FINANCIAL HIGHLIGHTS - CONSOLIDATED

	PLN'000		EUR'000	
	6 months ended Jun 30 2014	6 months ended Jun 30 2013 (restated)	6 months ended Jun 30 2014	6 months ended Jun 30 2013 (restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	14,376,256	13,274,864	3,440,613	3,150,181
Operating loss	(397,653)	(126,393)	(95,169)	(29,994)
Pre-tax loss	(527,003)	(393,073)	(126,126)	(93,278)
Net loss	(154,898)	(273,413)	(37,071)	(64,882)
Net loss attributable to owners of the Parent	(154,886)	(273,437)	(37,068)	(64,888)
Net profit/(loss) attributable to non-controlling interests	(12)	24	(3)	6
Total comprehensive income	(191,597)	(495,694)	(45,854)	(117,630)
Total comprehensive income attributable to owners of the Parent	(191,585)	(495,723)	(45,851)	(117,637)
Total comprehensive income attributable to non-controlling interests	(12)	29	(3)	7
Net cash from operating activities	354,441	889,935	84,827	211,185
Net cash from investing activities	(622,206)	(334,954)	(148,910)	(79,486)
Net cash from financing activities	(612)	(157,347)	(146)	(37,339)
Total net cash flow	(268,377)	397,634	(64,229)	94,360
Basic loss per share (PLN/EUR)	(1.19)	(2.11)	(0.28)	(0.50)
Diluted loss per share (PLN/EUR)	(1.19)	(2.11)	(0.28)	(0.50)

	PLN'000		EUR'000	
	As at Jun 30 2014	As at Dec 31 2013 (restated)	As at Jun 30 2014	As at Dec 31 2013 (restated)
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	19,633,563	20,284,754	4,718,586	4,891,193
Equity attributable to owners of the Parent	8,997,739	9,189,307	2,162,450	2,215,786
Non-controlling interests	194	289	47	70
Total equity	8,997,933	9,189,596	2,162,497	2,215,856

FINANCIAL HIGHLIGHTS - SEPARATE

	PLN'000		EUR'000	
	6 months ended Jun 30 2014	6 months ended Jun 30 2013 (restated)	6 months ended Jun 30 2014	6 months ended Jun 30 2013 (restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	13,377,495	12,510,404	3,201,583	2,968,772
Operating loss	(103,200)	(389,730)	(24,698)	(92,485)
Pre-tax loss	(26,670)	(292,354)	(6,383)	(69,377)
Net profit/(loss)	6,611	(186,709)	1,582	(44,307)
Total comprehensive income	(30,085)	(430,961)	(7,200)	(102,269)
Net cash from operating activities	142,488	683,376	34,101	162,168
Net cash from investing activities	(68,347)	(2,079)	(16,357)	(493)
Net cash from financing activities	(93,962)	(158,957)	(22,488)	(37,721)
Total net cash flow	(19,821)	522,340	(4,744)	123,954
Basic earnings/(loss) per share (PLN/EUR)	0.05	(1.44)	0.01	(0.34)
Diluted earnings/(loss) per share (PLN/EUR)	0.05	(1.44)	0.01	(0.34)

	PLN'000		EUR'000	
	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2014	As at Dec 31 2013
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,958,928	15,559,412	3,595,118	3,751,787
Total equity	7,105,510	7,135,595	1,707,686	1,720,581

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

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

As at Jun 30 2014	As at Dec 31 2013
1 EUR = 4.1609 PLN	1 EUR = 4.1472 PLN

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:

6 months ended Jun 30 2014	6 months ended Jun 30 2013
1 EUR = 4.1784 PLN	1 EUR = 4.2140 PLN

THE LOTOS GROUP

HALF-YEAR FINANCIAL REPORT
FOR H1 2014

WITH THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF

THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014 AND THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and six months ended June 30th 2014

