This is a translation of a document originally issued in Polish

MANAGEMENT'S DISCUSSION AND ANALYSIS OF Q3 2013 CONSOLIDATED FINANCIAL PERFORMANCE

GRUPA LOTOS S.A.

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

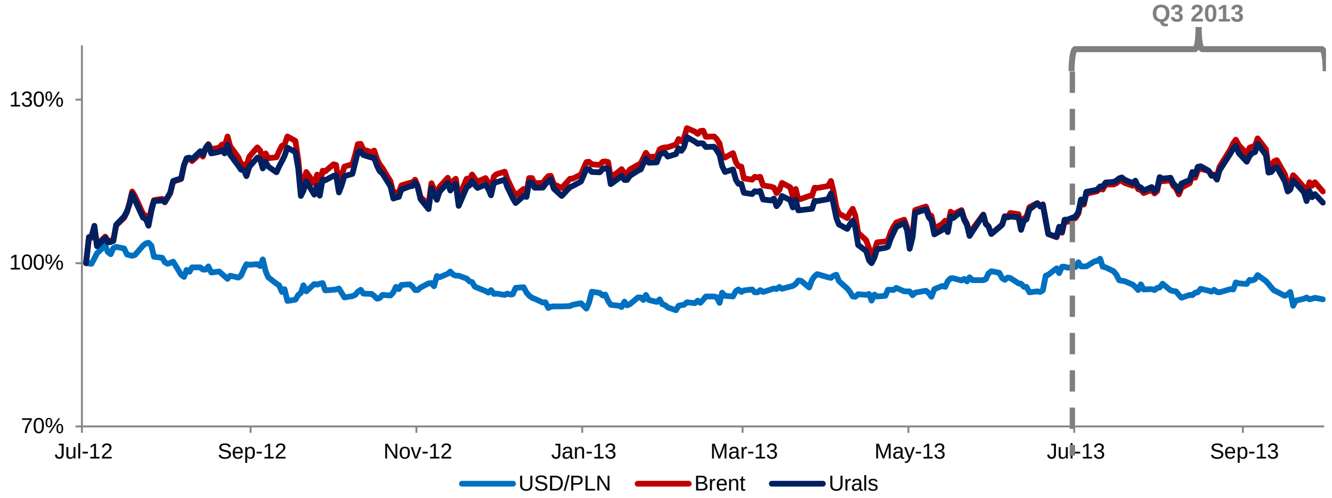
Contents

*An excel file with the operating and financial data for Q3 2013 and the previous reporting periods is published together with the Q3 2013 quarterly report as the "**databook**", and can be found in the Investor Relations section of our website.*

1 Market environment

- **Higher prices of Brent and Urals crude quarter on quarter and year on year**
- **Brent/Urals differential down to USD 0.15/bbl**
- **Grupa LOTOS S.A.'s model refining margin at USD 4.32/bbl**
- **Quarter-on-quarter and year-on-year appreciation of the złoty against the US dollar as at the end of Q3 2013**

Brent/Urals prices and the USD/PLN exchange rate



Brent/Urals prices and spread (USD/bbl)

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
DATED Brent FOB prices	**110.19**	102.53	109.60	**7.5%**	**0.5%**
Urals CIF Rotterdam prices	**110.04**	101.88	108.91	**8.0%**	**1.0%**
Brent/Urals differential *	**0.15**	0.65	0.69	**-76.9%**	**-78.3%**

** Brent vs. Urals spread*

In order to facilitate assessment of the impact of global commodity and product prices on the profitability of Grupa LOTOS S.A.'s refinery, the Company revised its model refining margin for Q3 2013 and comparative periods. For a description of the new method of estimating the refining margin, see p. 9 and Current Report No. 25/2013 of October 29th 2013.

Model refining margin (USD/bbl)

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
According to previous model*	**1.91****	4.08	4.46	5.40	6.95
According to new model	**4.32**	6.08	7.31	9.10	9.68

** The Company's model refining margin estimated in accordance with the previous model, as published in Current Report No. 30/2011 of October 26th 2011.*
*** Theoretical value presented for comparison only.*

Crack margins (USD/t)

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Gasoline	**173.20**	181.45	233.13	**-4.5%**	**-25.7%**
Naphtha	**67.25**	52.30	75.04	**28.6%**	**-10.4%**
Diesel oil (10 ppm)	**117.55**	119.11	153.54	**-1.3%**	**-23.4%**
Light fuel oil	**93.77**	100.66	116.28	**-6.9%**	**-19.4%**
Jet fuel	**154.60**	154.55	192.97	**0.0%**	**-19.9%**
Heavy fuel oil	**-242.35**	-198.07	-211.79	**-22.4%**	**-14.4%**

USD/PLN exchange rates

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
PLN/USD exchange rate at end of period	**3.12**	3.32	3.18	**-6.0%**	**-1.8%**
Average quarterly PLN/USD exchange rate	**3.21**	3.21	3.31	0.0%	**-3.0%**

Factors with a material bearing on the LOTOS Group's performance in the reporting period included:

Exchange rates:

- depreciation of the US dollar against the złoty
- net foreign exchange gains on operating activities (PLN 63.7m, compared with PLN 18.3m in Q2 2013)
- slight depreciation of the US dollar at the end of the period (down 1.8% year on year) had a positive effect on remeasurement of the LOTOS Group's debt, most of which is denominated in the US dollar.

Feedstock and products:

- crack margins on key products down quarter on quarter and year on year, in particular a larger negative margin on heavy fuel oil (-22.4% quarter on quarter, -14.4% year on year)
- brent/Urals differential down to USD 0.15/bbl adding pressure on the LOTOS Group's margins
- continued decline in Grupa LOTOS S.A.'s model refining margin (USD 4.32/bbl under the new calculation method).

2 Upstream segment

- **Joint financing agreement with Polskie Inwestycje Rozwojowe concerning the B8 field development project**

Crude oil reserves, production and sales

Reserves (mbbl) *	Sep 30 2013	Jun 30 2013	Sep 30 2012		
Norway	**13.33**	13.33***	12.95		
Poland	**31.53**	31.78	32.74		
Lithuania **	**7.65**	7.79	6.21		
Total	**52.51**	52.90	51.90		
Production (bbl/d)	**Q3 2013**	**Q2 2013**	**Q3 2012**	**Q3 2013/Q2 2013**	**Q3 2013/Q3 2012**
Poland	**2,943**	3,101	3,233	-5.1%	-9.0%
Lithuania **	**1,545**	1,485	1,579	4.0%	-2.2%
Total	**4,488**	4,586	4,812	-2.1%	-6.7%
Sales of own products (bbl)	**Q3 2013**	**Q2 2013**	**Q3 2012**	**Q3 2013/Q2 2013**	**Q3 2013/Q3 2012**
Poland	**220,386**	224,885	216,236	-2.0%	1.9%
Lithuania **	**98,405**	142,113	120,084	-30.8%	-18.1%
Total	**318,791**	366,998	336,320	-13.1%	-5.2%

