables | 15 | (621,970) | (310,389) |
| Decrease/(Increase) in other assets | 15 | 205,502 | (9,344) |
| Decrease in inventories | 15 | 706,942 | 21,288 |
| (Decrease) in trade payables | 15 | (57,478) | (308,936) |
| Increase in other liabilities and provisions | 15 | 305,496 | 66,385 |
| (Decrease) in employee benefit obligations | | (19,237) | (2,218) |
| Corporate income tax paid | | (68,546) | (73,122) |
| Net cash from operating activities | | 1,095,856 | 951,411 |
| Cash flows from investing activities | | | |
| Dividends received | | 680 | 567 |
| Interest received | | 5,120 | 4,904 |
| Sale of property, plant and equipment and other intangible assets | | 6,628 | 12,184 |
| Sale of shares in other entities | | - | 450 |
| Repayment of loans advanced | | - | 1,544 |
| 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 | (447,820) | (501,993) |
| Purchase of shares in related entities | | (13,427) | (13,007) |
| Acquisition of a subsidiary, net of cash acquired | | - | (24,853) |
| Bank deposits for financing of maintenance shutdown | | - | (33,645) |
| Security deposits (margins) | | (3,058) | (13,695) |
| Settlement of derivative financial instruments | | 2,006 | 11,032 |
| Net cash from investing activities | | (449,199) | (478,512) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 526,505 | 394,594 |
| Issue of notes | 17 | - | 362,367 |
| Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control | 3 | (275) | (3) |
| Repayment of borrowings | | (625,397) | (673,356) |
| Redemption of notes | 17 | - | (364,000) |
| Interest paid | | (131,780) | (148,054) |
| Decrease in finance lease liabilities | | (12,376) | (11,292) |
| Settlement of derivative financial instruments | | 25,276 | (48,231) |
| Net cash from financing activities | | (218,047) | (487,975) |
| Total net cash flow | | 428,610 | (15,076) |
| Effect of exchange rate fluctuations on cash held | | 3,204 | (20,304) |
| Change in net cash flows | 15 | 431,814 | (35,380) |
| Cash at beginning of period | | (240,655) | 161,552 |
| Cash at end of period | 15 | 191,159 | 126,172 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, 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 CHANGES IN EQUITY
for the nine months ended September 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</i> | | - | - | - | 63,795 | - | 63,795 | 22 | 63,817 |
| <i>Other comprehensive income, net</i> | | - | - | (24,110) | - | 1,378 | (22,732) | 1 | (22,731) |
| Total comprehensive income | | - | - | (24,110) | 63,795 | 1,378 | 41,063 | 23 | 41,086 |
| Purchase of shares from non-controlling interests | 3 | - | - | - | 141 | - | 141 | (416) | (275) |
| Sep 30 2013 (unaudited) | | 129,873 | 1,311,348 | (60,911) | 7,687,354 | 35,280 | 9,102,944 | 306 | 9,103,250 |
| 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> | | - | - | - | 694,154 | - | 694,154 | (5) | 694,149 |
| <i>Other comprehensive income, net</i> | | - | - | 289,370 | - | (22,109) | 267,261 | (12) | 267,249 |
| Total comprehensive income | | - | - | 289,370 | 694,154 | (22,109) | 961,415 | (17) | 961,398 |
| Purchase of shares from non-controlling interests | | - | - | - | 2 | - | 2 | (5) | (3) |
| Sep 30 2012 (unaudited) | | 129,873 | 1,311,348 | (129,911) | 7,394,552 | 36,991 | 8,742,853 | 925 | 8,743,778 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three and nine months ended September 30th 2013

| (PLN '000) | 3 months ended Sep 30 2013 (unaudited) | 9 months ended Sep 30 2013 (unaudited) | 3 months ended Sep 30 2012 (restated) (unaudited) | 9 months ended Sep 30 2012 (restated) (unaudited) |
|---|--|--|--|--|
| Revenue | 7,243,921 | 19,754,325 | 7,972,351 | 23,327,807 |
| Cost of sales | (6,870,536) | (19,383,002) | (7,414,315) | (22,245,620) |
| Gross profit | 373,385 | 371,323 | 558,036 | 1,082,187 |
| Distribution costs | (166,924) | (454,226) | (144,649) | (435,488) |
| Administrative expenses | (51,087) | (156,139) | (49,179) | (153,758) |
| Other income | 1,250 | 8,999 | 841 | 3,301 |
| Other expenses | (1,914) | (6,049) | (1,053) | (5,255) |
| Operating profit/(loss) | 154,710 | (236,092) | 363,996 | 490,987 |
| Finance income | 129,473 | 312,522 | 169,265 | 466,360 |
| Finance costs | (33,139) | (117,740) | (41,441) | (126,500) |
| Gain on disposal of shares in LOTOS Parafiny Sp. z o.o. | - | - | - | 52,057 |
| Pre-tax profit/(loss) | 251,044 | (41,310) | 491,820 | 882,904 |
| Corporate income tax | (47,934) | 57,711 | (93,546) | (113,726) |
| Net profit | 203,110 | 16,401 | 398,274 | 769,178 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified to profit/loss:</i> | | | | |
| Cash flow hedges | 271,780 | (29,766) | 314,996 | 357,247 |
| Income tax on other comprehensive income | (51,638) | 5,656 | (59,849) | (67,877) |
| Other comprehensive income, net | 220,142 | (24,110) | 255,147 | 289,370 |
| Total comprehensive income | 423,252 | (7,709) | 653,421 | 1,058,548 |
| Earnings per share (PLN) | | | | |
| Weighted average number of shares ('000) | 129,873 | 129,873 | 129,873 | 129,873 |
| - basic | 1.56 | 0.13 | 3.07 | 5.92 |
| - diluted | 1.56 | 0.13 | 3.07 | 5.92 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at September 30th 2013

| (PLN '000) | Sep 30 2013 | Dec 31 2012 |
|--------------------------------------|-------------------|-------------------------|
| | (unaudited) | (restated) (audited) |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 6,612,996 | 6,799,992 |
| Intangible assets | 89,427 | 90,196 |
| Shares | 917,889 | 910,520 |
| Derivative financial instruments | 1,942 | - |
| Other non-current assets | 443,452 | 342,948 |
| Total non-current assets | 8,065,706 | 8,143,656 |
| Current assets | | |
| Inventories | 5,152,833 | 5,705,717 |
| - including mandatory reserves | 4,313,684 | 4,350,326 |
| Trade receivables | 2,134,277 | 1,669,664 |
| Current tax assets | 7,625 | 9,429 |
| Derivative financial instruments | 45,574 | 121,334 |
| Other current assets | 165,199 | 323,959 |
| Cash and cash equivalents | 151,304 | 2,886 |
| Total current assets | 7,656,812 | 7,832,989 |
| Assets held for sale | 13,293 | - |
| Total assets | 15,735,811 | 15,976,645 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 129,873 | 129,873 |
| Share premium | 1,311,348 | 1,311,348 |
| Cash flow hedging reserve | (60,911) | (36,801) |
| Retained earnings | 5,664,334 | 5,647,933 |
| Total equity | 7,044,644 | 7,052,353 |
| Non-current liabilities | | |
| Bank borrowings | 3,848,404 | 4,069,561 |
| Derivative financial instruments | 59,362 | 88,325 |
| Deferred tax liabilities | 183,210 | 246,144 |
| Employee benefit obligations | 45,637 | 45,262 |
| Total non-current liabilities | 4,136,613 | 4,449,292 |
| Current liabilities | | |
| Bank borrowings | 1,052,969 | 1,462,557 |
| Derivative financial instruments | 51,737 | 102,524 |
| Trade payables | 2,117,269 | 2,161,910 |
| Employee benefit obligations | 25,371 | 35,857 |
| Other liabilities and provisions | 1,307,208 | 712,152 |
| Total current liabilities | 4,554,554 | 4,475,000 |
| Total liabilities | 8,691,167 | 8,924,292 |
| Total equity and liabilities | 15,735,811 | 15,976,645 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
for the nine months ended September 30th 2013
 prepared using the indirect method