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Revenue	8	7,199,283	14,376,256	6,106,166	13,274,864
Cost of sales	9	(6,650,511)	(13,445,581)	(5,945,349)	(12,773,440)
Gross profit		**548,772**	**930,675**	**160,817**	**501,424**
Distribution costs	9	(291,502)	(559,435)	(258,296)	(509,840)
Administrative expenses	9	(113,995)	(214,961)	(89,568)	(198,233)
Other income	10	4,110	9,645	92,018	91,743
Other expenses	11	(562,367)	(563,577)	(5,313)	(11,487)
Operating loss		**(414,982)**	**(397,653)**	**(100,342)**	**(126,393)**
Finance income	12	7,030	11,562	26,234	15,309
Finance costs	13	(97,854)	(140,420)	(93,113)	(278,405)
Share in net profit of equity-accounted joint ventures		(145)	(492)	(5,264)	(3,584)
Pre-tax loss		**(505,951)**	**(527,003)**	**(172,485)**	**(393,073)**
Corporate income tax	14.1	383,415	372,105	46,412	119,660
Net loss		**(122,536)**	**(154,898)**	**(126,073)**	**(273,413)**
Other comprehensive income					
Items that may be reclassified to profit/loss:					
Exchange differences on translating foreign operations		(5,053)	(3)	6,000	21,971
Cash flow hedges		(15,146)	(45,304)	(78,467)	(301,546)
Income tax on other comprehensive income	14.1	2,878	8,608	14,909	57,294
Other comprehensive income, net		**(17,321)**	**(36,699)**	**(57,558)**	**(222,281)**
Total comprehensive income		**(139,857)**	**(191,597)**	**(183,631)**	**(495,694)**
Net profit (loss) attributable to:					
Owners of the Parent		(122,519)	(154,886)	(126,085)	(273,437)
Non-controlling interests		(17)	(12)	12	24
		(122,536)	**(154,898)**	**(126,073)**	**(273,413)**
Total comprehensive income attributable to:					
Owners of the Parent		(139,839)	(191,585)	(183,645)	(495,723)
Non-controlling interests		(18)	(12)	14	29
		(139,857)	**(191,597)**	**(183,631)**	**(495,694)**
Net loss attributable to owners of the Parent per share (PLN)					
Weighted average number of shares ('000)	15	129,873	129,873	129,873	129,873
- basic	15	(0.94)	(1.19)	(0.97)	(2.11)
- diluted	15	(0.94)	(1.19)	(0.97)	(2.11)

PLN '000	Note	Jun 30 2014 (unaudited)	Dec 31 2013 (restated) (audited)	Jan 1 2013 (restated) (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		9,616,148	10,009,073	9,644,600
Goodwill		46,688	46,688	46,688
Other intangible assets		667,273	658,797	496,386
Equity-accounted joint ventures		122,315	129,798	85,214
Deferred tax assets	14.2	1,293,247	924,534	1,121,314
Other non-current assets		171,702	210,981	107,232
Total non-current assets		**11,917,373**	**11,979,871**	**11,501,434**
Current assets				
Inventories		5,073,741	5,728,884	5,963,027
- including mandatory stocks		*3,652,236*	*4,250,530*	*4,353,207*
Trade receivables		1,644,149	1,591,649	1,625,715
Current tax assets		82,392	76,711	90,566
Derivative financial instruments		26,194	73,935	121,334
Other current assets		447,555	337,071	434,400
Cash and cash equivalents		441,822	495,839	266,104
Total current assets		**7,715,853**	**8,304,089**	**8,501,146**
Assets held for sale		337	794	2,428
Total assets		**19,633,563**	**20,284,754**	**20,005,008**
EQUITY AND LIABILITIES				
Equity				
Share capital		129,873	129,873	129,873
Share premium		1,311,348	1,311,348	1,311,348
Cash flow hedging reserve		24,323	61,019	(36,801)
Retained earnings		7,511,964	7,666,833	7,627,427
Exchange differences on translating foreign operations		20,231	20,234	33,878
Equity attributable to owners of the Parent		**8,997,739**	**9,189,307**	**9,065,725**
Non-controlling interests		194	289	699
Total equity		**8,997,933**	**9,189,596**	**9,066,424**
Non-current liabilities				
Borrowings, other debt instruments and finance lease liabilities	20	4,326,247	4,496,190	4,462,098
Derivative financial instruments		42,393	52,876	88,325
Deferred tax liabilities	14.2	241,663	275,823	313,716
Employee benefit obligations		154,123	151,425	129,862
Other liabilities and provisions		660,772	705,688	405,687
Total non-current liabilities		**5,425,198**	**5,682,002**	**5,399,688**
Current liabilities				
Borrowings, other debt instruments and finance lease liabilities	20	2,134,968	1,715,196	2,094,602
Derivative financial instruments		20,837	21,277	91,000
Trade payables		1,779,958	2,395,237	2,169,408
Current tax payables		11,028	8,823	5,752
Employee benefit obligations		89,993	103,973	109,971
Other liabilities and provisions		1,173,648	1,168,650	1,068,163
Total current liabilities		**5,210,432**	**5,413,156**	**5,538,896**
Total liabilities		**10,635,630**	**11,095,158**	**10,938,584**
Total equity and liabilities		**19,633,563**	**20,284,754**	**20,005,008**

