MANAGEMENT'S DISCUSSION AND ANALYSIS OF Q1 2014 CONSOLIDATED FINANCIAL RESULTS

GRUPA LOTOS S.A.

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

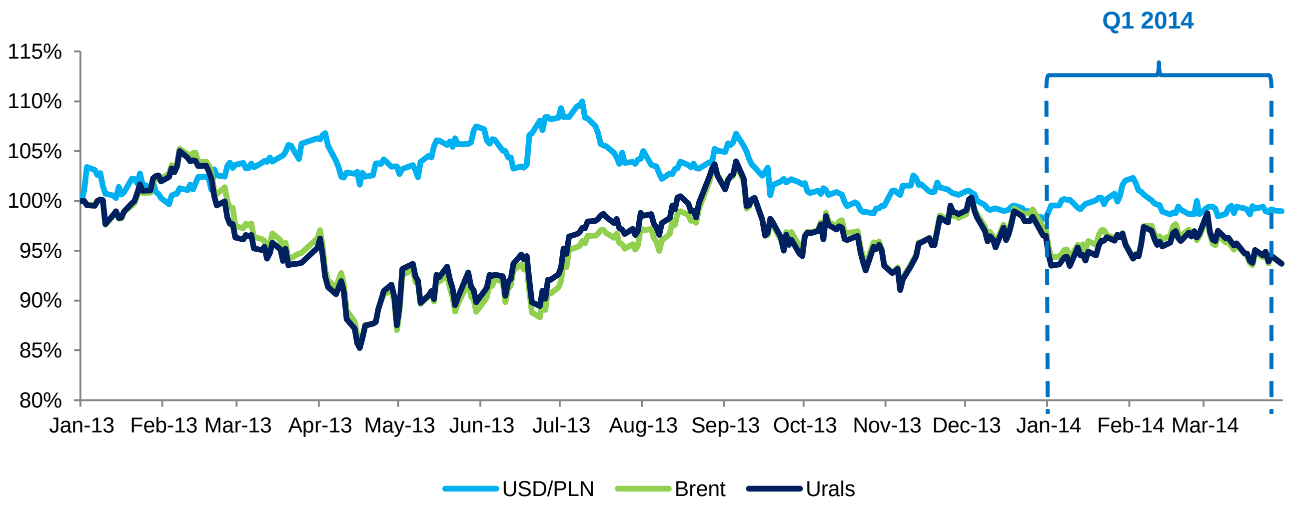
Contents

*An excel file with the operational and financial data for Q1 2014 and the previous reporting periods is published together with the Q1 2014 report in the Investor Relations section of our website as "**databook**".*

1 Market environment

- **Brent-Urals differential unchanged quarter on quarter (1.37 USD/bbl)**
- **Grupa LOTOS S.A.'s model refining margin above 5 USD/bbl (quarterly average 5.05 USD/bbl), down 2.26 USD/bbl year on year**
- **Stable exchange rate of the zloty against the US dollar for the second consecutive quarter; appreciation of the zloty year on year**

Brent/Urals prices and the USD/PLN exchange rate



Brent crude prices, Brent-Urals spread and model refining margin (USD/bbl)

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
DATED Brent FOB prices	**108.16**	109.22	112.54	-1.0%	-3.9%
Brent-Urals differential	**1.37**	1.40	1.69	-2.1%	-18.9%
Model refining margin	**5.05**	5.48	7.31	-7.8%	-30.9%

Crack margins (USD/bbl)*

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Gasoline	**8.45**	5.21	13.80	62.1%	-38.8%
Naphtha	**-3.69**	-3.54	-4.77	-4.1%	22.8%
Diesel oil (10 ppm)	**19.17**	19.96	20.82	-3.9%	-7.9%
Light fuel oil	**16.20**	17.48	18.57	-7.3%	-12.7%
Jet fuel	**16.98**	18.37	21.06	-7.6%	-19.4%
Heavy fuel oil	**-16.79**	-16.86	-14.29	0.4%	-17.5%

** Includes the Brent-Urals spread.*

USD/PLN exchange rates

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
PLN/USD exchange rate at end of period	**3.03**	3.01	3.26	0.7%	-7.1%
Average PLN/USD exchange rate during quarter	**3.06**	3.07	3.15	-0.3%	-2.9%

Factors driving the LOTOS Group's performance in the reporting period included:

Feedstock and products:

- Grupa LOTOS S.A.'s model refining margin, driven quarter on quarter by the adverse conditions in the oil industry, stayed above 5 USD/bbl on account of significant share of middle distillates in the yield structure of the Company's refinery,
- Weaker model margin year on year, caused by lower crack margins on diesel oil (-7.9%), aviation fuel (-19.4%) and light fuel oil (-12.7%),
- Motor gasoline margin remained low year on year as a result of oversupply on the European market (the margin rose quarter on quarter due to temporary problems of US refineries caused by the harsh winter),
- Brent-Urals differential dropped year on year, to 1.37 USD/bbl, weighing further on Grupa LOTOS S.A.'s margin.

Exchange rates:

- The zloty exchange rate remained weak but stable in Q1 2014, resulting in negligible (close to zero) currency exchange differences on operating activities (PLN -1.2m against PLN -32.2m in Q1 2013).

2 Upstream segment

- **The first quarter of production of natural gas and crude oil from the Heimdal assets on the Norwegian Continental Shelf**
- **Two new exploratory licences on the North Sea obtained as part of the APA 2013 licensing round**

Crude oil and natural gas reserves, production and sales (mboe)

Crude oil and natural gas reserves as at (mboe) *	Mar 31 2014	Dec 31 2013	Mar 31 2013		
Norway	**19.18**	19.82	12.95		
Poland	**41.23**	41.60	34.92		
Lithuania **	**7.36**	7.50	7.96		
Total	**67.77**	68.92	55.83		
Production (boe/d)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Norway	**7,171**	82			
Poland	**3,834**	3 ,757	3,242	2.0%	18.3%
Lithuania **	**1,568**	1,550	1,601	1.2%	-2.1%
Total	**12,573**	5,388	4,843	133.3%	159.6%
Sales of own products (boe)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Norway	**645,376**	7,339		8693.8%	-
Poland	**248,281**	375,244	469,038	-33.8%	-47.1%
Lithuania **	**171,334**	164,608	120,197	4.1%	42.5%
Total	**1,064,991**	547,191	589,235	94.6%	80.7%

Crude oil reserves, production and sales

Reserves (mbbl) *	Mar 31 2014	Dec 31 2013	Mar 31 2013		
Norway***	**15.11**	15.28	12.95		
Poland	**38.96**	39.30	31.90		
Lithuania **	**7.36**	7.50	7.96		
Total	**61.43**	62.08	52.81		
Production (bbl/d)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Norway	**1,884**	1,727			
Poland	**3,516**	3,368	2,916	4.4%	20.6%
Lithuania **	**1,568**	1,550	1,601	1.1%	-2.1%
Total	**6,968**	6,646	4,517	4.9%	54.3%
Sales of own products (bbl)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Norway	**169,560**				
Poland	**224,931**	349,601	451,177	-35.7%	-50.1%
Lithuania **	**171,334**	164,608	120,197	4.1%	42.5%
Total	**565,825**	514,209	571,374	10.0%	-1.0%