| (PLN '000) | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 |
|--|-------------------------------|-------------------------------|
| | (unaudited) | (restated) (unaudited) |
| Cash flows from operating activities | | |
| Net profit | 16,401 | 769,178 |
| Adjustments: | 794,327 | (595,528) |
| Corporate income tax | (57,711) | 113,726 |
| Depreciation and amortisation | 294,663 | 313,681 |
| Foreign exchange (gains)/losses | 11,082 | (70,729) |
| Interest and dividends | (183,335) | (192,077) |
| (Gain)/loss from investing activities | 1,096 | (51,715) |
| Settlement and valuation of derivative financial instruments | (31,440) | (72,742) |
| (Increase) in trade receivables | (464,613) | (460,383) |
| Decrease in other assets | 187,035 | 4,091 |
| Decrease in inventories | 699,272 | 74,656 |
| (Decrease) in trade payables | (44,641) | (335,782) |
| Increase in other liabilities and provisions | 393,030 | 87,694 |
| (Decrease) in employee benefit obligations | (10,111) | (5,948) |
| Corporate income tax paid | (6,233) | (7,745) |
| Net cash from operating activities | 804,495 | 165,905 |
| Cash flows from investing activities | | |
| Dividends received | 269,051 | 287,328 |
| Interest received | 4,425 | 4,840 |
| Sale of property, plant and equipment and intangible assets | 25 | 24 |
| Sale of shares in related entities | - | 78,537 |
| Repayment of loan advanced to LOTOS Gaz S.A. w likwidacji (in liquidation) | - | 650 |
| Purchase of property, plant and equipment and intangible assets | (135,999) | (75,369) |
| Acquisition of shares in LOTOS Petrobaltic S.A. | - | (3) |
| Share capital increase at LOTOS Tank Sp. z o.o. | (6,945) | - |
| Loans advanced to related parties | (30,000) | (126,579) |
| Bank deposits for financing of maintenance shutdown | - | (33,645) |
| Security deposit (margin) | (3,058) | (13,695) |
| Cash pool settlements | (90,640) | (16,453) |
| Settlement of derivative financial instruments | 2,005 | 11,032 |
| Net cash from investing activities | 8,864 | 116,667 |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 188,190 | 184,525 |
| Repayment of borrowings | (392,899) | (376,427) |
| Interest paid | (88,296) | (97,428) |
| Settlement of derivative financial instruments | 25,196 | (49,578) |
| Net cash from financing activities | (267,809) | (338,908) |
| Total net cash flow | 545,550 | (56,336) |
| Effect of exchange rate fluctuations on cash held | 3,257 | (20,323) |
| Change in net cash | 548,807 | (76,659) |
| Cash at beginning of period | (406,359) | (165,987) |
| Cash at end of period | 142,448 | (242,646) |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, are an integral part of the statements.

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

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended September 30th 2013

| (PLN '000) | Share capital | Share premium | Cash flow hedging reserve | Retained earnings | Total equity |
|--|----------------|------------------|------------------------------|----------------------|------------------|
| Jan 1 2013 (audited) | 129,873 | 1,311,348 | (36,801) | 5,647,933 | 7,052,353 |
| <i>Net profit</i> | - | - | - | 16,401 | 16,401 |
| <i>Other comprehensive income, net</i> | - | - | (24,110) | - | (24,110) |
| Total comprehensive income | - | - | (24,110) | 16,401 | (7,709) |
| Sep 30 2013 (unaudited) | 129,873 | 1,311,348 | (60,911) | 5,664,334 | 7,044,644 |
| Jan 1 2012 (audited) | 129,873 | 1,311,348 | (419,281) | 4,811,502 | 5,833,442 |
| <i>Net profit</i> | - | - | - | 769,178 | 769,178 |
| <i>Other comprehensive income, net</i> | - | - | 289,370 | - | 289,370 |
| Total comprehensive income | - | - | 289,370 | 769,178 | 1,058,548 |
| Sep 30 2012 (unaudited) | 129,873 | 1,311,348 | (129,911) | 5,580,680 | 6,891,990 |

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, presented on pages 11 to 38, are an integral part of the statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 September 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 | | |
|---|----------------------|--|-------------------------|--------------------------------|----------------|----------------|
| | | | | Sep 30 2013 | Dec 31 2012 | Sep 30 2012 |
| Parent | | | | | | |
| Grupa LOTOS | 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 Asfalt 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 Terminale S.A. ⁽¹⁾ (parent of another group: LOTOS Terminale Group) | Czechowice-Dziedzice | Storage and distribution of fuels | full | 100.00% | 100.00% | 100.00% |
| LOTOS Infrastruktura S.A. ⁽²⁾ | 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% ⁽³⁾ | 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 three and nine months ended September 30th 2013

| Company name | Registered office | Business profile | Method of consolidation | The Group's ownership interest | | |
|---|-------------------------------|--|-------------------------|--------------------------------|-------------|-------------|
| | | | | Sep 30 2013 | Dec 31 2012 | Sep 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% ⁽⁴⁾ | 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% ⁽⁴⁾ | 99.96% | 99.95% |
| Miliana Shipmanagement Ltd. | Nicosia, Cyprus | Provision of sea transport | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group Group) | Nicosia, Cyprus | Management of own assets | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Bazalt Navigation Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Granit Navigation Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Kambr Navigation Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| St. Barbara Navigation Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Petro Icarus Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Petro Aphrodite Company Ltd. | Nicosia, Cyprus | Ship chartering | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| LOTOS Exploration and Production Norge AS | Norway, Stavanger | Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| Aphrodite Offshore Services N.V. | Curaçao, Netherlands Antilles | Dormant | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| ENERGOBALTIC Sp. z o.o. | Władysławowo | Production of electricity, heat, LPG and natural gas condensate | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| AB LOTOS Geonafra (parent of another group: AB LOTOS Geonafra Group) | Lithuania, Gargždai | Crude oil exploration and production, drilling services, and purchase and sale of crude oil | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| UAB Genciu Nafta | Lithuania, Gargždai | Crude oil exploration and production | full | 99.98% ⁽⁴⁾ | 99.96% | 99.95% |
| UAB Manifoldas | Lithuania, Gargždai | Crude oil exploration and production | full | 99.98% ⁽⁴⁾ | 99.96% | 49.98% |
| Jointly-controlled entities | | | | | | |
| Baltic Gas Sp. z o.o. | Gdańsk | The company has not commenced operations | equity-accounted | 49.99% ^(4, 5) | 99.96% | - |
| Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy spółka komandytowa | Gdańsk | The company has not commenced operations | equity-accounted | 99.97% ^(4, 6) | 99.96% | - |
| UAB Minijos Nafta | Lithuania, Gargždai | Crude oil exploration and production | proportional | 49.99% ⁽⁴⁾ | 49.98% | 49.98% |

⁽¹⁾ On July 30th 2013, a change of the company's name from LOTOS Czechowice S.A. to LOTOS Terminale S.A. was registered.

⁽²⁾ On April 18th 2013, a change of the company's name from LOTOS Jasło S.A. to LOTOS Infrastruktura S.A. was registered.

⁽³⁾ In the first nine months ended September 30th 2013, Grupa LOTOS S.A. continued the acquisition of LOTOS Petrobaltic shares from non-controlling interests (see Note 3.)

⁽⁴⁾ The shareholding changes described in item ⁽³⁾ above had an effect on the indirect equity interests of the Group in the LOTOS Petrobaltic Group entities.

⁽⁵⁾ 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. was registered on May 17th 2013.

⁽⁶⁾ 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 as at September 30th 2013:

- 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. (a jointly-controlled entity) amounts to 99.97%.

Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy spółka komandytowa ("Baltic Gas") is a partnership. The partnership agreement defines the profit and loss sharing ratio, whereby Baltic Gas Sp. z o.o. holds 0.001% share in profits and 100% share in losses, LOTOS Petrobaltic S.A. holds 0.9995% share in profits, and CalEnergy holds 48.9995% share in profits. The respective percentage shares in the total vote are not given, since any matters subject to the partners' decision, as set forth in the partnership agreement, require unanimous approval of all the partners, or the partners are required to unanimously pass a resolution determining the procedure for deciding on other matters not specified in the partnership agreement. For the purposes of the IFRS, Baltic Gas is an entity jointly-controlled by the Group.