LOTOS

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2014
prepared using the indirect method

PLN '000	Note	6 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Cash flows from operating activities			
Net loss		**(154,898)**	**(273,413)**
Adjustments:		**541,027**	**1,203,168**
Income tax expense	*14.1*	*(372,105)*	*(119,660)*
Share in net profit of equity-accounted joint ventures		*492*	*3,584*
Amortisation and depreciation	*9*	*386,944*	*325,677*
Foreign exchange (gains)/losses		*18,592*	*105,955*
Interest and dividends		*90,796*	*92,637*
(Gain)/loss from investing activities		*556,339*	*(48,954)*
Settlement and valuation of financial instruments	*13*	*21,548*	*66,714*
(Increase) in trade receivables		*(52,500)*	*(309,079)*
(Increase) in other assets		*(94,238)*	*(60,790)*
Decrease in inventories		*655,143*	*522,860*
(Decrease)/increase in trade payables		*(615,279)*	*194,484*
(Decrease)/Increase in other provisions and liabilities		*(43,423)*	*453,045*
(Decrease) in employee benefit obligations		*(11,282)*	*(23,305)*
Corporate income tax paid		(31,688)	(39,820)
Net cash from operating activities		**354,441**	**889,935**
Cash flows from investing activities			
Dividends received		8,155	680
Interest received		2,285	2,700
Sale of property, plant and equipment and other intangible assets		10,934	4,900
Sale of organised part of business		-	672
Effect of the final accounting for the acquisition of Heimdal assets		12,530	-
Purchase of property, plant and equipment and other intangible assets		(656,302)	(325,159)
Acquisition of shares in related entities		(17)	(13,427)
Share capital increase - equity-accounted joint ventures	2	(30)	-
Security deposit (margin)		383	(6,190)
Settlement of derivative financial instruments		(144)	870
Net cash from investing activities		**(622,206)**	**(334,954)**
Cash flows from financing activities			
Proceeds from borrowings	20	523,064	345,781
Grants received		1,239	-
Security deposit (margin)		2,111	-
Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control	2	(54)	(245)
Repayment of borrowings	20	(446,174)	(440,708)
Interest paid		(82,442)	(87,846)
Decrease in finance lease liabilities		(10,150)	(8,321)
Settlement of derivative financial instruments		11,794	33,992
Net cash from financing activities		**(612)**	**(157,347)**
Total net cash flow		**(268,377)**	**397,634**
Effect of exchange rate fluctuations on cash held		1,871	23,269
Change in net cash		**(266,506)**	**420,903**
Cash at beginning of the period		**(3,075)**	**(242,884)**
Cash at end of period	19	**(269,581)**	**178,019**

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2014, presented on pages 9 to 39, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended June 30th 2014