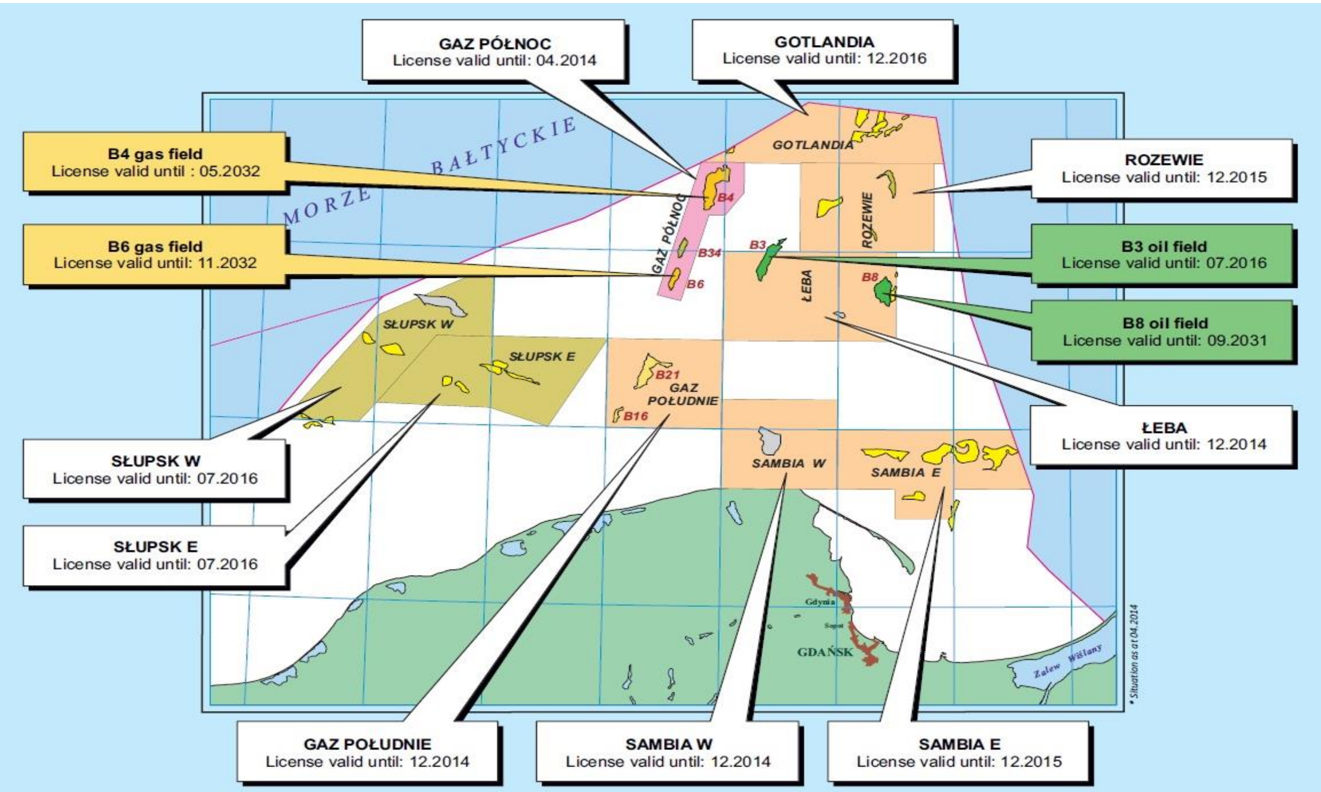
Natural gas reserves, production and sales

Reserves (billion m3)*	Mar 31 2014	Dec 31 2013	Mar 31 2013		
Poland	**0.361**	0.365	0.480		
Norway	**0.647**	0.722			
Production (million m3)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Poland	**4.5**	4.4	3.8	**2.3%**	**18.4%**
Norway	**75.6**	0.8			
Sales (million m3)	**Q1 2014**	**Q4 2013**	**Q1 2013**	**Q1 2014/Q4 2013**	**Q1 2014/Q1 2013**
Poland	**2.7**	2.9	2.6	**-6.9%**	**3.8%**
Norway	**75.6**				

** 2P – proved and probable reserves.*
*** Pro rata to the ownership interest in the AB LOTOS Geonafta Group.*
**** Including the YME field: 13.33 mbbl.*
***** sales volume in correspondence to revenues.*

LOTOS Petrobaltic S.A. (LPB)

In Q1 2014, LOTOS Petrobaltic continued crude production from the B3 field. At the end of March 2014, the Petrobaltic platform was moved to the B3 oilfield, where work began to resume production from the B3-15B well.
In the Gotlandia licence area, preparations were made for the drilling of the B27-1 exploration well by the LOTOS Petrobaltic rig. The rig's owner is SPV Baltic Sp. z o.o., which purchased it from Transocean Offshore Gulf of Guinea Ltd.
Agencja Rozwoju Przemysłu S.A. and Nordea Bank Polska S.A. both provided financing for the project. In Q1 2014, 3D seismic data was analysed for the Gaz Południe, Łeba, Rozewie, Sambia W and Sambia E licence areas.



LOTOS Exploration & Production Norge AS (LEPN)

In Q1 2014, the volume of oil and gas produced from the Heimdal assets was 645 thousand boe (86.2 thousand toe), i.e. 7.17 thousand boe per day.