** 2P – proved and probable reserves*

*** Pro rata to the ownership interest in the AB LOTOS Geonafta Group; the change in reserves relative to Q3 2012 results mainly from the purchase of a 50% interest in UAB Manifoldas.*

**** The change in the reported reserves results exclusively from the application of a different tonne-to-barrel conversion method for the Yme field.*

Natural gas reserves, production and sales

Reserves (billion m^3)*	Sep 30 2013	Jun 30 2013	Sep 30 2012		
Poland	**0.472**	0.476	0.488		
Production (million m^3)	**Q3 2013**	**Q2 2013**	**Q3 2012**	**Q3 2013/Q2 2013**	**Q3 2013/Q3 2012**
Poland	**3.90**	3.90	4.20	0.0%	-7.1%
Sales (million m^3)	**Q3 2013**	**Q2 2013**	**Q3 2012**	**Q3 2013/Q2 2013**	**Q3 2013/Q3 2012**
Poland	**2.90**	3.10	2.50	-6.5%	16.0%

** 2P – proved and probable reserves*

LOTOS Petrobaltic S.A. (LPB)

On October 7th 2013, LOTOS Petrobaltic S.A. and Polskie Inwestycje Rozwojowe S.A. (PIR) signed a **letter of intent to jointly finance the development of the B8 oil field in the Baltic Sea**.

The purpose of the agreement is to work out the terms and structure of financing for the project. A special purpose vehicle (SPV) will be formed, to which LPB will transfer the B8 field licence and assets, i.e. the Petrobaltic platform, production and injection wells, and the loading buoy.

The project provides for the completion of drilling work within the field, installation of subsea production facilities, and conversion of the Petrobaltic drilling platform to a production unit. Production from the B8 field is scheduled to begin in late 2015, with an expected crude oil production of approximately 220 thousand tonnes annually until 2031. The project is expected to boost the LOTOS Group's annual revenue by ca. PLN 600m.

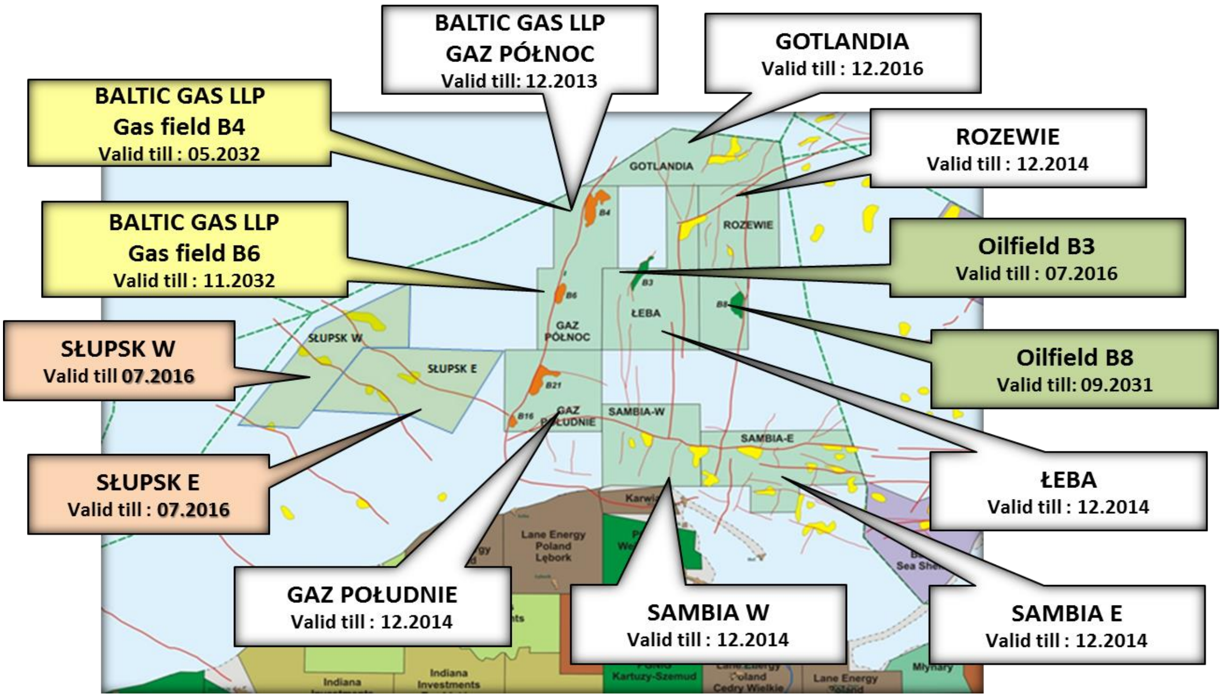
The total cost of the B8 project, including the value of assets contributed by LPB to the SPV, stands at ca. PLN 1,600m, of which the market value of the assets contributed by LPB is approximately PLN 700m, and the total external financing sourced from banks and PIR amounts to approximately PLN 900m.

The agreement provides that PIR's share in the project financing will not exceed PLN 563m (for more information see Current Report No. 21/2013 of October 7th 2013).

In Q3 2013, LPB continued to produce crude oil from the B3 field.

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

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



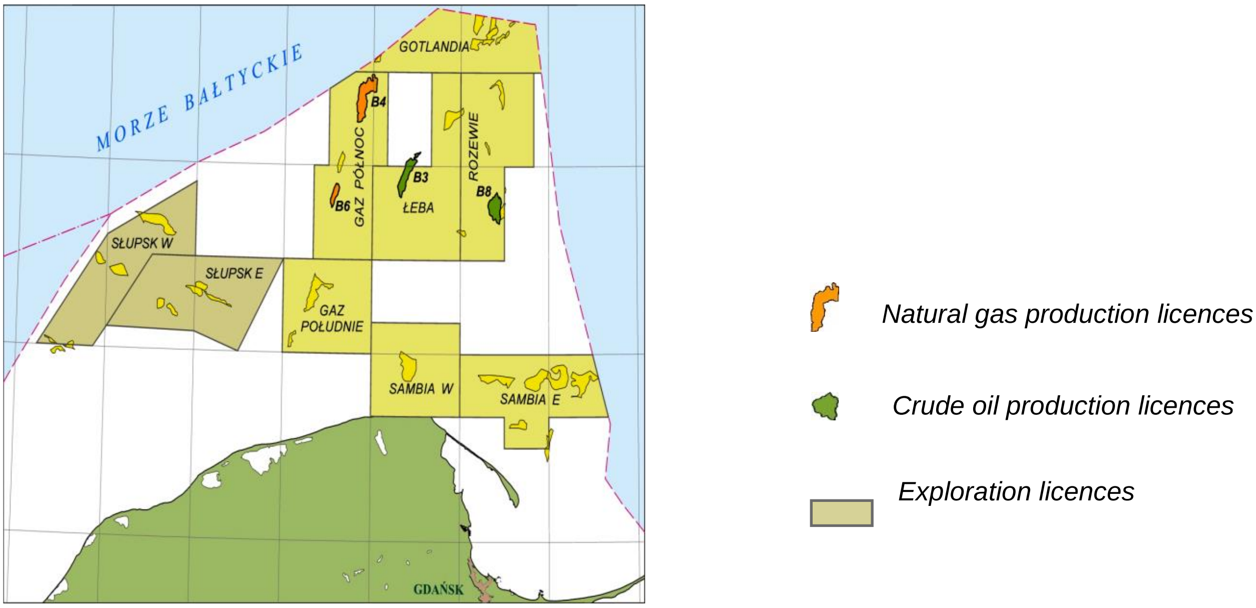
In August, the drilling of the B28S-1 exploration well was completed north of the B8 field, having recorded a gas flow.