PLN '000	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Exchange differences on translating foreign operations	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Jan 1 2014 (audited)		**129,873**	**1,311,348**	**61,019**	**7,666,833**	**20,234**	**9,189,307**	**289**	**9,189,596**
Net loss		-	-	-	*(154,886)*	-	*(154,886)*	*(12)*	*(154,898)*
Other comprehensive income (net)		-	-	*(36,696)*	-	*(3)*	*(36,699)*	-	*(36,699)*
Total comprehensive income		-	-	(36,696)	(154,886)	(3)	(191,585)	(12)	(191,597)
Purchase of shares from non-controlling shareholders	2	-	-	-	29	-	29	(83)	(54)
Other		-	-	-	(12)	-	(12)	-	(12)
Jun 30 2014 (unaudited)		**129,873**	**1,311,348**	**24,323**	**7,511,964**	**20,231**	**8,997,739**	**194**	**8,997,933**
Jan 1 2013 (restated) (unaudited)		**129,873**	**1,311,348**	**(36,801)**	**7,627,427**	**33,878**	**9,065,725**	**699**	**9,066,424**
Net profit/(loss)		-	-	-	*(273,437)*	-	*(273,437)*	*24*	*(273,413)*
Other comprehensive income, net		-	-	*(244,252)*	-	*21,966*	*(222,286)*	*5*	*(222,281)*
Total comprehensive income		-	-	(244,252)	(273,437)	21,966	(495,723)	29	(495,694)
Purchase of shares from non-controlling shareholders		-	-	-	123	-	123	(368)	(245)
Jun 30 2013 (restated) (unaudited)		**129,873**	**1,311,348**	**(281,053)**	**7,354,113**	**55,844**	**8,570,125**	**360**	**8,570,485**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014

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

2. Composition of the LOTOS Group

As at June 30th 2014, the LOTOS Group comprised Grupa LOTOS S.A. (the Parent) and 34 production, service and trading companies, including:

- 13 direct subsidiaries of Grupa LOTOS S.A.,
- 21 indirect subsidiaries of Grupa LOTOS S.A.

The Group also held shares in equity-accounted joint ventures.

Contact data and brief description of the principal business activity of these entities, as well as the Group's ownership interests and the applied consolidation method are presented below.

Name	Registered office	Principal business activity	The Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
Parent					
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct fully-consolidated subsidiaries					
• LOTOS Petrobaltic S.A. (parent of another group: LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99% (1)	99.98%	99.98%
• LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	100.00%	100.00%	100.00%
• LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%	100.00%
• LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%	100.00%
• LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%	100.00%
• LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%	100.00%
• LOTOS LAB Sp. z o.o.	Gdańsk	Laboratory analyses	100.00%	100.00%	100.00%
• LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%	100.00%
• LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%	100.00%
• LOTOS Terminale S.A. (parent of another group: LOTOS Terminale Group (2))	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%	100.00%
• LOTOS Infrastruktura S.A. (parent of another group: LOTOS Infrastruktura Group (2))	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	100.00% (3)	100.00%	100.00%
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	100.00%
• LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation)(4)	Jasło	Dormant	100.00%	100.00%	100.00%

Name	Registered office	Principal business activity	The Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
Indirect fully-consolidated subsidiaries					
LOTOS Infrastruktura Group					
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00% (2)	100.00%	100.00%
LOTOS Terminale Group					
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%	100.00%
LOTOS Petrobaltic Group					
• 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	99.99% (5)	99.98%	99.98%
• Aphrodite Offshore Services N.V.	Curaçao	Sea transport services (dormant)	99.99% (5)	99.98%	99.98%
• ENERGOBALTIC Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99% (5)	99.98%	99.98%
• B8 Sp. z o.o	Gdańsk	Support activities for extraction and quarrying operations (dormant)	99.99% (5)	99.98%	-
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Exploration and production of crude oil and natural gas (dormant)	99.99% (5)	99.98%	-
• Miliana Shipholding Company Ltd. (parent of another group: Miliana Shipholding Group)	Nicosia, Cyprus	Storage and transport of crude oil, other sea transport services	99.99% (5)	99.98%	99.98%
•• Technical Ship Management Sp. z o.o. (parent of another group: Technical Ship Management Group)	Gdańsk	Sea transport support activities. ship operation advisory services	99.99% (5)	99.98%	99.98%
••• SPV Baltic Sp. z o.o.	Gdańsk	Provision of sea transport and related services	99.99% (5)	99.98%	-
•• Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	99.99% (5)	99.98%	99.98%
•• Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group Group)	Nicosia, Cyprus	Management of own assets	99.99% (5)	99.98%	99.98%
••• Bazalt Navigation Co. Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
••• Granit Navigation Company Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
••• Kambr Navigation Company Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
••• St. Barbara Navigation Company Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
••• Petro Icarus Company Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
••• Petro Aphrodite Company Ltd.	Nicosia. Cyprus	Ship chartering	99.99% (5)	99.98%	99.98%
• AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group)	Lithuania, Gargždai	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	99.99% (5)	99.98%	99.98%
•• UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	99.99% (5)	99.98%	99.98%
•• UAB Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	99.99% (5)	99.98%	99.98%