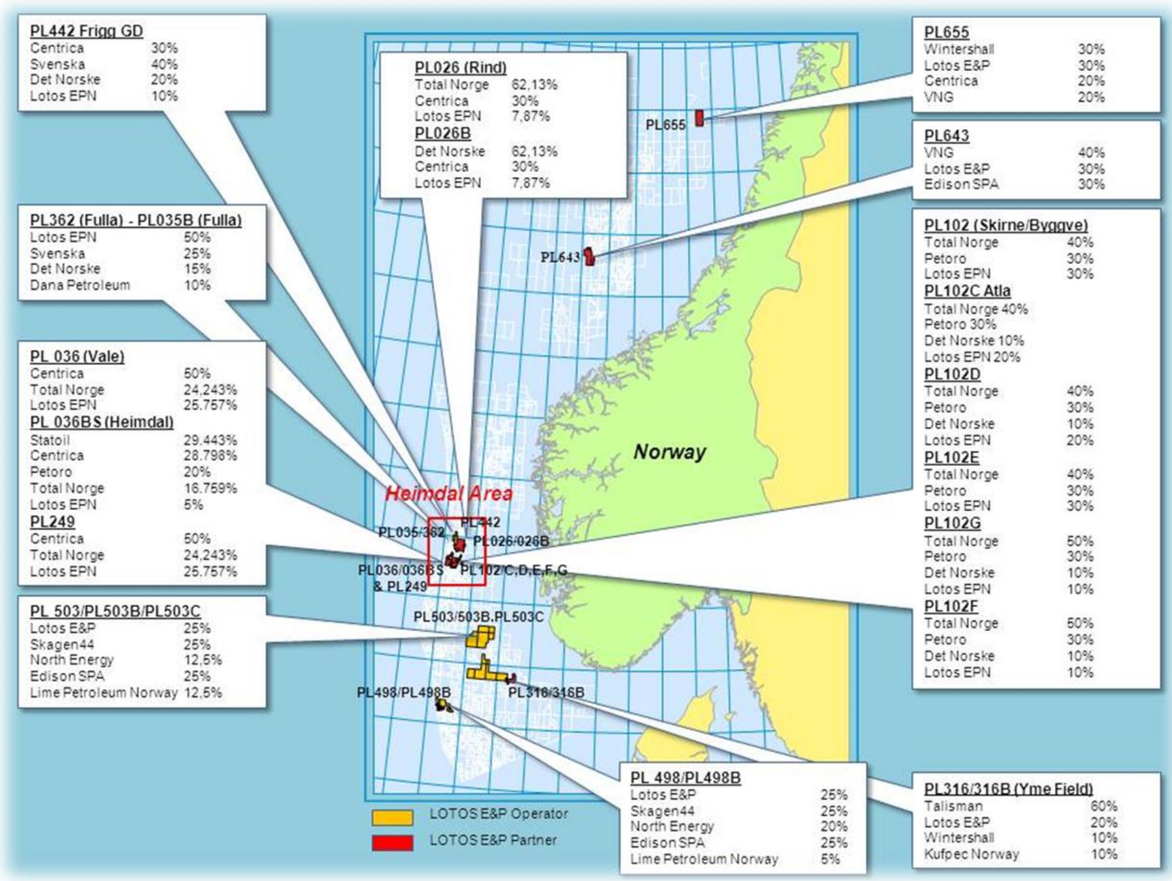
In the period from April 22nd 2014 to May 22nd 2014, the Heimdal platform is undergoing planned maintenance. As scheduled, production was ceased and a flotel was connected to the platform to perform upgrade work and replace part of the production infrastructure and security systems. The maintenance shutdown is carried out as part of the HELP (Heimdal Extension Life Program) project designed to extend the platform's life until 2034. Concurrently, production infrastructure will be installed at the Valemon field (operated by Statoil), where production is expected to start on December 15th 2014.

In Q1 2014, presence of crude oil at the exploration well in the Trell prospect was confirmed (the cost of drilling corresponding to Grupa LOTOS's interest is USD 9m). According to the licence operator's initial estimates, the recoverable reserves are between 0.5m m^3 and 2m m^3 (50 thousand to 200 thousand m3 for the LOTOS Group's 10% interest).

On January 21st 2014, LEPN was awarded two new exploratory licences on the North Sea and the Norwegian Continental Shelf (PL 503 C and PL 498 B) as part of the APA 2013 licensing round.

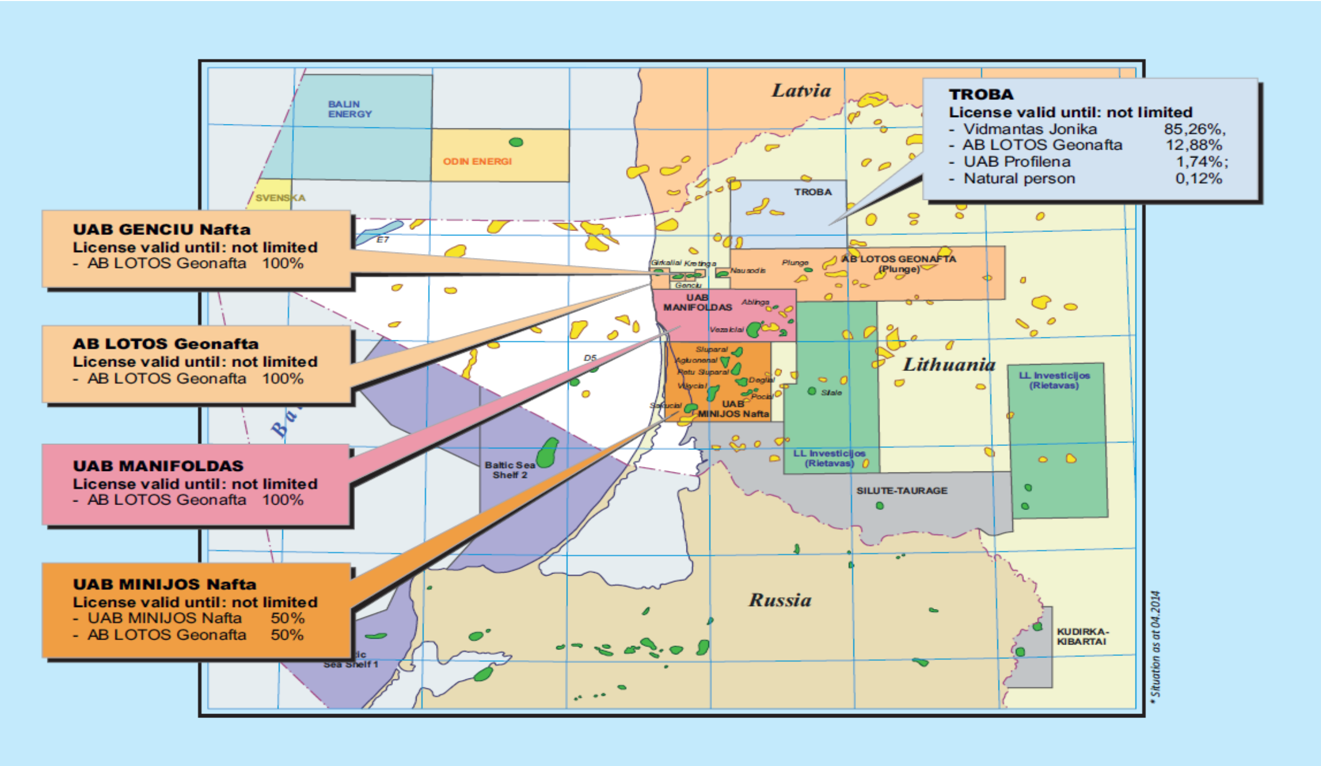
Given the lack of production prospects, LEPN renounced licences PL 455 (on March 1st 2014), PL 497 and PL 479B (on January 23rd 2014).

LEPN holds a 20% interest in PL316/316B − YME licence, developed by a consortium which includes Talisman Energy, a Canadian company, as the operator. Work continued to remove the defective production platform from the field.



In Q1 2014, Lithuanian companies AB LOTOS Geonafta and UAB Genciu Nafta were engaged in production of crude oil from the Girkaliai, Kretinga, Nausodis and Genciu on-shore fields. UAB Manifoldas was producing oil from the Auksoras, Liziai and Veziaciai fields.

Manifoldas selected a contractor for the seismic reprocessing of archive 2D data acquired in the Selenai (240 km) area and the 3D data acquired in the Vežaičiai (37 km^2) field, with the project deadline set for June 30th 2014.