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 shares from the company's non-controlling shareholders as part of the squeeze-out process. In the nine months ended September 30th 2013, Grupa LOTOS S.A. purchased 2,186 shares with an aggregate value of PLN 275 thousand, representing 0.0220% of the company's share capital, of which 2,175 LOTOS Petrobaltic shares with the aggregate value of PLN 273 thousand, representing 0.0219% 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 141 thousand was recognised under retained earnings attributable to the Parent, and the value of non-controlling interests decreased by PLN 416 thousand.

Following the acquisition of shares in LOTOS Petrobaltic S.A. from its non-controlling shareholders as part of the squeeze-out process, as at September 30th 2013 Grupa LOTOS S.A. held a 99.98% interest in the share capital of LOTOS Petrobaltic S.A. (9,938,458 shares), including 9,938,447 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 spółka komandytowa

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, seismic acquisition and selection of a preliminary field development concept are scheduled for 2013 and 2014. On completion of that stage, the partners will be able to make a final 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 two fields and the beginning of CalEnergy's financial commitment to the project. During the preparatory work, a number of conditions precedent for project launch were met, including the transfer of licences to Baltic Gas upon LOTOS Petrobaltic S.A.'s consent. By virtue of the Minister of 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 gasoline natural gas from the B-4 field located in the Polish exclusive economic zone of the Baltic Sea,
- licence for extraction of natural gas condensate from the B-6 field located in the Polish exclusive economic zone of the Baltic Sea.

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

The partners' participation in profits and losses and the percentage ownership interest in Baltic Gas, 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 thousand to PLN 45 thousand 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, pro rata 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

On October 14th 2013, Grupa LOTOS S.A. was notified of the clearance issued by the European Commission for the establishment of a new entity on the basis of LOTOS Tank Sp. z o.o., through which Grupa LOTOS S.A. and BP Europa SE will pursue joint operations in the aviation fuel market - pursuant to the joint venture agreement of June 25th 2013. In the reporting period, preparation of documents necessary for the conclusion of an agreement concerning the purchase of shares in LOTOS Tank Sp. z o.o. by BP Europa SE was begun.

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 September 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 September 30th 2013 and December 31st 2012, as well as its performance for the three and nine months ended September 30th 2013 and September 30th 2012, and cash flows for the nine months ended September 30th 2013 and September 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 data disclosed in these interim financial statements as at September 30th 2013 and for the three and nine months ended on that date, as well as the comparative financial data for the three and nine months ended September 30th 2012, contained in these interim condensed consolidated financial statements, have not been audited. 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

The following new standards, amendments to the existing standards and interpretations 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 adopted by the European Union:

- 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 the valuation of items of the statement of financial position and translation of the financial statements of foreign entities and groups:

| Mid-exchange rate quoted by the NBP for: | Sep 30 2013 ⁽¹⁾ | Dec 31 2012 ⁽²⁾ |
|--|----------------------------|----------------------------|
| USD | 3.1227 | 3.0996 |
| EUR | 4.2163 | 4.0882 |
| NOK | 0.5190 | 0.5552 |
| LTL | 1.2211 | 1.1840 |

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

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

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for the three and nine months ended September 30th 2013

| NBP's average exchange rate for the reporting period | 9 months ended Sep 30 2013 ⁽¹⁾ | 9 months ended Sep 30 2012 ⁽²⁾ |
|---|--|--|
| USD | 3.2040 | 3.2596 |
| EUR | 4.2231 | 4.1948 |
| NOK | 0.5461 | 0.5602 |
| LTL | 1.2231 | 1.2149 |

⁽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–September 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–September 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 nine months ended September 30th 2012. As a result of this change, administrative expenses fell by 4,003 thousand, while cost of sales increased by PLN 12,121 thousand.

In the statement of comprehensive income, the Group adopted uniform rules for the presentation of gains and losses in *Other income/expenses*. Gains/losses on disposal of non-financial non-current assets, remeasurement of receivables, property, plant and equipment and other intangible assets, as well as gains/losses on provisions, are presented unilaterally, as gains in *Other income* or losses in *Other expenses*. The change was implemented in the comparative data, too.

In the statement of financial position, the Group changed the presentation of selected receivables and payables, previously disclosed under *Trade receivables/payables*. Following these changes, comparative data was restated – *Trade receivables* as at December 31st 2012 decreased by PLN 4,603 thousand, while *Other current assets* as at that date increased by the same amount. Similarly, *Trade payables* as at December 31st 2012 declined, while *Other provisions and liabilities* rose by PLN 4,309 thousand.

The Company offset prepayments with corresponding property insurance liabilities. The effect was reflected in the comparative data included in this consolidated statement of financial position, leading to a decrease of PLN 35,472 thousand in *Other current assets* and *Current liabilities and provisions as at December 31st 2012*.

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 nine months ended September 30th 2012, cash from investing activities increased, whereas cash from financing activities decreased, by PLN 11,032 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

All significant changes to reporting items subsequent to the previous annual reporting period, i.e. 2012, 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 nine months ended September 30th 2013, other assets, liabilities and provisions presented in these interim condensed consolidated financial statements were affected by a number of factors, including an agreement executed by the parties involved in the YME project in Norway, as discussed in details in Note 21. As at the last day of the reporting period, the Group presented the cash amounts received as a result of the agreement in the statement of financial position as financial assets under *Other non-current assets* – PLN 183,147 thousand (NOK 352,885 thousand), and *Other current assets* – PLN 49,162 thousand (NOK 94,724 thousand). Also, a provision for future costs of the offshore production unit removal and disassembly of installed assets (provision relating to the offshore oil production facility in the YME field in Norway) was recognised under *Other liabilities and provisions*, including non-current portion – PLN 143,824 thousand (NOK 277,118 thousand) and current portion – PLN 60,249 thousand (NOK 116,087 thousand). The amount of the provision, totalling PLN 204,073 thousand, was calculated based on the following assumptions:
 - The Mobile Offshore Production Unit (MOPU) will be removed from the YME field by 2015;
 - Costs related to the MOPU removal, development of new Plan for Development and Operation (a “new PDO”), and maintenance of the existing infrastructure will not be higher than the amount agreed upon with the field operator, Talisman Energy Norge AS (“Talisman”, the “Operator”).

The preliminary estimate of the Group’s share in the value of the YME in situ subsea infrastructure transferred to the consortium (see Note 21) was confirmed by an independent valuation and amounts to no less than NOK 249m (the estimated value based on internal analyses and arrangements 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 signing of the above agreement, the adopted assumptions might be subject to reasonable changes, as a result of which it may be necessary to further reduce the carrying amount of assets associated with the YME field if it exceeds their recoverable amount or due to revaluation of recognised provisions. Therefore, the Company Management Board points to further uncertainties as to the recoverable value of the assets and amount of provisions recognised in connection to the YME field, relating to:

- the new plan for development and operation (PDO) for the YME field that is ultimately opted for,
- the estimated size and market value of hydrocarbons recoverable from the YME field, which depend on the plan for development and operation (PDO),
- the estimated fair value of tax assets included in the impairment test of the YME project carried out at the end of the year,
- valuation of the subsea infrastructure and relevant reclamation commitments to be adopted by the consortium following the MOPU removal,
- the date and cost of MOPU removal from the YME field,
- NOK/USD exchange rate fluctuations,
- discount rates.

In the consolidated statement of comprehensive income for the nine months ended September 30th 2013, the overall effect of the agreement was recognised under Other income in the amount of PLN 21,306 thousand (revaluation of the estimated provision related to the offshore oil production facility in the YME field in Norway), and as a PLN 12,241 thousand decrease in Finance costs due to foreign exchange gains on amounts deposited in the escrow account.