In July, LPB announced a public tender for the performance of 2D/3D seismic surveys over the Łeba, Rozewie, Sambia W and Sambia E licence areas, which was closed in September. LPB secured all environmental approvals required for the surveys.

In October, Baltic Gas Sp z o.o. i wspólnicy Spółka Komandytowa, LPB's subsidiary, obtained the Minister of Environment's approval for a change in the scope of work and acquisition of 290 km^2 of 3D seismic within the Gas Północ licence area, and for the extension of the licence term until April 14th 2014.

Seismic surveys were carried out over the B4 and B6 gas fields within the Gaz Północ licence held by Baltic Gas (a subsidiary established by LPB and CalEnergy Resources Poland) in order to better understand the fields' geological structure before production wells are drilled.

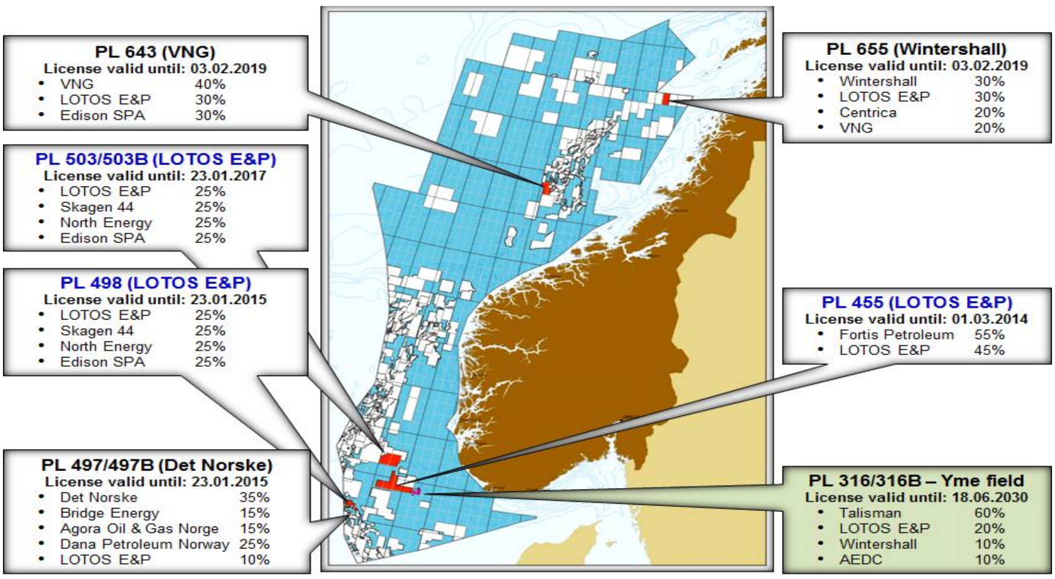
Within the Gaz Południe exploration and appraisal licence area, where the B21 and B16 natural gas accumulations have been found and confirmed by a number of exploration wells, seismic surveys were completed to facilitate the evaluation of reserves and planning of further wells.



LOTOS Exploration & Production Norge AS (LEPN)

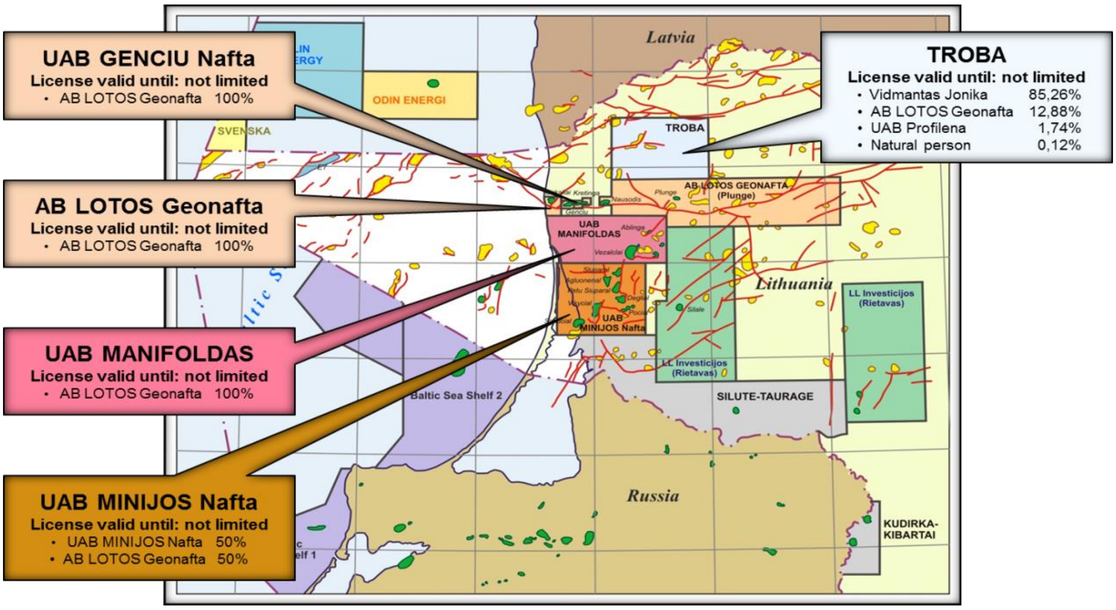
In Q3 2013, 3D seismic surveys were completed over the PL643 licence area on the Norwegian Continental Shelf, the results of which will be available in Q4 2013.

In September 2013, LEPN filed three licence applications for the award of further acreage under the APA 2013 round to be concluded in Q1 2014.



AB LOTOS Geonafta Group

In Q3 2013, Lithuanian companies AB LOTOS Geonafta and UAB Genciu Nafta were engaged in production of crude oil from the Girkaliai, Kretinga, Nausodis and Genciu onshore fields. UAB Manifoldas was producing oil from the Auksoras, Liziai and Veziaciai fields. LOTOS Geonafta completed drilling of the production well Nausodis-15 and spudded another production well - Liziai-3. 2D and 3D seismic surveys were carried out over the Klaipėda licence area (UAB Manifoldas), the results of which will be known in Q4 2013.