Upstream segment's key financial data (PLNm)

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Revenue	**258.8**	172.9	187.4	49.7%	38.1%
Operating profit/(loss)	**57.6**	-46.7	68.3	-	-15.7%
Amortisation and depreciation	**99.0**	43.1	34.2	129.7%	189.5%
EBITDA	**156.6**	-3.6	102.5	-	52.8%
EBIT net of non-recurring events*	**57.6**	22.1	71.8	160.7%	-19.8%

** Net of non-recurring events.*

The upstream segment’s revenue for Q1 2014 was up both year on year and quarter on quarter, mainly on the back of LEPN's production and sales of crude oil and natural gas from the Heimdal assets acquired in 2013. LEPN reported revenue for the period of over PLN 130m. In Q1 2014, LEPN's amortisation and depreciation amounted to approximately PLN 68m, while its operating profit was over PLN 14m. Higher amortisation/depreciation followed from the acquisition of Heimdal fields (amortisation/depreciation charges on the acquired Heimdal assets and the decommissioning assets in accordance with IAS 126).

3 Downstream segment

Structure of crude oil refining ('000 tonnes)

Volume of crude oil processed by the Gdańsk refinery	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
	2,266.5	**2,465.8**	**2,281.5**	**-8.1%**	**-0.7%**
including:					
Urals crude	**2,142.9**	2,399.2	1,954.7	**-10.7%**	**9.6%**
Rozewie crude	**44.6**	33.0	32.8	**35.2%**	**36.0%**
Lithuanian crude	**19.3**	17.1	5.8	**12.9%**	**232.8%**
Other types of crude	**59.7**	16.5	288.2	**261.8%**	**-79.3%**

The refinery's workload was adjusted to accommodate difficult market conditions. The capacity utilisation rate in Q1 2014 was 87.5% (down 5.6pp quarter on quarter). The refinery's operations were stable, with the total crude throughput reported at 2,266.5 thousand tonnes, relatively flat on Q1 2013.

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

Total output	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
	2,453.6	**2,707.3**	**2,430.1**	**-9.4%**	**1.0%**
Gasolines	**322.6**	388.3	346.6	**-16.9%**	**-6.9%**
Naphtha	**80.6**	80.5	69.8	**0.1%**	**15.5%**
Diesel oils	**1,048.3**	1,216.3	1,007.7	**-13.8%**	**4.0%**
Light fuel oils	**77.0**	82.3	109.1	**-6.4%**	**-29.4%**
Jet fuel	**126.0**	117.5	159.3	**7.2%**	**-20.9%**
Heavy fuel oils	**425.1**	334.3	380.3	**27.2%**	**11.8%**
Bitumen components	**45.7**	166.9	63.7	**-72.6%**	**-28.3%**
Other	**328.3**	321.2	293.6	**2.2%**	**11.8%**

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

Structure of sales in the downstream segment ('000 tonnes)

Refining products, merchandise and materials	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
	2,436.4	2,553.0	2,290.7	**-4.6%**	**6.4%**
Gasolines	**359.3**	423.1	365.2	**-15.1%**	**-1.6%**
Naphtha	**80.6**	80.5	69.8	**0.1%**	**15.5%**
Diesel oils	**1,134.9**	1,139.9	1,025.5	**-0.4%**	**10.7%**
Light fuel oils	**79.0**	86.6	109.6	**-8.8%**	**-27.9%**
Jet fuel	**125.4**	108.5	140.0	**15.6%**	**-10.4%**
Heavy fuel oils	**426.8**	330.2	357.7	**29.3%**	**19.3%**
Bitumens	**34.5**	199.1	29.2	**-82.7%**	**18.2%**
Other petroleum products	**195.9**	185.1	193.7	**5.8%**	**1.1%**

Petroleum products market after the first quarter of 2014*

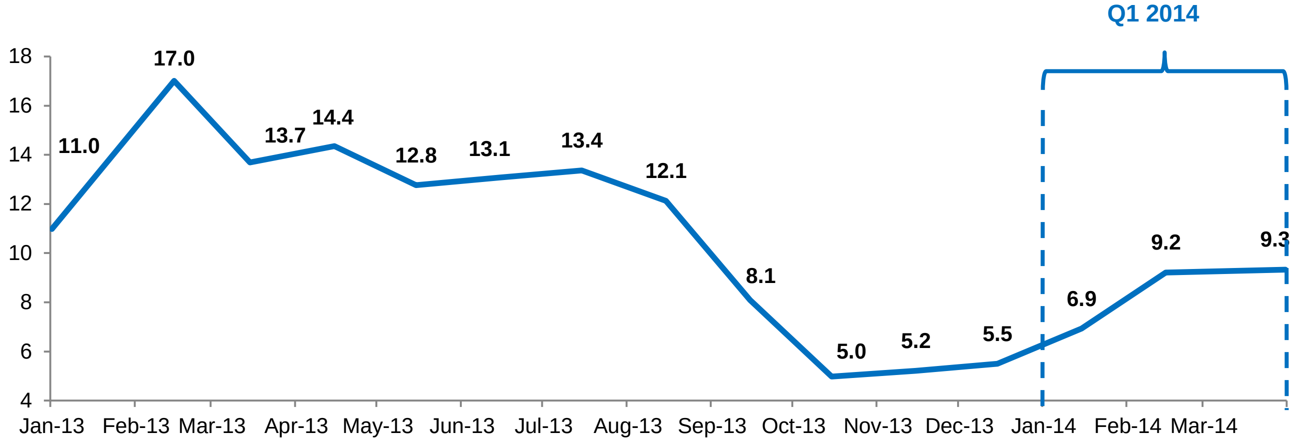
In the first quarter of 2014, fuel consumption in Poland declined by 2.13% year on year.

Despite a challenging, shrinking domestic market for liquid fuels, in the period from January to March 2014 the LOTOS Group recorded higher sales and increased its market share by 1.67pp, to 33.67%. In this context, the LOTOS Group's goal of securing a 30% share in the Polish fuel market seems a realistic prospect.

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

Discussed below are motor gasoline, diesel oil and heavy fuel oil, as the three primary contributors to the Company's margin.

Motor gasoline – average monthly crack margin, USD/bbl (January 2013–March 2014)



Source: Thomson Reuters.

In Q1 2014, **motor gasoline** was sold at a substantially lower year-on-year global crack margin of 8.45 USD/bbl (down 38.8%, i.e. 5.35 USD/bbl).