- In connection with the performance of the investment agreement with CalEnergy (see Note 3), in the interim period ended September 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 in the amount of PLN 48,273 thousand. The resulting gain 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 taken up by the Group. As at September 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 September 30th 2013, in the statement of financial position, under *Other liabilities and provisions (current portion)*, the Group also presented the amount of PLN 146,388 thousand representing a contractual obligation under a fuel stock rotation agreement with the Material Reserves Agency (Agencja Rezerw Materiałowych).

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- The Parent's liabilities to the state budget, totalling PLN 1,084,016 thousand as at September 30th 2013 (December 31st 2012: PLN 635,564 thousand), accounted for a major part 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 an increase 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 Management's Discussion and Analysis.

7. Changes of estimated amounts reported in prior interim periods of the current financial year or changes in estimated amounts reported in prior financial years, where such 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 in prior financial years.

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8. Business segments

| PLN '000 | Upstream segment | | Downstream segment | | Other ⁽¹⁾ | | Consolidation adjustments | | Consolidated | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 |
| | (unaudited) | | | | | | | | | |
| Revenue: | 118,329 | 451,017 | 7,794,821 | 21,082,539 | 5,442 | 16,706 | (122,278) | (457,775) | 7,796,314 | 21,092,487 |
| <i>Intersegment sales</i> | 109,035 | 414,963 | 9,274 | 31,191 | 3,969 | 11,621 | (122,278) | (457,775) | - | - |
| <i>External sales</i> | 9,294 | 36,054 | 7,785,547 | 21,051,348 | 1,473 | 5,085 | - | - | 7,796,314 | 21,092,487 |
| Operating profit/(loss) (EBIT) | 9,302 | 200,635 | 297,810 | 22,604 | 1,263 | 2,211 | 32,413 | (11,058) | 340,788 | 214,392 |
| Depreciation and amortisation | 34,624 | 104,072 | 120,101 | 376,427 | 2,398 | 7,190 | (447) | (1,346) | 156,676 | 486,343 |
| Operating profit/(loss) before amortisation and depreciation (EBITDA) | 43,926 | 304,707 | 417,911 | 399,031 | 3,661 | 9,401 | 31,966 | (12,404) | 497,464 | 700,735 |
| PLN '000 | Upstream segment | | Downstream segment | | Other ⁽¹⁾ | | Consolidation adjustments | | Consolidated | |
| | Sep 30 2013 | | | | | | | | | |
| | (unaudited) | | | | | | | | | |
| Total assets | 3,588,288 | | 17,221,976 | | 147,916 | | (997,222) | | 19,960,958 | |
| <i>- including net exploration and appraisal assets</i> | 232,124 | | - | | - | | - | | 232,124 | |

⁽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 Sep 30 2012 | 9 months ended Sep 30 2012 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 |
| | (unaudited) | | | | | | | | | |
| Revenue: | 125,415 | 626,977 | 8,530,282 | 24,626,987 | 5,799 | 20,070 | (92,716) | (488,800) | 8,568,780 | 24,785,234 |
| <i>Intersegment sales</i> | 78,753 | 442,626 | 9,587 | 31,410 | 4,376 | 14,764 | (92,716) | (488,800) | - | - |
| <i>External sales</i> | 46,662 | 184,351 | 8,520,695 | 24,595,577 | 1,423 | 5,306 | - | - | 8,568,780 | 24,785,234 |
| Operating profit/(loss) (EBIT) | 46,425 | (654,893) | 524,223 | 812,130 | 718 | 4,572 | 32,430 | (458) | 603,796 | 161,351 |
| Depreciation and amortisation | 30,766 | 93,530 | 131,418 | 394,471 | 2,771 | 7,737 | (450) | (1,345) | 164,505 | 494,393 |
| Operating profit/(loss) before amortisation and depreciation (EBITDA) | 77,191 | (561,363) | 655,641 | 1,206,601 | 3,489 | 12,309 | 31,980 | (1,803) | 768,301 | 655,744 |

| PLN '000 | Upstream segment | Downstream segment | Other ⁽¹⁾ | Consolidation adjustments | Consolidated |
|---|-------------------------|-----------------------|----------------------|------------------------------|-------------------|
| | Dec 31 2012 | | | | |
| | (restated) (audited) | | | | |
| Total assets | 3,368,645 | 17,395,506 | 148,607 | (891,851) | 20,020,907 |
| <i>- including net exploration and appraisal assets</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 | 9 months ended | 3 months ended | 9 months ended |
|---|-------|------------------------|--------------------|----------------|----------------|
| | | Sep 30 2013 | Sep 30 2013 | Sep 30 2012 | Sep 30 2012 |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Gain on disposal of non-financial non-current assets | | - | 748 | - | 3,013 |
| Subsidies | | 519 | 1,555 | 512 | 1,548 |
| Provisions | | 2,273 | 3,138 | 45 | 195 |
| Revaluation of property, plant and equipment and other intangible assets, including: | | 1,281 | 52,974 | - | - |
| - reversal of impairment losses on assets associated with the B-4 and B-6 fields, contributed to Baltic Gas | 6, 13 | - | 48,273 | - | - |
| Revaluation of estimated provision related to the offshore oil production facility in the YME field in Norway | 6 | - | 21,306 | - | - |
| Compensations | | (1,532) ⁽¹⁾ | 4,689 | 1,650 | 3,988 |
| Gain on sale of organised part of business | | - | 379 ⁽²⁾ | - | - |
| Other | | 1,119 | 7,503 | 5,412 | 10,144 |
| Total | | 3,660 | 92,292 | 7,619 | 18,888 |

⁽¹⁾ Income from compensations fell due to cancellation of a debit note.

⁽²⁾ Concerns the sale by LOTOS Oil S.A. of the Jaslo Branch (an organised part of business). Proceeds from the transaction of PLN 672 thousand are presented in cash flows from investing activities.

9.2 Finance income

| PLN '000 | 3 months ended | 9 months ended | 3 months ended | 9 months ended |
|--|----------------|----------------|----------------|----------------|
| | Sep 30 2013 | Sep 30 2013 | Sep 30 2012 | Sep 30 2012 |
| | | (unaudited) | (unaudited) | (unaudited) |
| Dividend received | - | 840 | - | 700 |
| Interest | 4,942 | 13,292 | 5,671 | 16,827 |
| Exchange differences: | - | - | 99,273 | 115,798 |
| - on foreign-currency denominated bank borrowings | - | - | 112,094 | 130,955 |
| - on foreign-currency denominated non-bank borrowings | - | - | (10,433) | (11,921) |
| - on realised foreign-currency transactions in bank accounts | - | - | 17,003 | 8,461 |
| - on debt securities | - | - | (1,823) | (2,302) |
| - other exchange differences | - | - | (17,568) | (9,395) |
| Gain on sale of shares in other entities | - | - | - | 150 |
| Revaluation of financial assets: | 101,252 | 34,538 | 99,649 | 89,991 |
| - valuation of derivative financial instruments | 108,832 | 7,256 | 99,716 | 127,190 |
| - settlement of derivative financial instruments | (7,580) | 27,282 | (67) | (37,199) |
| Other | 4,104 | 4,123 | 3 | 19 |
| Total | 110,298 | 52,793 | 204,596 | 223,485 |

9.3 Expenses by nature

| PLN '000 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | (unaudited) | (unaudited) | (restated) (unaudited) | (restated) (unaudited) |
| Depreciation and amortisation | 156,676 | 486,343 | 164,505 | 494,393 |
| Raw material and consumables used | 6,658,444 | 17,576,929 | 7,043,166 | 20,931,385 |
| - including exchange differences ⁽¹⁾ | (63,734) | (49,978) | (62,916) | 28,443 |
| Services | 297,473 | 920,484 | 282,619 | 810,247 |
| Taxes and charges | 40,829 | 136,312 | 41,256 | 139,034 |
| Employee benefits expense | 155,588 | 496,612 | 151,457 | 471,533 |
| Other expenses by nature | 51,170 | 118,447 | 36,048 | 114,595 |
| Cost of merchandise and materials sold | 334,933 | 1,503,043 | 256,009 | 1,026,474 |
| Total expenses by nature | 7,695,113 | 21,238,170 | 7,975,060 | 23,987,661 |
| Change in products and adjustments to cost of sales | (239,566) | (279,842) | (8,465) | (279,642) |
| Total | 7,455,547 | 20,958,328 | 7,966,595 | 23,708,019 |
| including: | | | | |
| Cost of sales | 7,047,985 | 19,839,644 | 7,596,187 | 22,631,433 |
| Distribution costs | 302,919 | 813,039 | 265,748 | 770,533 |
| Administrative expenses | 104,643 | 305,645 | 104,660 | 306,053 |