Upstream segment operating results (PLNm)

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Revenue	**118.3**	136.6	125.4	**-13.4%**	**-5.7%**
Operating profit/(loss)	**9.3**	122.5	46.4	**-92.4%**	**-80.0%**
Operating result net of non-recurring events*	**9.3**	52.5	46.4	**-82.3%**	**-80.0%**
Depreciation and amortisation	**34.6**	33.2	30.7	**4.2%**	**12.7%**
EBITDA	**43.9**	155.7	77.1	**-71.8%**	**-43.1%**

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

The upstream segment's revenue for Q3 2013 was down both year on year and quarter on quarter, mainly on the back of lower sales volumes of Lithuanian crude due to an incompatible delivery schedule, as well as to depreciation of the US dollar.

The decline in the Q3 2013 operating result compared with the adjusted (i.e. net of the effect of non-recurring events) operating result for Q2 2013 and Q3 2012 operating result, was attributable to:

- lower crude sales volumes (-13.1% quarter on quarter; -5.2% year on year),
- pepair of the PG-1 unmanned drilling rig in Q3 2013 (at a cost of approximately PLN 21.3m),
- increased depreciation and amortisation charges (up PLN 1.8m quarter on quarter and PLN 4.4m year on year) on Lithuanian assets, compounded by lower crude sales volumes (-30.8% quarter on quarter and -18.1% year on year),

- lower average quarterly exchange rate of the US dollar.

3 Downstream segment

- **Revised method of calculating the model refining margin by Grupa LOTOS S.A.**
- **Fastest-growing service station chain in Poland**

Structure of crude oil refining ('000 tonnes)

Volume of crude oil processed by the Gdańsk refinery	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
	2,398.2	**1,557.1**	**2,450.3**	54.0%	-2.1%
including:					
Urals crude	**2,024.1**	1,486.4	2,144.4	**36.2%**	**-5.6%**
Rozewie crude	**44.2**	32.3	46.6	**36.8%**	**-5.2%**
Lithuanian crude	**15.3**	9.6	0.0	**59.4%**	**-**
Other types of crude	**314.6**	28.8	259.3	**992.4%**	**21.3%**

In order to facilitate assessment of the impact of market environment on the LOTOS refinery's profitability following completion of the 10+ Programme and switch to natural gas as the fuel source, which have led to: (1) improved product mix, and (2) reduced consumption of crude oil for own needs thanks to enhanced energy efficiency profile, achieved through modernisation (maintenance shutdown), the Company has revised its refining margin model as of Q3 2013 (for more details, see Current Report No. 25/2013 of October 29th 2013)

The revised method of model margin calculation is based on the NWE market prices published by Thomson Reuters, and is built around a new yield structure, with the following price indices assigned: 14.14% gasoline (PRM UNL 10 ppm ARA); 4.24% naphtha (Naphtha CIF NWE); 4.53% LPG (50% Propane FOB NWE, 50% Butane FOB NWE); 49.57% diesel oil (ULSD 10 ppm CIF NWE); 5.34% jet fuel (Jet CIF NWE); 18.11% heavy fuel oil (HFO 3.5%S ARA), 4.07% refinery's own consumption (see the model refining margin table on p. 3).

In the calculation, the margin is reduced by the estimated cost of natural gas used (including transmission cost) of around USD 3 per barrel of oil processed.

The model margin is calculated for a yield structure estimated in the averaged scenario (excluding the annual seasonality) of typical annual operation of Grupa LOTOS' refinery. Annual throughput has been assumed to correspond to the distillation capacity utilisation of 95% if Urals crude was the only feedstock, whose value is determined as the sum of Dtd Brent price and the Urals vs. Brent spread.

In Q3 2013, the throughput capacity utilisation at the Gdańsk refinery, adjusted to market conditions, was 90.6% (down 8.1pp quarter on quarter), while the crude throughput volumes fell slightly, to 2,398 thousand tonnes (by 2.1% quarter on quarter).

In the reported period, new process furnaces in the gasoline hydrorefining and vacuum distillation units, which were integrated into the existing refinery infrastructure during the spring maintenance shutdown, became fully operational. With the furnaces' efficiency increased by approximately 10%, the overall energy efficiency of the plant has improved too.

Following the maintenance shutdown, the installation of a flare gas recovery system was completed, which redirects combustible gases back into the plant's fuel gas network. The flare gas recovery system will help reduce the annual quantity of natural gas purchases by around 5.5 thousand tonnes. In Q3 2013, the system recovered approximately 2.3 thousand tonnes of discharge gases, which reduced the refinery's requirement for purchased gas by some 880 tonnes.

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

Total output	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
	2,627.9	**1,731.0**	**2,667.6**	**51.8%**	**-1.5%**
Gasolines	**376.5**	237.0	368.0	**58.9%**	**2.3%**
Naphtha	**67.2**	68.1	69.4	**-1.3%**	**-3.2%**
Diesel oils	**1,242.9**	810.1	1,230.0	**53.4%**	**1.0%**
Light fuel oils	**54.3**	38.7	59.3	**40.3%**	**-8.4%**
Jet fuel	**126.5**	66.8	130.7	**89.4%**	**-3.2%**
Heavy fuel oils	**197.9**	207.5	272.8	**-4.6%**	**-27.5%**
Bitumen components	**256.4**	104.5	241.9	**145.4%**	**6.0%**
Other*	**306.2**	198.3	295.5	**54.4%**	**3.6%**

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

Sales structure of the downstream segment ('000 tonnes)

Sales of refining products, merchandise and materials	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
	2,512.9	**1,995.6**	**2,583.0**	**25.9%**	**-2.7%**
Gasolines	**428.7**	297.1	398.4	**44.3%**	**7.6%**
Naphtha	**67.2**	68.1	69.4	**-1.3%**	**-3.2%**
Diesel oils	**1,177.6**	1,052.0	1,223.9	**11.9%**	**-3.8%**
Light fuel oils	**52.3**	44.3	62.2	**18.1%**	**-15.9%**
Jet fuel	**123.6**	78.0	137.3	**58.5%**	**-10.0%**
Heavy fuel oils	**201.6**	196.4	252.8	**2.6%**	**-20.3%**
Bitumens	**260.2**	121.5	258.7	**114.2%**	**0.6%**
Other petroleum products	**201.7**	138.2	180.3	**45.9%**	**11.9%**