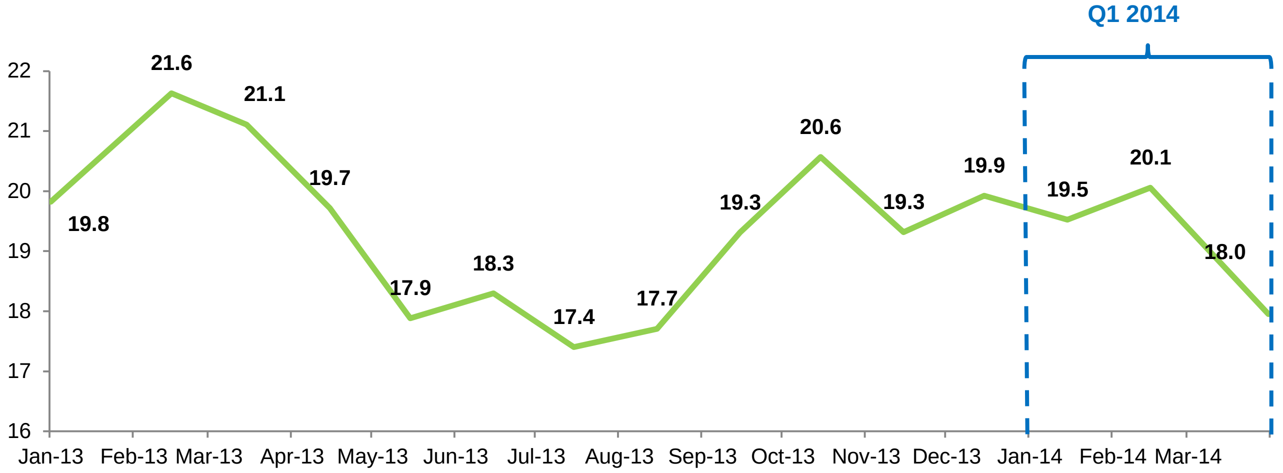
The Group's production and sales volumes were both reduced year on year, driven by optimisation efforts (down by 6.9% and 1.6%, respectively).

In the quarter under review, the domestic demand for gasoline decreased 3.9% year on year. Despite lower retail prices, higher salaries in real terms and a slight decrease in unemployment rates, the downward trend in gasoline consumption seen in recent years continued, underpinned by a number of factors, including the declining competitiveness of gasolines, which are being replaced by diesel oil and LPG.

In the reporting period, the Group's share in the wholesale and retail gasoline markets increased by 3.8pp year on year, to 29.5%.

On the other hand, domestic gasoline output fell by 6%, with exports down 26% and improving imports. Companies operating in Poland traded chiefly with the neighbouring countries, including Germany, Slovakia and Ukraine, but also other European countries, such as the Netherlands or Sweden.

Diesel oil – average monthly crack margin, USD/bbl (January 2013–March 2014)



Source: Thomson Reuters.

Average global crack margin for **diesel oil** in Q1 2014 was 19.7 USD/bbl, down 7.9%, or 1.65 USD/bbl, year on year. The LOTOS Group's diesel oil output and sales volumes improved 4% and 10.7%, respectively, relative to the corresponding period of 2013.

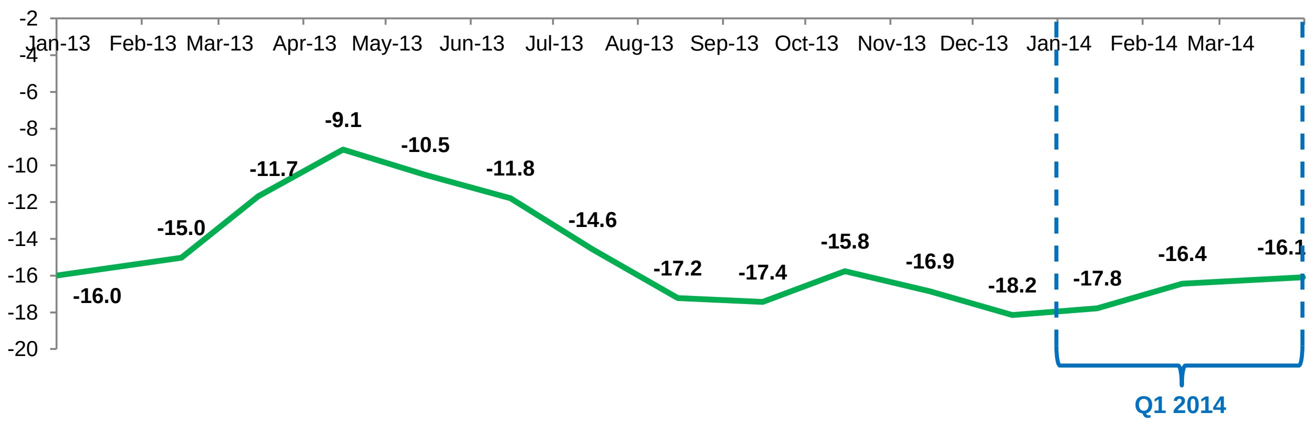
In Q1 2014, demand for diesel oil in Poland grew 1.5% year on year, driven by supportive external conditions, such as the weather, increased production in the construction industry and growth in transport, improved market outlook in manufacturing and construction, and lower retail price of the product.

In the period under review, the Group's share in the diesel oil market was 34.8%, up 1.1pp year on year. The strongest growth (1.4pp) was recorded in B2B, and the LOTOS brand's share in the retail market increased by 0.5pp.

Domestic diesel production was up 6%, and export grew by as much as 48%, or 38% year on year, giving the Group a leading position among diesel oil exporters.

An opposite trend was observed in diesel oil imports, which were down 3%. As in the year before, the LOTOS Group did not import diesel oil. Poland's main trading partners for this product included neighbouring countries, chiefly Germany and Slovakia.

Heavy fuel oil – average monthly crack margin, USD/bbl (January 2013–March 2014)



Source: Thomson Reuters.

In Q1 2014, the average negative margin on **heavy fuel oil** on global markets fell 17.5%, or 2.5 USD/bbl, year on year. The volume of heavy fuel oil sold by the Group was up 19.3% year on year, which had a substantial impact on the profit on sales in the reporting period.

Over the same period, the total output of heavy fuel oil increased 4% year on year. Exports improved 7%, with a 4% decline in domestic consumption, whose share in total heavy fuel oil sales remained at a level similar to that reported a year ago, that is ca. 16%.

Downstream segment's key financial data (PLNm)

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Revenue	**7,047.7**	7,504.8	7,176.9	**-6.1%**	**-1.8%**
Operating profit/(loss)	**-31.6**	-8.7	-47.4	**-**	**-**
Amortisation and depreciation	**113.7**	124.4	130.7	**-8.6%**	**-13.0%**
EBITDA	**82.1**	115.7	83.3	**-29.0%**	**-1.4%**

In Q1 2014, the downstream segment reported lower revenue (year on year and quarter on quarter), which is mainly attributable to lower average net selling price. In Q1 2014, the average net selling price was PLN 2,893/t, having fallen 7.7% on Q1 2013 and 1.6% on Q4 2013 owing to lower prices of petroleum products on the global markets and lower average quarterly USD exchange rate. The significant drop in prices compared with Q1 2013 was partly offset by higher sales volumes. A 6.1% quarter-on-quarter decline in revenue was chiefly caused by a 4.6% drop in sales volumes and lower average selling prices.

The operating loss posted by the downstream segment for Q1 2014 resulted mainly from low crack margins on fuels and heavy fuel oil, low USD exchange rate, downward trend in prices and low Brent-Urals differential.