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

9.4 Other expenses

| PLN '000 | 3 months ended Sep 30 2013 | 9 months ended Sep 30 2013 | 3 months ended Sep 30 2012 | 9 months ended Sep 30 2012 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Loss on disposal of non-financial non-current assets | 1,261 | - | 165 | - |
| Revaluation of receivables | 329 | 2,904 | 2,376 | 7,123 |
| Revaluation of property, plant and equipment and other intangible assets, including: | - | - | 183 | 935,010 |
| - impairment loss on YME field assets | - | - | 2,006 | 936,584 |
| Revaluation of estimated provision related to the offshore oil production facility in the YME field in Norway | 359 ⁽¹⁾ | - | - | - |
| Fines and damages | - | 642 | 344 | 1,473 |
| Other | 1,690 | 8,513 | 2,940 | 12,112 |
| Total | 3,639 | 12,059 | 6,008 | 955,718 |

⁽¹⁾ Change in translation reserve.

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9.5 Finance costs

| PLN '000 | 3 months ended | 9 months ended | 3 months ended | 9 months ended |
|--|----------------|------------------------|----------------|----------------------|
| | Sep 30 2013 | Sep 30 2013 | Sep 30 2012 | Sep 30 2012 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interest, including: | 45,780 | 150,105 | 57,439 | 179,071 |
| - discount related to provisions for oil production facilities | 1,441 | 7,246 ⁽¹⁾ | 1,008 | 7,592 ⁽¹⁾ |
| Exchange differences: | 12,693 | 105,882 | - | - |
| - on foreign-currency denominated bank borrowings | (78,085) | 22,635 | - | - |
| - on foreign-currency denominated non-bank borrowings | 56,554 | 71,827 | - | - |
| - on realised foreign-currency transactions in bank accounts | 3,081 | 4,531 | - | - |
| - on debt securities | 9,850 | 12,090 | - | - |
| - other exchange differences | 21,293 | (5,201) ⁽²⁾ | - | - |
| Bank fees | 3,974 | 12,970 | 3,779 | 10,385 |
| Other | 1,342 | 4,629 | 774 | 4,245 |
| Amounts capitalised as part of the cost of qualifying assets | (337) | (1,408) | (2,534) | (7,144) |
| Total | 63,452 | 272,178 | 59,458 | 186,557 |

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

⁽²⁾ Including PLN 12,241 thousand of foreign exchange gains on revaluation of funds deposited in the escrow account of the YME project, as discussed in Note 6 and 21.

10. Income tax

10.1 Tax expense

| PLN '000 | 3 months ended | 9 months ended | 3 months ended | 9 months ended |
|---|----------------|-----------------|----------------|------------------|
| | Sep 30 2013 | Sep 30 2013 | Sep 30 2012 | Sep 30 2012 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Current tax | 5,306 | 43,856 | 20,090 | 78,461 |
| Deferred tax | 45,098 | (112,666) | 102,837 | (574,331) |
| Total income tax charged to consolidated profit or loss | 50,404 | (68,810) | 122,927 | (495,870) |
| Income tax expense recognised in other comprehensive income (net), including: | 51,638 | (5,656) | 58,203 | 62,691 |
| - translation reserve | - | - | (1,646) | (5,186) |
| - cash flow hedging | 51,638 | (5,656) | 59,849 | 67,877 |

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%.

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10.2 Deferred income tax

| PLN '000 | Statement of financial position | | Statement of comprehensive income for the nine months ended |
|---|---------------------------------|--------------------------|---|
| | Sep 30 2013 (unaudited) | Dec 31 2012 (audited) | Sep 30 2013 (unaudited) |
| Deferred tax assets | 1,116,449 | 1,121,314 | (4,865) |
| Deferred tax liabilities | 270,282 | 322,169 | (51,887) |
| Net deferred tax assets/(liabilities) | 846,167 | 799,145 | 47,022 |
| <i>Translation reserve</i> | | | 71,300 |
| <i>Deferred tax disclosed under other comprehensive income, net</i> | | | (5,656) |
| Deferred tax expense recognised in consolidated profit or loss | | | 112,666 |

10.2.1 Deferred tax assets and liabilities

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.

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

| PLN '000 | Statement of financial position | | Statement of comprehensive income for the nine months ended |
|---|---------------------------------|--------------------------|---|
| | Sep 30 2013 (unaudited) | Dec 31 2012 (audited) | Sep 30 2013 (unaudited) |
| <i>Deferred tax assets</i> | | | |
| Impairment losses on property, plant and equipment and other intangible assets | 123,494 | 100,679 | 22,815 |
| Impairment losses on YME field assets | 754,346 | 806,962 | (52,616) |
| Assets/provisions related to site reclamation and future costs of decommissioning of oil and gas facilities | 191,306 | 28,086 | 163,220 |
| Accrued tax loss carry-forward | 1,193,611 | 986,442 | 207,169 |
| Contractual obligation under fuel stock rotation agreement | 27,814 | - | 27,814 |
| Other | 164,521 | 169,840 | (5,319) |
| Total | 2,455,092 | 2,092,009 | 363,083 |
| <i>Deferred tax liabilities</i> | | | |
| Difference between present tax value and carrying amount of property, plant and equipment and other intangible assets | 1,444,836 | 1,112,151 | 332,685 |
| Exchange differences on revaluation of foreign-currency denominated items | 5,609 | 34,605 | (28,996) |
| Accrued interest | 43,949 | 33,128 | 10,821 |
| Other | 114,531 | 112,980 | 1,551 |
| Total | 1,608,925 | 1,292,864 | 316,061 |
| Deferred tax expense | | | 47,022 |
| <i>Translation reserve</i> | | | 71,300 |
| <i>Deferred tax disclosed under other comprehensive income, net</i> | | | (5,656) |
| Deferred tax expense recognised in consolidated profit or loss | | | 112,666 |
| Net deferred tax assets/(liabilities) | 846,167 | 799,145 | |
| including: | | | |
| <i>Deferred tax assets</i> | 2,455,092 | 2,092,009 | |
| <i>Deferred tax liabilities</i> | (1,608,925) | (1,292,864) | |

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

11. Net earnings per share

| | 3 months ended Sep 30 2013 (unaudited) | 9 months ended Sep 30 2013 (unaudited) | 3 months ended Sep 30 2012 (unaudited) | 9 months ended Sep 30 2012 (unaudited) |
|--|---|---|---|---|
| Net profit attributable to owners of the Parent (PLN '000) (A) | 337,232 | 63,795 | 625,969 | 694,154 |
| Weighted average number of shares ('000) (B) | 129,873 | 129,873 | 129,873 | 129,873 |
| Net earnings per share (PLN) (A/B) | 2.60 | 0.49 | 4.82 | 5.34 |

Net earnings per share for each reporting period are calculated by dividing net profit for a given reporting period by the weighted average number of shares in the reporting period.

Diluted net earnings per share are equal to basic net earnings per share since the Group carries no instruments with a dilutive effect.

12. Dividends

On June 28th 2013, the General Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the Company's net profit for 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 September 30th 2013 and December 31st 2012, Grupa LOTOS S.A.'s ability to distribute funds in the form of dividends was restricted. The restrictions followed from the credit facility 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 a sufficient cash surplus and achievement of financial ratios at prescribed levels.