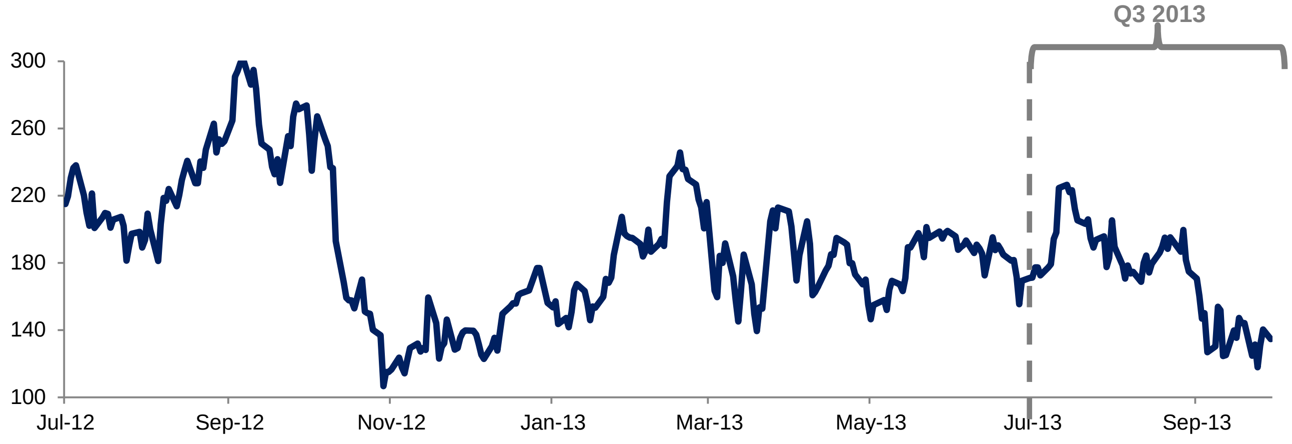
Petroleum products market after three quarters of 2013*

From January to August, the officially recorded demand for fuels in Poland fell 6.1%, with the growing grey market for fuels considered the main cause of the downtrend, further exacerbated by the macroeconomic weakness prevailing in the country. After the first nine months of 2013, the LOTOS Group held a 32.9% share in the domestic fuel market (wholesale and retail combined), and although the figure is 1.1pp less than in the corresponding period of the year before and in the year to date has well exceeded the Group's strategic target of 30% to be achieved by 2015.

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

Discussed below are gasoline, diesel oil and heavy fuel oil, as the three primary drivers of the Company's margin.

Motor gasoline – Q3 2012–Q3 2013 crack margin (USD/t)

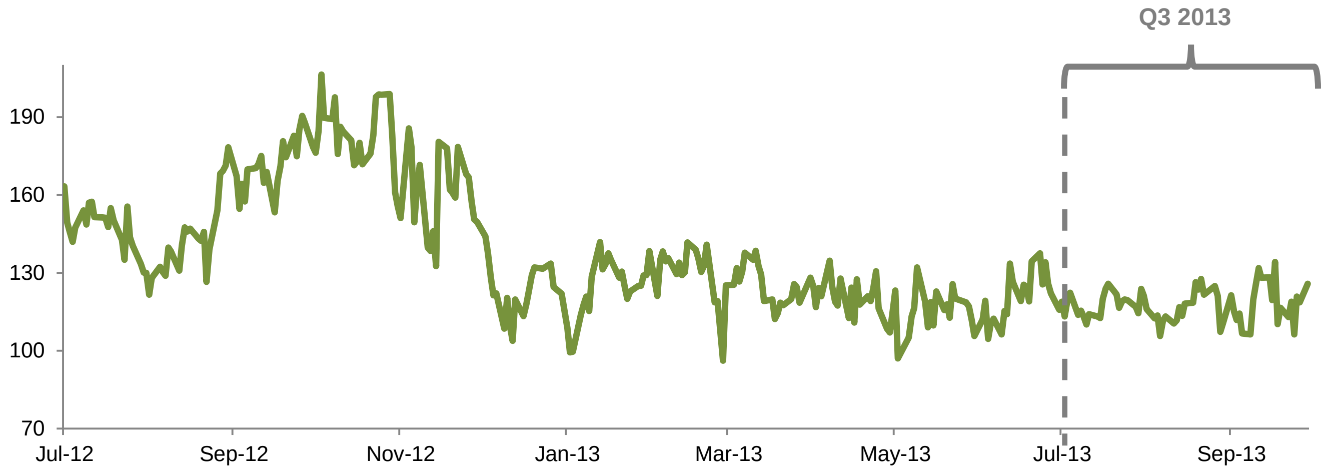


In Q3 2013, **motor gasoline** was sold at a much lower year-on-year global crack margin of USD 173.20/t (down 25.7% or USD 59.93/t).

The volume of motor gasolines sold by Grupa LOTOS S.A. rose 7.61% year on year on the back of optimisation efforts.

Within three quarters of 2013, demand for gasoline in Poland dropped by 2.6% year on year, chiefly as a result of the country's deteriorated purchasing power, depressed by a number of factors, including a higher jobless rate than the year before (lower prices of the product failed to stimulate a rise in demand). The Group's share in the domestic gasoline market was 26.0%, down 3.1pp year on year. The Group's share in the retail gasoline market rose to 5.3%. The domestic gasoline output was down 2% compared with the previous year, with the decline caused by the spring maintenance shutdown at the Gdańsk refinery. Concurrently, total exports of gasoline from Poland grew 35%, with the UK, Ukraine, Netherlands and Sweden as the key destinations.

Diesel oil – Q3 2012 – Q3 2013 crack margin (USD/t)



In Q3 2013, the average crack margin on **diesel oil** on the global markets significantly fell year on year (down 23.4%, or USD 36/t). The Company sold 3.79% less of diesel oil than in the previous year.

In the period January–September 2013, the officially recorded consumption of diesel oil dipped 7.3%. The rampant grey market and economic slowdown (investment cutbacks and the sluggish construction industry) were the two main reasons for the dwindling demand. In the first nine months of 2013, the Group's share in the domestic diesel oil market was at the level of 35.7%, and 9.8% in the retail market. Similarly to gasolines, the domestic output of diesel oil dropped 1.3% year on year in the period under review due to this year's maintenance shutdown of the Gdańsk refinery. With the domestic consumption faltering, total exports of diesel oil from Poland increased by 63%, mainly to the Netherlands, UK and France.

Heavy fuel oil – Q3 2012–Q3 2013 crack margin (USD/t)

In Q3 2013, the average negative margin **on heavy fuel oil** on the world markets fell significantly year on year (-14.4% or by USD 30.55/t). As an optimisation measure, the Company limited the volume of the product's sales by 20.24% year on year, which had a significant effect on sales profit in the reported period.

Over the nine months of 2013, the total output of heavy fuel oil in Poland increased by 1.2%. As in the previous year, approximately 80% of Polish production was placed on foreign markets. In the reporting period, exports were up 10% year on year, along with the 10% year-on-year decline in domestic consumption.

Downstream segment's operating results (PLNm)

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Revenue	**7,794.8**	6,110.8	8,530.3	27.6%	-8.6%
Operating profit/(loss)	**297.8**	-226.2	524.2	-	-43.2%
Depreciation and amortisation	**120.1**	125.6	131.5	-4.4%	-8.7%
EBITDA	**417.9**	-100.6	655.7	-	-36.3%

In Q3 2013, the downstream segment reported revenue higher by 27.6% than in Q2 2013, which was attributable mainly to a 25.9% rise in the segment's consolidated sales volumes. In Q3 2013, the segment's average net selling price was PLN 3,102/t, up 1.3% on Q2 2013, but down -6.1% on Q3 2012, mainly due to a lower average quarterly USD exchange rate (down -3.0% on Q3 2012) and lower prices of petroleum products on the global markets. The over 6% fall of the average selling price coupled with the nearly 3% decline in volumes resulted in an 8.6% decrease of the segment's revenue on Q3 2012.