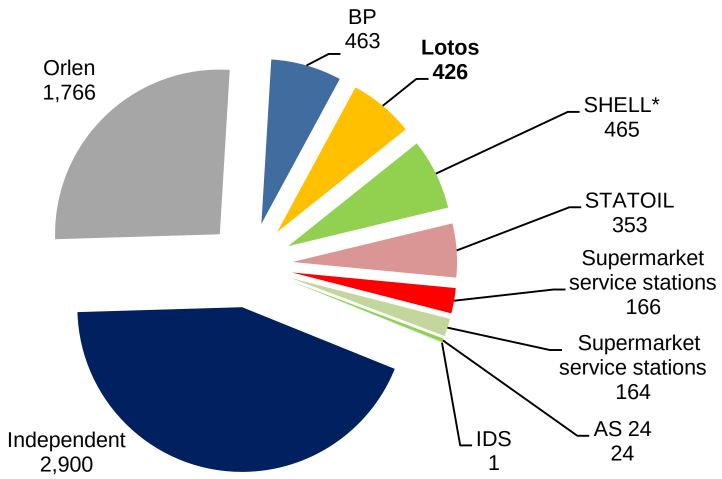
LOTOS service station network

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

	Mar 31 2014	Dec 31 2013	Mar 31 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Total	**426**	439	405	**-3.0%**	**5.2%**
CODO	**261**	256	228	**2.0%**	**14.5%**
including: LOTOS OPTIMA	**105**	100	76	**5.0%**	**38.2%**
DOFO*	**164**	166	155	**-1.2%**	**5.8%**
including: LOTOS OPTIMA	**51**	51	32	0.0%	**59.4%**
DODO	**1**	17	22	**-94.1%**	**-95.5%**

In the period Q1 2013 − Q1 2014, the LOTOS service stations were Poland's fastest growing service station network. The fastest growth is seen in the case of the LOTOS Optima economy stations, with 48 new locations added over twelve months. This growth translates into higher sales of fuels in the retail channel. After three months of 2014, the LOTOS Group's share in the domestic retail fuel market increased to 9.2% (+0.8pp year on year). The Group's strategic target, to gain a 10% share of the market by 2015, seems fully achievable.

Polish retail market as at March 31st 2014



Source: Polish Organisation of Oil Industry and Trade (POPiHN).
**Including 78 Neste Oil unmanned stations acquired in 2013.*

EBIT of the retail area (thousand tonnes/PLNm)

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Sales volume ('000 tonnes)	**242.2**	262.2	225.0	**-7.6%**	**7.6%**
Revenue	**1,369.0**	1,480.3	1,304.1	**-7.5%**	**5.0%**
Operating profit/(loss)	**3.4**	-7.3	-19.2	**-**	**-**
Amortisation and depreciation	**14.2**	14.6	12.9	**-2.7%**	**10.1%**
EBITDA	**17.6**	7.3	-6.3	**141.1%**	**-**

In Q1 2014, the retail segment reported operating profit of PLN 3.4m thanks to operational optimisation measures.

4 Other business

EBIT of other business (PLNm)*

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Revenue	**6.9**	7.8	5.8	**-11.5%**	**19.0%**
Operating profit/(loss)	**2.9**	11.7**	0.1	**-75.2%**	**2,800.0%**
Amortisation and depreciation	**2.1**	2.7	2.4	**-22.2%**	**-12.5%**
EBITDA	**5.0**	14.4	2.5	**-65.3%**	**100.0%**

** Includes: LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation), Energobaltic Sp. z o.o. and LOTOS Gaz S.A. w likwidacji (in liquidation).*
*** Q4 2013 EBIT includes a PLN 9.9m effect of cancellation of debt of LOTOS Gaz S.A. w likwidacji (in liquidation) owed to the Parent.*

5 Consolidated statement of comprehensive income

Financial highlights of the LOTOS Group (PLNm)

	Q1 2014	Q4 2013	Q1 2013	Q1 2014/Q4 2013	Q1 2014/Q1 2013
Revenue	**7,177.0**	7,504.8	7,168.7	**-4.4%**	**0.1%**
EBITDA	**231.6**	101.9	140.7	**127.4%**	**64.7%**
Operating profit/(loss)	**17.3**	-67.9	-26.1	**-**	**-**
LIFO effect*	**56.0**	79.7	155.3	**-29.7%**	**-63.9%**
LIFO EBIT	**73.3**	11.8	129.2	**521.2%**	**-43.3%**
LIFO EBITDA	**287.6**	181.6	296.0	**58.4%**	**-2.8%**

** In line with its inventory measurement policies, the LOTOS Group uses the weighted average method to measure change 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 EBIT accounting for the effect of this inventory measurement method is presented in the table.*

In Q1 2014, the LOTOS Group posted EBIT of PLN 17.3m, including PLN -31.6m from the downstream segment, PLN 57.6m from the upstream segment, and PLN 2.9m from other business, reduced by PLN 11.6m in consolidation adjustments (mainly on the realised margin on stocks of Rozewie crude and Lithuanian crude).

In Q1 2014 and in Q4 2013, the weighted average method of inventory measurement applied by the LOTOS Group (in accordance with the International Financial Reporting Standards), combined with fluctuations in crude prices and declining exchange rates, reduced the EBIT by PLN 56.0m and by PLN 79.7m, respectively (LIFO effect). The LIFO effect in Q1 2013 (PLN 155.3m) was primarily caused by a fall in crude inventories, related mainly to the preparations for a maintenance shutdown in H1 2013.

If the LIFO method had been applied to inventory measurement, the LOTOS Group's EBIT would have been PLN 73.3m in Q1 2014, PLN 11.8m in Q4 2013, and PLN 129.2m in Q1 2013.

In Q1 2014, the LOTOS Group recorded net finance loss of PLN -38.1m, with the main contributors being a PLN -49.0m negative balance of interest on debt, interest income and commissions, PLN -11.7m loss on measurement and settlement of hedging transactions, and net foreign exchange gains of PLN 24.6m.

In Q1 2014, the effect of measurement and settlement of market risk hedging transactions at the LOTOS Group included a PLN -7.8m net loss on settlement and measurement of derivatives hedging the foreign exchange risk, a PLN -3.4m net loss on settlement and measurement of interest rate swaps (IRS) hedging the interest rate risk, a PLN -1.6m net loss on settlement and measurement of hedges of petroleum product prices, and a PLN 1.1m positive contribution from settlement and measurement of futures hedging the risk of changes in prices of CO_2 emission allowances.