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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 | 170 | 4,884 ⁽²⁾ | 9,927 ⁽⁴⁾ | 8,842 | 23,823 |
| Translation reserve | (75,693) | (8,691) | 28 | 56 | (84,300) |
| Used / Reversed | (108,967) ⁽¹⁾ | (553) ⁽³⁾ | (405) | (10,326) | (120,251) |
| Sep 30 2013 (unaudited) | 1,132,110 | 146,705 | 11,843 | 175,724 | 1,466,382 |
| Jan 1 2012 (audited) | 366,467 | 64,340 | 11,437 | 195,646 | 637,890 |
| Recognised | 937,441 ⁽⁵⁾ | - | 6,345 ⁽⁴⁾ | 11,830 | 955,616 |
| Translation reserve | (6,212) | (963) | (81) | (1,234) | (8,490) |
| Used / Reversed | (4,275) | - | (9,556) ⁽⁶⁾ | (7,591) | (21,422) |
| Sep 30 2012 (unaudited) | 1,293,421 | 63,377 | 8,145 | 198,651 | 1,563,594 |

⁽¹⁾ Including:

- PLN 37,705 thousand on assets associated with the Waterproofing Materials Production Plant, sold in July 2013 (see Note 24),
- PLN 48,273 thousand on 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),
- PLN 20,240 thousand on assets associated with the YME field, which as at September 30th 2013 were classified as assets held for sale,

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

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

⁽⁴⁾ Including PLN 9,587 thousand towards natural wastage accounted for upon completion of an inventory-taking process (in the nine months ended September 30th 2012: PLN 5,207 thousand),

⁽⁵⁾ Including PLN 936,584 thousand on assets associated with the YME field,

⁽⁶⁾ Including PLN 4,929 thousand under reversal of an impairment loss on materials and finished products of PLN 4,220 thousand.

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 taken to 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 | 9 months ended Sep 30 2013 | | 9 months ended Sep 30 2012 | |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | (unaudited) | | (unaudited) | |
| Acquisition of property, plant and equipment and other intangible assets | 358,455 | | 471,437 | |
| | 9 months ended Sep 30 2013 | | 9 months ended Sep 30 2012 | |
| | (unaudited) | | (unaudited) | |
| | Carrying amount | Effect of transaction | Carrying amount | Effect of transaction |
| Sale of property, plant and equipment and other intangible assets | 179 ⁽¹⁾ | 3,073 ⁽¹⁾ | 6,378 | 3,371 |

⁽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

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with the B-4 and B-6 gas fields, in respect of which impairment losses had been recognised at their full value, reversed in the nine months ended September 30th 2013 (see: Note 13).

As at September 30th 2013, the Group's contractual commitments for the acquisition of property, plant and equipment totalled PLN 116,391 thousand (December 31st 2012: PLN 82,633 thousand).

15. Cash structure in the statement of cash flows

| PLN '000 | Sep 30 2013 | Sep 30 2012 |
|---------------------------|--------------------|--------------------|
| | (unaudited) | (unaudited) |
| Cash at bank | 300,912 | 479,894 |
| Cash in hand | 402 | 391 |
| Other cash | 4,999 | 482 |
| Cash and cash equivalents | 306,313 | 480,767 |
| Overdraft facilities | (115,154) | (354,595) |
| Total | 191,159 | 126,172 |

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 | 9 months ended | 9 months ended |
|--|-----------------------|-----------------------|
| PLN '000 | Sep 30 2013 | Sep 30 2012 |
| | (unaudited) | (restated) |
| | (unaudited) | (unaudited) |
| Change in trade receivables | (621,970) | (310,364) |
| Change in the Group structure | - | (25) |
| Change in trade receivables in the statement of cash flows | (621,970) | (310,389) |

| Other assets | | 9 months ended | 9 months ended |
|---|-------------|-----------------------|-----------------------|
| PLN '000 | Note | Sep 30 2013 | Sep 30 2012 |
| | | (unaudited) | (restated) |
| | | (unaudited) | (unaudited) |
| Change in other non-current and current assets in the statement of financial position | | (10,689) | (13,995) |
| Change in other financial assets | | (13,406) | 17,319 |
| Change in investment receivables | | (2,845) | (2,106) |
| Change in receivables from sale of assets associated with the Waterproofing Materials Production Plant ⁽¹⁾ | | 8,000 | - |
| Change in receivables from sale of shares in other entities | | - | (300) |
| Set-off of current tax payables against VAT receivables | | (8,219) | (11,810) |
| Change in commission fees on revolving facilities, amortised over time | | (273) | (273) |
| Cash blocked under agreement with SBM | 6 | 232,309 | - |
| Other | | 625 | 1,821 |
| Change in other assets in the statement of cash flows | | 205,502 | (9,344) |

⁽¹⁾ See Note 24.

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| Inventories | | 9 months ended | 9 months ended |
|--|------|-----------------------|-----------------------|
| PLN '000 | Note | Sep 30 2013 | Sep 30 2012 |
| | | (unaudited) | (unaudited) |
| Change in inventories in the statement of financial position | | 560,775 | 21,074 |
| Contractual obligation under fuel stock rotation agreement | 6 | 146,388 | - |
| Other | | (221) | 214 |
| Change in inventories in the statement of cash flows | | 706,942 | 21,288 |

| Trade payables | | 9 months ended | 9 months ended |
|---|--|-----------------------|-----------------------|
| PLN '000 | | Sep 30 2013 | Sep 30 2012 |
| | | (unaudited) | (restated) |
| | | (unaudited) | (unaudited) |
| Change in trade payables in the statement of financial position | | (57,478) | (318,856) |
| Change in the Group structure | | - | 9,920 |
| Change in trade payables in the statement of cash flows | | (57,478) | (308,936) |

| Other liabilities and provisions | | 9 months ended | 9 months ended |
|---|------|--------------------------|-----------------------|
| PLN '000 | Note | Sep 30 2013 | Sep 30 2012 |
| | | (unaudited) | (restated) |
| | | (unaudited) | (unaudited) |
| Change in other liabilities and provisions in the statement of financial position | | 623,578 | (8,146) |
| Change in provision for oil and gas facilities | | (204,254) ⁽¹⁾ | (6,017) |
| Adjustment for deposits earmarked for repayment of bank borrowings | | (79,305) | (95,394) |
| Change in investment commitments | | 91,593 | 22,128 |
| Contractual obligation under fuel stock rotation agreement | 6 | (146,388) | - |
| Change in liabilities related to acquisition of shares in related entities | | 12,284 | 40,446 |
| Set-off of current tax assets against VAT liabilities | | 9,817 | 75,730 |
| Adjustment for cash earmarked for acquisition of shares in related entities | | - | 26,169 |
| Other | | (1,829) | 11,469 |
| Change in other liabilities and provisions in the statement of cash flows | | 305,496 | 66,385 |

⁽¹⁾ Including PLN (204,073) thousand related to the provision for the offshore oil production facility in the YME field in Norway (see Notes 6 and 21).

| Cash and cash equivalents | | 9 months ended | 9 months ended |
|--|--|-----------------------|-----------------------|
| PLN '000 | | Sep 30 2013 | Sep 30 2012 |
| | | (unaudited) | (unaudited) |
| Change in cash and cash equivalents in the statement of financial position | | 37,980 | 97,087 |
| Change in overdraft facilities | | 393,834 | (132,467) |
| Change in cash in the statement of cash flows | | 431,814 | (35,380) |

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

| Purchase of property, plant and equipment and intangible assets | 9 months ended Sep 30 2013 | 9 months ended Sep 30 2012 |
|---|-------------------------------|-------------------------------|
| PLN '000 | (unaudited) | (restated) (unaudited) |
| | Note | |
| Purchase of property, plant and equipment and other intangible assets | 14 | (471,437) |
| Change in investment commitments | | (22,128) |
| Acquisition of property, plant and equipment under a lease agreement | | (15,864) |
| Other | | 7,436 |
| Purchase of property, plant and equipment and other intangible assets as disclosed in the statement of cash flows | | (501,993) |

16. Borrowings, other debt instruments and finance lease liabilities

| PLN '000 | Sep 30 2013 | Dec 31 2012 |
|---------------------------|------------------|------------------|
| | (unaudited) | (audited) |
| Bank borrowings | 5,867,738 | 6,373,535 |
| Non-bank borrowings | 12,056 | 17,056 |
| Finance lease liabilities | 158,059 | 166,109 |
| Total | 6,037,853 | 6,556,700 |
| <i>including:</i> | | |
| <i>non-current</i> | 4,501,954 | 4,462,098 |
| <i>current</i> | 1,535,899 | 2,094,602 |

Bank borrowings are primarily attributable to the Parent.