The downstream segment's weaker operating performance in Q3 2013 relative to Q3 2012 was primarily a result of lower crack margins on fuels and heavy fuel oil, lower volumes of own products sold, the USD depreciation, and lower Brent/Urals differential.

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

	Q3 2013	Q2 2013	Q3 2012
Operating profit/(loss)	**297.8**	-226.2	524.2
LIFO* effect	**55.3**	86.3	22.2
LIFO-based operating result	**353.1**	-139.9	546.4

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

In Q3 2013, the weighted average method of inventory measurement applied by the LOTOS Group, combined with fluctuations in crude prices, volatile exchange rates, and crude inventories management, reduced the operating result of the downstream segment by PLN 55.3m (the LIFO effect). Such strong LIFO effect in Q3 2013 was due primarily to a fall in crude inventories, related mainly to the maintenance shutdown in H1 2013 (PLN 102.8m resulted from the fall in crude inventories and lower crude prices used to calculate the LIFO effect - i.e. the prices of crude purchased in 2007 and 2008 of USD 50-90/bbl, lower than the current purchase prices of around USD 110/bbl). In the comparative period, the inventory measurement method resulted in a PLN 22.2m decrease of operating result, and if the LIFO method had been applied in Q2 2013, the operating result would have been higher by PLN 86.3m. If the LIFO method had been applied to inventory measurement, the operating result of the downstream segment would have been PLN 353.1m in Q3 2013, PLN -139.9m in Q2 2013, and PLN 546.4m in Q3 2012.

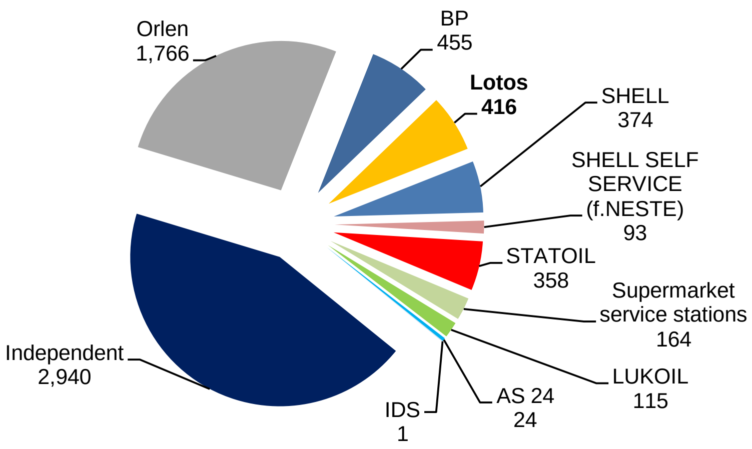
LOTOS service station network

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

	Sep 30 2013	Jun 30 2013	Sep 30 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Total	**416**	407	368	**2.2%**	**13.0%**
CODO	**238**	232	198	**2.6%**	**20.2%**
including: LOTOS OPTIMA	**88**	82	38	**7.3%**	**131.6%**
DOFO	**157**	154	135	**1.9%**	**16.3%**
including: LOTOS OPTIMA	**39**	34	15	**14.7%**	**160.0%**
franchise agreements signed	**163**	158	152	**3.2%**	**7.2%**
DODO	**21**	21	35	0.0%	**-40.0%**

After the three quarters of 2013, the LOTOS Group's share in the domestic fuel retail market stood at 8.4% (+0.4pp year on year). The strong growth in retail sales was achieved through the development of Grupa LOTOS service station network. In 2013, 15 new CODO service stations were added to the LOTOS network, including 9 in Q3 2013 alone. The LOTOS Group increased the number of its service stations by 13.0% year on year, remaining the fastest developing fuel retail network in Poland.

Polish retail market as at September 30th 2013



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

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

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Sales volume ('000 tonnes)	**277.6**	252.3	271.8	**10.0%**	**2.1%**
Revenue	**1,602.6**	1,419.0	1,583.8	**12.9%**	**1.2%**
Operating profit/(loss)	**5.5**	-3.1	4.0	**-**	**37.5%**
Depreciation and amortisation	**15.1**	13.7	12.6	**10.2%**	**19.8%**
EBITDA	**20.6**	10.6	16.6	**94.3%**	**24.1%**

In Q3 2013, the retail segment reported operating profit of PLN 5.5m, up PLN 8.6m on the loss posted in Q2, and up PLN 1.5m year on year.

4 Other business

Operating result of other business (PLNm)*

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Revenue	**5.4**	5.5	5.7	**-1.8%**	**-5.3%**
Operating profit/(loss)	**1.2**	0.8	0.7	**50.0%**	**71.4%**
Depreciation and amortisation	**2.4**	2.4	2.7	0.0%	**-11.1%**
EBITDA	**3.6**	3.2	3.4	**12.5%**	**5.9%**

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

5 Consolidated statement of comprehensive income

Operating performance of the LOTOS Group (PLNm)

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Revenue	**7,796.3**	6,118.8	8,568.8	27.4%	-9.0%
EBITDA	**497.4**	60.0	768.3	729.0%	-35.3%
Operating profit/(loss)	**340.8**	-100.8	603.8	-	-43.6%
LIFO-based operating result	**396.1**	-14.5	626.0	-	-36.7%

In Q3 2013, the LOTOS Group posted PLN 340.8m in operating profit, including PLN 297.8m from the downstream segment, PLN 9.3m from the upstream segment, and PLN 1.2m from other business, compounded by PLN 32.5m in consolidation adjustments (mainly on the realised margin on stocks of Rozewie crude and Lithuanian crude).

In Q3 2013, the LOTOS Group recorded net finance income of PLN 46.8m. The main contributors to the net result included a PLN 101.2m gain on measurement and settlement of hedging transactions, a PLN -44.5m negative balance of interest on debt, interest income and commissions, and net foreign exchange losses of PLN -12.8m.

In Q3 2013, the effect of measurement and settlement of market risk hedging transactions at the LOTOS Group consisted in a PLN 80.0m net gain on settlement and measurement of derivatives hedging the foreign exchange risk, a PLN 20.3m net gain on settlement and measurement of hedges of petroleum product prices, a PLN 3.0m positive contribution from settlement and measurement of futures hedging the risk of changes in prices of CO_2 emission allowances, and a PLN -2.1m net loss on settlement and measurement of interest rate swaps (IRS) hedging the interest rate risk.