Transactions hedging petroleum products prices as at March 31st 2014

Period	Product/commodity	Heavy fuel oil 3.5 PCT Barges FOB Rotterdam
Q2 2014	Volume (mt)	18,417
	Price range (USD/mt)	564 - 583
Q3 2014	Volume (mt)	9,780
	Price range (USD/mt)	564 - 583
Q4 2014	Volume (mt)	1,056
	Price range (USD/mt)	571.75 - 583
Q2 2015	Volume (mt)	1,103
	Price range (USD/mt)	567.75
Q3 2015	Volume (mt)	8,628
	Price range (USD/mt)	557.5 – 567.75
Q4 2015	Volume (mt)	7,767
	Price range (USD/mt)	557.5 – 567.75

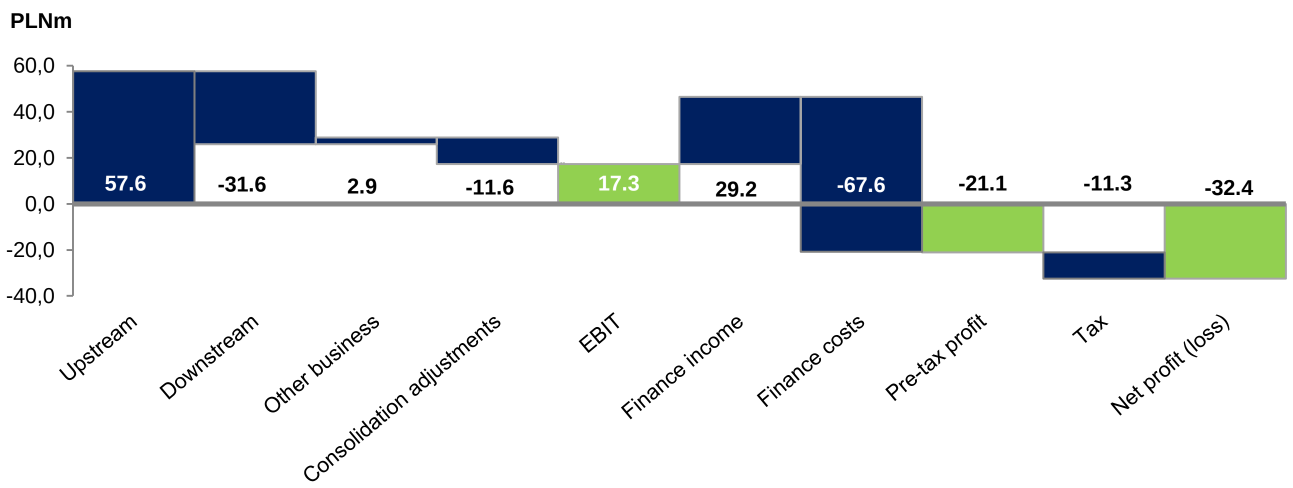
Transactions hedging foreign exchange risk as at March 31st 2014

Currency pair	Instrument	Volume	Currency	FX exchange range
EUR/USD exchange rate	Forward	5,614,000	EUR	1.365 - 1.3754
EUR/PLN exchange rate	Forward	-3,600,000	EUR	4.1672 - 4.2429
USD/PLN exchange rate	Forward	-315,672,048	USD	3.0369 - 3.2937

Transactions hedging interest rate risk as at March 31st 2014

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

LOTOS Group's consolidated performance breakdown



In Q1 2014, the LOTOS Group posted consolidated net loss of PLN -32.4m.

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

	Q1 2014	Q4 2013	Q1 2013
Operating profit/(loss)	**17.3**	-67.9	-26.1
Pre-tax profit/loss	**-21.1**	-57.0	-220.6
Net profit/(loss)	**-32.4**	-24.4	-147.3

6 Consolidated statement of financial position

Consolidated statement of financial position – assets (PLNm)

Assets	Mar 31 2014	Dec 31 2013	Change	%
	19,652.6	20,284.8	-632.2	**-3.1%**
Non-current assets	**12,260.4**	12,026.3	234.1	**1.9%**
Property, plant and equipment	**10,192.2**	10,009.0	183.2	**1.8%**
Goodwill	**46.7**	46.7	0.0	0.0%
Other intangible assets	**679.1**	658.8	20.3	**3.1%**
Equity-accounted entities	**129.8**	129.8	0.0	**-**
Deferred tax assets	**974.1**	971.0	3.1	**0.3%**
Derivative financial instruments	**0.0**	0.0	0.0	**-**
Other non-current assets	**238.5**	211.0	27.5	**13.0%**
Current assets	**7,391.4**	8,257.7	-866.3	**-10.5%**
Inventories	**4,703.0**	5,728.9	-1,025.9	**-17.9%**
Trade receivables	**1,889.5**	1,591.6	297.9	**18.7%**
Current tax assets	**22.6**	30.3	-7.7	**-25.4%**
Derivative financial instruments	**49.7**	73.9	-24.2	**-32.7%**
Other current assets	**390.6**	337.2	53.4	**15.8%**
Cash and cash equivalents	**336.0**	495.8	-159.8	**-32.2%**
Assets held for sale	**0.8**	0.8	0.0	0.0%

As at March 31st 2014, the LOTOS Group carried total assets of PLN 19,652.6m (down PLN -632.2m on December 31st 2013).

Key changes in assets:

- PLN 183.2m increase in property, plant and equipment, related chiefly to the purchase of an offshore rig
- PLN 297.9m increase in trade receivables, on the back of higher fuel sales in March 2014 relative to December 2013
- PLN 1,025.9 decrease in the value of inventories, relating to a lower volume of mandatory stocks, lower prices of petroleum products and crude oil, and lower operating inventories of crude oil at the Parent
- PLN 159.8m decrease in cash and cash equivalents, primarily at the Parent

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

Equity and liabilities	Mar 31 2014	Dec 31 2013	Change	%
	19,652.6	**20,284.8**	-632.2	**-3.1%**
Equity	**9,137.8**	**9,189.6**	-51.8	**-0.6%**
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	**36.6**	61.0	-24.4	**-40.0%**
Retained earnings	**7,634.5**	**7,666.8**	-32.3	**-0.4%**
Exchange differences on translating foreign operations	**25.2**	20.3	4.9	**24.1%**
Non-controlling interests	**0.3**	0.3	0.0	0.0%
Non-current liabilities	**5,688.2**	**5,682.0**	6.2	**0.1%**
Borrowings, other debt instruments and finance lease liabilities	**4,565.5**	**4,496.2**	69.3	**1.5%**
Derivative financial instruments	**35.7**	52.9	-17.2	**-32.5%**
Deferred tax liability	**245.0**	275.8	-30.8	**-11.2%**
Employee benefit obligations	**151.9**	151.4	0.5	**0.3%**
Other liabilities and provisions	**690.1**	705.7	-15.6	**-2.2%**
Current liabilities	**4,826.6**	**5,413.2**	-586.6	**-10.8%**
Borrowings, other debt instruments and finance lease liabilities	**1,766.9**	**1,715.2**	51.7	**3.0%**
Derivative financial instruments	**20.8**	21.3	-0.5	**-2.3%**
Trade payables	**1,677.7**	**2,395.2**	-717.5	**-30.0%**
Current tax liabilities	**1.9**	8.8	-6.9	**-78.4%**
Employee benefit obligations	**73.2**	104.0	-30.8	**-29.6%**
Other liabilities and provisions	**1,286.1**	**1,168.7**	117.4	**10.0%**

The PLN -51.8m decrease in the LOTOS Group's equity relative to December 31st 2013, to PLN 9,137.8m as at March 31st 2014, was mainly a result of:

- PLN 24.4m foreign exchange losses on measurement of cash flow hedges adjusted for the tax effect and charged to reserve capital
- PLN 32.3m decrease in retained earnings

Key changes in liabilities:

- PLN 121.0m increase in borrowings, other debt instruments and finance lease liabilities, chiefly in the upstream segment, related to the financing of an offshore rig purchase
- PLN 101.8m increase in other liabilities and provisions, chiefly liabilities to the state budget other than income tax at the Parent
- PLN 717.5m decrease in trade payables related to smaller crude oil purchases, mainly at the Parent

As at March 31st 2014, the LOTOS Group's financial debt totalled PLN 6,332.4m, up PLN 121.0m on December 31st 2013. The increase was mainly attributable to a new loan agreement with Agencja Rozwoju Przemysłu S.A. and an investment credit facility agreement with Nordea Bank Polska S.A. executed to finance an offshore rig purchase.
The ratio of financial debt (adjusted for free cash) to equity was 65.6% (up 3.4pp on December 31st 2013).