As at September 30th 2013, the Parent had drawn (in nominal terms) USD 1,366.9m (PLN 4,268.6m as translated at the mid-exchange rate quoted by the National Bank of Poland for September 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 as translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2012).

The Parent has also contracted a credit facility for the financing and refinancing of its inventories. As at September 30th 2013 and December 31st 2012, the amount drawn under the facility was USD 300m (PLN 936.8m as translated at the mid-exchange rate quoted by the National Bank of Poland for September 30th 2013, and PLN 929.9m as translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2012).

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

In the nine months ended September 30th 2013, proceeds from bank borrowings contracted by the Group amounted to PLN 526,505 thousand, while repayments of borrowings and other debt instruments in the same period amounted to PLN 625,397 thousand. In the comparative period ended September 30th 2012, proceeds from bank borrowings contracted by the Group amounted to PLN 394,594 thousand, while repayments of borrowings and other debt instruments in the same period amounted to PLN 673,356 thousand. The above amounts were presented in cash flows from financing activities, under *Proceeds from borrowings* and *Repayment of borrowings*, respectively. In the nine months ended September 30th 2013 and September 30th 2012, the Group did not take out any non-bank borrowings.

In the nine months ended September 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 or repayment of debt or 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 nine months ended September 30th 2013.

In the nine months ended September 30th 2012, LOTOS Asphalt Sp. z o.o. issued and redeemed its short-term bearer notes which were acquired by third-party investors and Group companies. Proceeds from notes issued to investors outside the Group (net of the issue expenses) totalled PLN 362,367 thousand, with the related issue expenses amounting to PLN 364,000 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 nine months ended September 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 | 5,977 | 1,534 | 7,511 |
| Translation reserve | - | 15 | 15 |
| Used | (4,399) | (1,156) | (5,555) |
| Released | (2,379) | (638) | (3,017) |
| Benefits paid | (3,376) | (807) | (4,183) |
| Sep 30 2013 (unaudited) | 106,264 | 34,123 | 140,387 |
| <i>including:</i> | | | |
| <i>non-current</i> | 102,162 | 28,871 | 131,033 |
| <i>current</i> | 4,102 | 5,252 | 9,354 |
| Jan 1 2012 (audited) | 94,567 | 37,234 | 131,801 |
| Recognised | 8,425 | 1,316 | 9,741 |
| Exchange differences on translating foreign operations | - | (51) | (51) |
| Used | (1,492) | (718) | (2,210) |
| Released | (1,664) | (802) | (2,466) |
| Benefits paid | (6,371) | (1,766) | (8,137) |
| Sep 30 2012 (unaudited) | 93,465 | 35,213 | 128,678 |
| <i>including:</i> | | | |
| <i>non-current</i> | 87,384 | 30,180 | 117,564 |
| <i>current</i> | 6,081 | 5,033 | 11,114 |

19. Provisions

| | <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 | | |
| PLN '000 | | | | | |
| Jan 1 2013 (audited) | 41,770 | 18,268 | 297,949 | 33,755 | 391,742 |
| Recognised | 1 | 199 | 272,597 ⁽¹⁾ | 1,614 | 274,411 |
| Change in provisions for liabilities attributable to the approaching maturity date (discount reversal effect) | 206 | 194 | 7,052 | - | 7,452 |
| Translation reserve | - | 572 | (18,486) | (389) | (18,303) |
| Used | (828) | - | (57,874) ⁽¹⁾ | (5,701) | (64,403) |
| Released | (5,206) | - | - | (5,011) | (10,217) |
| Sep 30 2013 (unaudited) | 35,943 | 19,233 | 501,238 | 24,268 | 580,682 |
| <i>including:</i> | | | | | |
| <i>non-current</i> | 35,663 | 19,233 | 440,989 | 280 | 496,165 |
| <i>current</i> | 280 | - | 60,249 | 23,988 | 84,517 |
| 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) | 263 | 679 | 6,913 | 29 | 7,884 |
| Translation reserve | - | (1,311) | (889) | - | (2,200) |
| Used | (136) | - | (7) | (1,382) | (1,525) |
| Released | (13) | - | - | (894) | (907) |
| Sep 30 2012 (unaudited) | 41,755 | 18,284 | 228,603 | 20,090 | 308,732 |
| <i>including:</i> | | | | | |
| <i>non-current</i> | 41,522 | 18,284 | 228,603 | 280 | 288,689 |
| <i>current</i> | 233 | - | - | 19,810 | 20,043 |

⁽¹⁾ Revaluation of provision related to the offshore oil production facility in the YME field in Norway.

20. Changes in the method of determination of fair value of financial instruments measured at fair value and in the classification of financial instruments

In the nine months ended September 30th 2013, the Group made no changes to the method of fair value measurement 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 instruments.

Fair value hierarchy

| PLN '000 | Sep 30 2013 | | Dec 31 2012 | |
|-------------------------------------|----------------|-----------------|----------------|------------------|
| | (unaudited) | | (audited) | |
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Financial assets | 2,453 | 45,063 | - | 121,334 |
| Commodity swap | - | 1,559 | - | 45 |
| Futures (CO ₂ emissions) | 2,453 | - | - | - |
| Currency forward and spot contracts | - | 18,526 | - | 73,452 |
| Interest rate swap (IRS) | - | - | - | 11,318 |
| Currency swap | - | 24,978 | - | 36,519 |
| Financial liabilities | (9,001) | (87,556) | (3,787) | (175,538) |
| Commodity swap | - | (11,604) | - | (337) |
| Futures (CO ₂ emissions) | (9,001) | - | (3,787) | - |
| Currency forward and spot contracts | - | (8) | - | (9,161) |
| Interest rate swap (IRS) | - | (75,240) | - | (148,007) |
| Currency swap | - | (704) | - | (18,033) |
| Total | (6,548) | (42,493) | (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, 9th Commercial Division, issued a default judgment 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 judgment by lodging an objection to the default judgment 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 judgment immediately enforceable, and awarded reimbursement of the cost of proceedings to LOTOS Paliwa Sp. z o.o. In the reporting period ended September 30th 2013, following earlier decisions rendered in the case by the Regional Court in Gdańsk and the Court of Appeals in Gdańsk, the Court Enforcement Officer issued a decision reversing the earlier seizure of receivables from LOTOS Paliwa Sp. z o.o.'s bank account in the amount of PLN 18,320 thousand, which was established to secure the plaintiff's claims in 2009. As at December 31st 2012, the Group disclosed the blocked cash amount as *Cash blocked in bank accounts* under *Current financial assets* (see Note 18 to the 2012 consolidated financial statements).

The most recent hearing was held on September 25th 2013 and as at the approval date of these interim condensed consolidated financial statements the case was pending.

- 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 stated above, i.e. USD 18.7m in total. On February 20th 2012, a decision in the arbitration proceedings was announced. All SBM's claims 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 counterclaims. SBM's claims were lodged and subsequently modified by 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.

On March 12th 2013, Talisman (the YME field operator) and SBM (the owner of the MOPU) 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 MOPU from the YME field. Under the agreement, SBM paid an amount of USD 470m to the joint venture partners. On behalf of the licence holders, Talisman agreed to make the necessary preparations, remove the MOPU from the field and transport it to the handover point. SBM will be responsible for towing and scrapping the unit onshore. Following completion of certain works, the ownership of elements of the YME field in situ subsea infrastructure delivered by SBM will be transferred to the consortium members, who will be required to perform reclamation (and disassembly) activities related to the infrastructure after the end of the production phase. The parties will cover the costs of decommissioning work as set out in the agreement. The agreement was approved by all partners in the YME licence, including LOTOS E&P Norge AS. It includes an arrangement concerning termination of all pending arbitration proceedings (between SBM and Talisman and the remaining YME licence holders).