Transactions hedging petroleum product prices as at September 30th 2013

Period	Product/commodity	Diesel oil	Light fuel oil	Heavy fuel oil
		ULSD 10ppm CIF NWE (Platts)	Gasoil .1 Cargoes CIF NWE / ARA	3.5 PCT Barges FOB Rotterdam
Q4 2013	Volume (mt)	47,700	-6,696	31,528
	Price range (USD/mt)	976.72 – 1,008	897 - 938	583 - 592.25
Q1 2014	Volume (mt)			959
	Price range (USD/mt)			581.25
Q2 2014	Volume (mt)			8,343
	Price range (USD/mt)			571.75 - 574.50
Q3 2014	Volume (mt)			5,754
	Price range (USD/mt)			571.75
Q4 2014	Volume (mt)			288
	Price range (USD/mt)			571.75

Transactions hedging foreign exchange risk as at September 30th 2013

Currency pair	Instrument	Volume	Currency	FX exchange range
EUR/USD exchange rate	Forward	-2,239,000	EUR	1.33035 - 1.3493
EUR/PLN exchange rate	Forward	500,000	EUR	4.2163
USD/PLN exchange rate	Forward	-543,726,536	USD	3.121 - 3.38

Transactions hedging interest rate risk as at September 30th 2013

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

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

Instrument	Type of instrument	Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)	Volume (mt)	Price range (EUR/mt)
		2013		**2014**		**2015**	
EUA	Futures	894,000	4.26 - 8.63	1,266,000	3.14 - 9.05	411,000	3.92 - 5.9
		2016		**2017**			
		-76,000	5.11 - 6.15	35,000	6.35 - 6.57		

For Q3 2013, the LOTOS Group posted net profit of PLN 337.2m.

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

	Q3 2013	Q2 2013	Q3 2012	Q3 2013/Q2 2013	Q3 2013/Q3 2012
Operating profit/(loss)	**340.8**	-100.8	603.8	-	**-43.6%**
Pre-tax profit/loss	**387.6**	-172.3	748.9	-	**-48.2%**
Net profit (loss)	**337.2**	-126.1	626.0	-	**-46.1%**

6 Consolidated statement of financial position

Consolidated statement of financial position – assets (PLNm)

Assets	Sep 30 2013	Dec 31 2012	Change	%
	19,961.0	20,020.9	-59.9	**-0.3%**
Non-current assets	**11,556.2**	11,505.6	50.6	**0.4%**
Property, plant and equipment	**9,523.6**	9,685.9	-162.3	**-1.7%**
Goodwill	**46.7**	46.7	0.0	0.0%
Other intangible assets	**530.8**	544.5	-13.7	**-2.5%**
Equity-accounted jointly-controlled entities	**52.0**	0.0	52.0	**-**
Deferred tax assets	**1,116.5**	1,121.3	-4.8	**-0.4%**
Derivative financial instruments	**1.9**	0.0	1.9	**-**
Other non-current assets	**284.7**	107.2	177.5	**165.6%**
Current assets	**8,393.6**	8,512.9	-119.3	**-1.4%**
Inventories	**5,404.9**	5,965.7	-560.8	**-9.4%**
Trade receivables	**2,257.8**	1,635.8	622.0	**38.0%**
Current tax assets	**114.6**	90.6	24.0	**26.5%**
Derivative financial instruments	**45.6**	121.3	-75.7	**-62.4%**
Other current assets	**264.4**	431.2	-166.8	**-38.7%**
Cash and cash equivalents	**306.3**	268.3	38.0	**14.2%**
Assets held for sale	**11.2**	2.4	8.8	**366.7%**

As at September 30th 2013, the LOTOS Group's total assets were PLN 19,961.0m, down by PLN 59.9m in the period of nine months of 2013.

Key changes in assets:

- property, plant and equipment decreased by PLN 162.3m, as depreciation charges recognised were higher than the value of property, plant and equipment acquired in that period,

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

- other non-current assets rose by PLN 177.5m, which was attributable mainly to the recognition under the item of PLN 183.1m of cash amounts received as a result of the agreement executed by the parties involved in the YME project in Norway (see Note 6 to the interim condensed consolidated financial statements for the nine months ended September 30th 2013),

- inventories fell by PLN 560.8m, driven mainly by a decline in inventories of crude oil and finished products at the Parent,

- trade receivables increased by PLN 622.0m, led primarily by higher sales volume in September 2013 relative to December 2012 (with Grupa LOTOS S.A., LOTOS Paliwa, and LOTOS Asfalt as the main contributors),

- other current assets declined due mainly to a lower level of deposits at Grupa LOTOS S.A. related to the maintenance shutdown, and receivables from the state budget other than income tax.

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

Equity and liabilities	Sep 30 2013	Dec 31 2012	Change	%
	19,961.0	20,020.9	-59.9	-0.3%
Equity	**9,103.3**	9,062.4	40.9	0.5%
Share capital	**129.9**	129.9	0.0	0.0%
Share premium	**1,311.3**	1,311.3	0.0	0.0%
Cash flow hedging reserve	**-60.9**	-36.8	-24.1	65.5%
Retained earnings	**7,687.4**	7,623.4	64.0	0.8%
Translation reserve	**35.3**	33.9	1.4	4.1%
Non-controlling interests	**0.3**	0.7	-0.4	-57.1%
Non-current liabilities	**5,500.4**	5,414.7	85.7	1.6%
Borrowings, other debt instruments and finance lease liabilities	**4,502.0**	4,462.1	39.9	0.9%
Derivative financial instruments	**59.4**	88.3	-28.9	-32.7%
Deferred tax liability	**270.3**	322.2	-51.9	-16.1%
Employee benefit obligations	**131.0**	129.9	1.1	0.8%
Other liabilities and provisions	**537.7**	412.2	125.5	30.4%
Current liabilities	**5,357.3**	5,543.8	-186.5	-3.4%
Borrowings, other debt instruments and finance lease liabilities	**1,535.9**	2,094.6	-558.7	-26.7%
Derivative financial instruments	**37.2**	91.0	-53.8	-59.1%
Trade payables	**2,117.0**	2,174.5	-57.5	-2.6%
Current tax payables	**11.6**	5.8	5.8	100.0%
Employee benefit obligations	**90.5**	110.9	-20.4	-18.4%
Other liabilities and provisions	**1,565.1**	1,067.0	498.1	46.7%

The PLN 40.9m increase in the LOTOS Group's equity as at September 30th 2013 was attributable mainly to: a PLN 64.0m increase in retained earnings adjusted for foreign exchange losses on cash flow hedges, charged to capital reserves, with the tax effect amounting to PLN -24.1m.

In the nine months of 2013, non-current liabilities rose by PLN 85.7m primarily as a result of:

- a PLN 125.5m rise in other liabilities and provisions, attributable to the recognition under the item of PLN 143.8m of liabilities under the agreement executed by the parties involved in the YME project in Norway (see Note 6 to the interim condensed consolidated financial statements for the nine months ended September 30th 2013),
- a PLN 51.9m decrease in deferred tax liabilities.