7 Consolidated statement of cash flows

Consolidated statement of cash flows (PLNm)

	Q1 2014	Q1 2013
Cash flows from operating activities	**252.7**	504.8
Cash flows from investing activities	**-477.2**	-196.4
Cash flows from financing activities	**219.9**	-80.6
Change in net cash	**-5.0**	240.9
Cash and cash equivalents at beginning of the period	**-3.1**	-242.9
Cash and cash equivalents at end of the period	**-8.1**	-2.0

As at March 31st 2014, the LOTOS Group's cash balance (including current account overdrafts) was negative at PLN 8.1m.
Positive cash flows from operating activities of PLN 252.7m reported in Q1 2014 resulted mainly from a positive effect of changes in working capital balance.
Negative net cash flows from investing activities were mainly attributable to the expenses incurred on acquiring property, plant and equipment and other intangible assets for the upstream segment.
Cash flows from financing activities in Q1 2014, of PLN 219.9m, chiefly comprised proceeds from borrowings and outflows on principal and interest payments of PLN 231.2m.

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 total voting rights 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 voting rights 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%**

There were no changes in major holdings of the Parent shares after the release of the previous interim report.

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 this interim report(2)
Marek Sokołowski *Vice-President of the Management Board, Chief Operations 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 March 5th 2014, made for the purpose of the 2013 report.*
(2) *Based on representations as at March 24th 2014, made for the purpose of the Q1 2014 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 this report.

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, 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 for the LOTOS Group companies 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, and material settlements under court proceedings are described in Note 23.1 to the interim financial statements.

IV. Information on loan sureties or guarantees issued by the Parent or its subsidiaries, or all 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 March 31st 2014, Grupa LOTOS S.A. and its subsidiaries issued no loan sureties within the Group or guarantees to any other entity or its subsidiary, where the value of the sureties or guarantees in relation to LOTOS Group companies would represent 10% or more of Grupa LOTOS S.A.'s equity. Material contingent liabilities are described in Note 23.2 to the interim condensed consolidated financial statements.

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 this quarterly report in relation to the forecast results

Grupa LOTOS S.A.'s Management Board did not publish any forecasts concerning the Company's financial performance in 2014.

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

Key factors which, in the Company's opinion, may affect performance in Q2 2014 include:

- Macroeconomic environment; in particular, prices of crude oil and petroleum products and the USD/PLN exchange rate, which has a bearing on the Group's financial performance as the prices of crude oil and of some products are quoted in the US dollar and Grupa LOTOS S.A. has US dollar-denominated debt,
- Changes in the supply of and demand for petroleum products in Poland and in Europe; the demand for diesel oil is expected to rise in the long run, while the demand for motor gasolines is expected to weaken; these tendencies are reflected in the strategy implemented by the LOTOS Group,
- Execution of projects in the exploration and production segment,
- Optimisation in the of production and trade to maximise the refining margin of Grupa LOTOS S.A. (higher production capacity of the Gdańsk refinery and improved production and processing flexibility following completion of the +10 Programme),
- Further consolidation of the LOTOS Group's market position, with special emphasis on the development of, and improvement of profitability in, the retail segment,
- Maintenance shutdown of the Heimdal platform.

VIII. Reportable contracts with a value exceeding 10% of equity

- In the period from June 29th 2013 to January 28th 2014, Grupa LOTOS S.A. executed contracts with Statoil Group companies for an aggregate value of approximately PLN 933m, i.e. the value which meets the criteria of significant agreement (more than 10% of the equity of Grupa LOTOS S.A.). The highest-value transaction was the fixed-term aviation fuel sales contract between Grupa LOTOS S.A. and Statoil ASA of January 28th 2014 (effective until December 31st 2014), with an estimated value of approximately PLN 370m. 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.

- On February 10th 2014, Grupa LOTOS S.A. executed an agreement with its subsidiary, LOTOS Kolej Sp. z o.o., for provision of rail transport and other related services to Grupa LOTOS S.A. As at the date of its execution, the value of the agreement – concluded for 2014–2022 – was estimated at PLN 3bn. The contract does not provide for any contractual penalties for damage sustained by either Party. In such cases, the Party causing the damage is required to provide compensation, up to the actual value of the damage. The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in agreements of such type. With the execution of the agreement, the existing agreements between Grupa LOTOS S.A. and LOTOS Kolej Sp. z o.o. of December 29th 2006 (see Current Report No. 1/2007) and of August 10th 2009 (Current Report No. 34/2009) expired.

- In the period from December 17th 2013 to March 25th 2014, Grupa LOTOS S.A. entered into contracts with Mercuria Energy Trading SA of Geneva for an aggregate value of approximately PLN 758m, i.e. the value of a reportable significant agreement (over 10% of the equity of Grupa LOTOS S.A.). The highest-value transaction was a spot contract for crude oil supplies to Grupa LOTOS S.A. of December 19th 2013, with an estimated value of approximately PLN 340m. The contract does not include any condition or date precedent or provide for any contractual penalties, and its terms and conditions do not differ from the terms and conditions commonly applied in contracts of this type.

- In the period from December 31st 2013 to April 10th 2014, Grupa LOTOS S.A. executed contracts with Shell Group companies for an aggregate value of approximately PLN 794m, i.e. the value which meets the criteria of a reportable significant agreement (over 10% of the equity of Grupa LOTOS S.A.). The highest-value transaction was a contract of February 12th 2014 for sale of diesel oil by Grupa LOTOS to SHELL Trading International Limited, with an estimated value of approximately PLN 94m. The contract does not include any condition or date precedent or provide for any contractual penalties, and its terms and conditions do not differ from the terms and conditions commonly applied in contracts of this type.

- In the twelve months to April 15th 2014, Grupa LOTOS S.A. (Grupa LOTOS) entered into contracts with companies of the Total Group (based in Courbevoie, France), for an aggregate value of approximately PLN 787m, i.e. the value which meets the criteria of a reportable significant agreement (over 10% of the equity of Grupa LOTOS S.A.). The highest-value transaction was the fixed-term contract of December 31st 2013 for supply of naphtha to Totsa Total Oil Trading SA in the period from January 1st 2014 to December 31st 2014, with an estimated value of approximately PLN 360m. The contract does not include any condition or date precedent or provide for any contractual penalties, and its terms and conditions do not differ from the terms and conditions commonly applied in contracts of this type.