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 E&P 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 withdrawn to finance works connected with the removal of the MOPU and infrastructure from the field, as defined in the agreement. The cash deposited in the escrow account, expressed in the presentation currency, was recognised in the consolidated statement of financial position as at September 30th 2013 under *Other current/non-current assets* (PLN 183,147 thousand and PLN 49,162 thousand respectively) and under *Cash blocked under agreement with SBM* in Note 15 (PLN 232,309 thousand). For more information on the effect of the agreement on material items presented in these interim condensed consolidated financial statements, see Note 6.

In connection with indications of impairment of the investment expenditure incurred on the YME field, in 2011 and 2012 the Group recognised impairment losses on the outlays (see consolidated financial statements for 2011 and 2012). As a result of these impairment losses and the tax losses incurred in Norway, a deferred tax asset was recognised, which in these consolidated financial statements as at September 30th 2013 is disclosed at PLN 1,073m (NOK 2,068m).

- 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. In the reporting period ended September 30th 2013, AGR brought the case to court by filing a petition to call LOTOS Petrobaltic S.A. to appear at a conciliation hearing. On October 21st 2013, LOTOS Petrobaltic S.A. received a notice from the District Court for Gdańsk-Póńoc to appear at a conciliation hearing with AGR. The date of the hearing had been set for November 19th 2013.

As at September 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 filled to a disproportionately larger extent than the orders of PETROECCO JV Sp. z o.o. On June 26th 2013, PETROECCO JV Sp. z o.o. appealed against the decision, but the appeal has not yet been delivered to Grupa LOTOS S.A. as the court ordered an investigation to determine the current assets and financial standing of the plaintiff. As at the date of approval 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 the proceedings.

Contingent liabilities and assets

- As at September 30th 2013, the Parent had a PLN 240,000 thousand blank promissory note deposited at the Customs Office in Gdańsk as lump-sum security for excise duty of PLN 800,000 thousand. The security is valid until August 19th 2014.
- 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 September 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 the exploration for and extraction of natural resources from the sea bottom, including their storage and transport with means of transport other than ships.

In the nine months ended September 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 | 9 months ended Sep 30 2013 ⁽¹⁾ | 9 months ended Sep 30 2012 ⁽²⁾ |
|----------|--|--|
| | (unaudited) | (unaudited) |

Jointly-controlled entities

| | | |
|---|-----------------------|--------|
| Sales to related entities | 97 | 4,936 |
| Contribution of non-current assets associated with the B-4 and B-6 fields | 51,700 ⁽³⁾ | - |
| Purchases from related entities | 223 | 29,566 |

⁽¹⁾ The Group traded with UAB Minijos Nafta, Baltic Gas Sp. z o.o. and Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. 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 spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k., 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 | Sep 30 2013 | Dec 31 2012 |
|----------|-------------|-------------|
| | (unaudited) | (audited) |

Jointly-controlled entities

| | | |
|-----------------------------------|----|-------|
| Receivables from related entities | 15 | 2,507 |
| Liabilities to related entities | 13 | 138 |

As at September 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 September 30th 2013 and December 31st 2012, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the nine months ended September 30th 2013 and September 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 nine months ended September 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 involved mainly sale of fuels and storage services, purchase of energy, fuels, transport services and storage services, as well as lease arrangements. In the nine months ended September 30th 2013, the value of sales under the transactions totalled PLN 250,678 thousand (nine months ended September 30th 2012: PLN 664,812 thousand), with the value of purchases standing at PLN 1,149,755 thousand (nine months ended September 30th 2012: PLN 900,123 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 nine months ended September 30th 2013 and September 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 condensed consolidated financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the nine months ended September 30th 2013 and September 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 by blood or marriage 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

- On October 7th 2013, LOTOS Petrobaltic S.A. and Polskie Inwestycje Rozwojowe S.A. ("PIR") signed an agreement to jointly finance the development of the B-8 oil field in the Baltic Sea. The purpose of the agreement is to work out the terms and structure of financing for the project, in connection with which a special purpose vehicle (SPV) is to be formed, to which LOTOS Petrobaltic S.A. will transfer the B-8 field licence and assets. The tasks to be carried out by the SPV include the completion of drilling work within the field, installation of subsea production facilities, and conversion of the Petrobaltic drilling platform to a production unit. Subsequently, the SPV will produce and sell oil and gas extracted from the B-8 field. PIR will have its claims subordinated to those of banks as senior lenders, or it will be a minority holder of the SPV's equity if it elects to exercise the equity participation option. The financing can take the form of a private placement of corporate bonds with restricted transferability, and the financing period should not exceed 10 years. PIR has expressed its willingness to participate in the project financing on market terms. The total cost of the B-8 project, including the value of assets contributed by LOTOS Petrobaltic S.A. to the SPV, stands at ca. PLN 1,600m, of which the market value of the assets contributed by LOTOS Petrobaltic S.A. is approximately PLN 700m, and the total external financing sourced from banks and PIR amounts to approximately PLN 900m. The agreement provides that PIR's share in the project financing will not exceed PLN 563m. The parties want the first tranche of the PIR financing to be advanced in the first half of 2014. The final project financing structure will be arrived at through further analyses and negotiations, and in consultation with banks interested in providing funds for the project. The details of the final financing structure will be published in a report.
- On October 14th 2013, Grupa LOTOS S.A. was notified of the clearance issued by the European Commission for the establishment of a new entity on the basis of LOTOS Tank Sp. z o.o., through which Grupa LOTOS S.A. and BP Europa SE will pursue joint operations in the aviation fuel market (see Note 3). Both parties began to prepare documents necessary for the conclusion of an agreement concerning the purchase of shares in LOTOS Tank Sp. z o.o. by BP Europa SE.

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).
- On July 1st 2013, LOTOS Asfalt Sp. z o.o. sold the Waterproofing Materials Production Plant in Jasło under a notarial deed of June 27th 2013.
- On June 28th 2013, LOTOS Petrobaltic S.A., acting pursuant to the agreement of October 28th 2009 for purchase of the remaining 49.08% interest in Energobaltic Sp. z o.o. (as part of a step acquisition process), paid PLN 13,112 thousand to Stablewood Power Ventures Ltd. as the final instalment of the purchase price for the shares and debt claims of 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.
- 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 for a period of three years.
- On August 14th 2013, Polskie Górnictwo Naftowe i Gazownictwo S.A. and LOTOS Petrobaltic S.A. signed an agreement on joint operations in the Kamień Pomorski licence area. The cooperation is primarily aimed at intensifying exploration operations in Poland to ramp up crude oil and natural gas production. Located in the Province of Szczecin, the Kamień Pomorski licence area (217 sq km) is among the most prospective ones in the region.

Contracts with a value exceeding 10% of equity

- 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.

THE LOTOS GROUP
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- 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.
- 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 VAT-exclusive value of PLN 257m. 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.
- In the twelve months to August 28th 2013, Grupa LOTOS S.A. entered into a series of contracts with VITOL S.A. of Geneva, the aggregate value of which was approximately PLN 859m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the spot contract for crude oil supplies to Grupa LOTOS S.A. of August 28th 2013, with an estimated value of approximately PLN 263.5m. The agreement 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.
- In the period from the release of Current Report No. 47/2012 of December 31st 2012 to August 28th 2013, Grupa LOTOS S.A. executed a series of agreements with BP Oil International Limited of London, the aggregate value of which was approximately PLN 668m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the agreement with a fixed term (from January 1st 2013 to December 31st 2013) of December 7th 2012, providing for supply of raw gasoline to BP, with an estimated value of approximately PLN 336m. The agreement 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.
- In the period from the release of Current Report No. 46/2012 of December 31st 2012 to September 25th 2013, Grupa LOTOS S.A. executed a series of agreements with Shell Trading International Limited of London, the aggregate value of which amounted to approximately PLN 714m, which qualifies as significant agreement (value in excess of 10% of Grupa LOTOS S.A.'s equity). The highest-value transaction is the agreement of July 10th 2013, under which the Company purchased crude oil from Shell Trading International Limited, with an estimated value of approximately PLN 260m. The agreement 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.

25. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board on October 28th 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, Chief Exploration and Production Officer | |
| | 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 |