The change in current liabilities in the nine months of 2013 amounted to PLN -186.5m and was a result of:

- a PLN 558.7m decrease in borrowings, other debt instruments and finance lease liabilities, mainly at Grupa LOTOS S.A. and the upstream subsidiaries,
- a PLN 57.5m decrease in trade payables related to crude oil purchases (mainly at Grupa LOTOS S.A.),
- a PLN 498.1m increase in other liabilities and provisions, under which the Group disclosed PLN 146.4m representing a contractual obligation under a fuel stock rotation agreement with the Material Reserves Agency, as well as PLN 60.2m arising from the agreement reached by the parties involved in the YME project in Norway (see Note 6 to the interim condensed consolidated financial statements for the nine months ended September 30th 2013); the increase was also attributable to a PLN 452.3m rise in liabilities to the state budget other than income tax.

As at September 30th 2013, the LOTOS Group's financial debt totalled PLN 5,879.8m, down by PLN -510.8m on December 31st 2012. The ratio of financial debt (adjusted for free cash) to equity was 61.2% (-6.3pp relative to December 31st 2012).

7 Consolidated statement of cash flows

Consolidated statement of cash flows (PLNm)

	Q3 2013	Q2 2013	Q3 2012
Cash flows from operating activities	**205.7**	381.5	729.6
Cash flows from investing activities	**-113.6**	-138.9	-201.0
Cash flows from financing activities	**-60.7**	-76.7	-257.5
Change in net cash	**11.3**	176.1	248.0
Cash and cash equivalents at beginning of the period	**179.9**	3.8	-121.7
Cash and cash equivalents at end of the period	**191.2**	179.9	126.3

As at the end of Q3 2013, the LOTOS Group's cash balance (including current account overdrafts) was PLN 191.2m.
In Q3 2013, net cash flows from operating activities were positive at PLN 205.7m, primarily owing to consolidated net profit for the period.
Negative net cash flows from investing activities were mainly attributable to the expenses incurred on acquiring property, plant and equipment and other intangible assets in the upstream segment, at Grupa LOTOS S.A. and in the retail area.
Cash flows from financing activities in Q3 2013, of PLN -60.7m, chiefly comprise proceeds from borrowings and other debt instruments and outflows on principal and interest payments of PLN -47.9m.

8 Supplementary information

Supplementary information provided under the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009.

Pursuant to Par. 87 and Par. 83.1 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, as amended (Dz. U. of 2009, No. 33, item 259, as amended), the Parent's Management Board hereby releases the following information:

I. Shareholders holding 5% or more of the total vote at the General Meeting of the Parent as at this report release date

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

Since the last interim report publication there were no changes in the shareholedrs structure of significant package owners.

II. Changes in the number of the Company shares or rights to the Company shares held by the management and supervisory staff, in accordance with the information available to the Company

	As at the date of release of the previous interim report(1)	Acquisition	Sale	Other	As at the date of release of the interim report(2)
Marek Sokołowski *Vice-President of the Management Board, Chief Operation Officer*	8,636	-	-	-	8,636
Zbigniew Paszkowicz *Vice-President of the Management Board, Chief Exploration and Production Officer*	1,000	-	-	-	1,000
Total	**9,636**				**9,636**

(1) Based on representations as at August 6th 2013, made for the purpose of the Q2 2013 report.
(2) Based on representations as at October 23rd 2013, made for the purpose of the Q3 2013 report.

To the best of the Company's knowledge, other Management Board and Supervisory Board members did not hold any Company shares or rights to Company shares as at the date of release of the Q3 2013 interim report and of the previous interim report of the LOTOS Group.

III. Material court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value equal to or exceeding 10% of the Company's equity, as well as other risks of the Parent or its subsidiaries, and material settlements under court proceedings

There are no pending court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value equal to or exceeding 10% of the Company's equity. Material court, arbitration or administrative proceedings and other risks concerning Grupa LOTOS S.A. or its subsidiaries are described in Note 21 to the interim financial statements. Material settlements under court proceedings are described in Note 21 to the interim financial statements.

IV. Information on loan or borrowing sureties or guarantees issued by the parent or its subsidiaries, or guarantees issued jointly to one entity or its subsidiary, where the aggregate value of such sureties or guarantees represents 10% or more of the Company's equity

In the period from January 1st to September 30th 2013, Grupa LOTOS S.A. and its subsidiaries issued no loan sureties or guarantees within the Group or to any of its subsidiaries, nor did they issue any sureties or guarantees whose value relating to LOTOS Group companies would represent 10% or more of Grupa LOTOS S.A.'s equity. Material liabilities are described in Note 21 to the interim condensed consolidated financial statements.

On March 29th 2013, LOTOS Petrobaltic S.A. executed a loan commitment agreement with LOTOS Exploration and Production Norge AS, to further secure a multi-purpose credit facility advanced to LOTOS Exploration and Production Norge AS by Bank PKO BP S.A. Under the commitment agreement, LOTOS Petrobaltic S.A. agreed to advance loans to LOTOS Exploration and Production Norge AS if: (1) LOTOS Exploration and Production Norge AS fails to acquire an interest in the Draugen field or any similar production field on the Norwegian Continental Shelf by December 31st 2013, and (2) LOTOS Exploration and Production Norge AS does not have sufficient funds to repay the credit facility of USD 80,000 thousand, as well as to assign the amounts receivable under the agreement to the Lending Bank. In addition, the multi-purpose credit facility advanced to LOTOS Exploration and Production Norge AS by Bank PKO BP S.A. is secured by a surety granted by LOTOS Petrobaltic S.A. to Bank PKO BP S.A in respect of the liabilities of LOTOS Exploration and Production Norge AS. The surety is for the lower of USD 80,000 thousand or PLN 293,828 thousand. The change of the date as of which LOTOS Petrobaltic S.A. would be required to advance loans to LOTOS Exploration and Production Norge AS from September 30th 2013 to December 31st 2013 results from an amendment to the loan commitment agreement made on September 27th 2013.

V. Information material for the assessment of the personnel, assets, financial standing and the financial result of the Group, and their changes, and for the assessment of the Parent's ability to fulfil its obligations

Apart from the information contained in the interim condensed consolidated financial statements and this Management's Discussion and Analysis , there is no other information material for the assessment of the personnel, assets, financial standing and the financial result of the Group, and their changes, or for the assessment of the Group's ability to fulfil its obligations.

VI. Management Board's position regarding the feasibility of meeting forecasts published earlier for a given year in the light of the results presented in the quarterly report in relation to the forecast results

Grupa LOTOS S.A.'s Management Board did not publish any forecasts concerning the Company's performance in 2013.

VII. Factors with a bearing on the Group's results in the next quarter or in a longer term, according to Grupa LOTOS S.A.'s assessment

The Management Board believes that the factors presented below will have a bearing on the Company's and the Group's results in the next quarter or in a longer term:

- prices of crude oil and of petroleum products,
- supply and demand for petroleum products,
- PLN/USD exchange rate,
- PLN/EUR exchange rate,
- from January 1st 2008 - the requirement for producers and importers to achieve the National Indicative Target specifying the minimum content of bio-components in fuels marketed in Poland,
- decisions concerning development of the YME field, including performance of the agreement of March 12th 2013 referred to in Note 21 to the interim consolidated financial statements for the period ended September 30th 2013.