Name	Registered office	Principal business activity	The Group's ownership interest		
			Jun 30 2014	Dec 31 2013	Jun 30 2013
Equity-accounted joint ventures					
• LOTOS-Air BP Polska Sp. z o.o.	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00% (6)	100.00%
LOTOS Petrobaltic Group					
• Baltic Gas Sp. z o.o.	Gdańsk	Oil and gas production (support activities for oil and gas production)	49.99% (5, 7)	49.99%	49.99%

• Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k.	Gdańsk	Crude oil and gas production	70.44%	(5, 8)	81.68%	99.97%
AB LOTOS Geonafta Group						
• UAB Minijos Nafta	Lithuania, Gargždai	Crude oil exploration and production	49.99%	(5, 9)	49.99%	49.99%

(1) In H1 2014, Grupa LOTOS S.A. completed the squeeze-out of shares in LOTOS Petrobaltic S.A. aimed at acquiring the interests held by non-controlling shareholders. At June 30th 2014, the Company held 99.99% (99.989%) of LOTOS Petrobaltic S.A.'s share capital (9,938,913 shares entered in the share register). From January 1st to June 30th 2014, the Company acquired 429 shares with a total value of PLN 54 thousand, representing 0.0043% of the share capital entered in the share register. The transactions were accounted for as equity transactions; as a result, PLN 29 thousand was recognised as retained earnings attributable to the Parent, and the amount of non-controlling interests decreased by PLN 83 thousand.

(2) On January 28th 2014, LOTOS Terminale S.A. sold its entire shareholding in RCEkoenergia Sp. z o.o. (28,305 shares) to LOTOS Infrastruktura S.A. for PLN 24,617 thousand. The transaction changed the shareholder structure of RCEkoenergia Sp. z o.o.: following the transaction 28,305 shares (99.996%) were held by LOTOS Infrastruktura S.A. and 1 share (0.004%) was held by Grupa LOTOS S.A. The event described above had no effect on the data disclosed in these interim consolidated financial statements.

(3) On January 7th 2014, the court registered a share capital increase at LOTOS Infrastruktura S.A., from PLN 48,000 thousand to PLN 71,699 thousand, following the issue of 2,962,335 shares with a par value of PLN 8 per share. The new shares were acquired by LOTOS Terminale S.A. Following the registration, the shareholder structure of the company was as follows: 66.95% – Grupa LOTOS S.A.; 33.05% – LOTOS Terminale S.A. (before the transaction, the company was wholly-owned by Grupa LOTOS S.A.). The event described above had no effect on the data disclosed in these interim consolidated financial statements.

(4) Liquidation proceedings with respect to LOTOS Park Technologiczny Sp. z o.o., opened by virtue of a decision of April 11th 2014, were registered under the relevant entry in the business register maintained by the District Court of Rzeszów, 12th Commercial Division of the National Court Register. The liquidation proceedings were opened to achieve one of the objectives of the Efficiency and Growth programme, which is to streamline the structure of the LOTOS Group.

(5) The shareholding changes described in item (1) above had effect on the indirect equity interests held by the Group in the LOTOS Petrobaltic Group entities.

(6) On November 25th 2013, Grupa LOTOS S.A. sold to BP Europe SE 1,000 shares in LOTOS Tank Sp. z o.o. (currently LOTOS Air-BP Polska Sp. z o.o.), representing 50% of the company's share capital. As a result of the transaction, the Group lost control of LOTOS Air-BP Polska Sp. z o.o. Until the date of the loss of control, LOTOS Air-BP Polska Sp. z o.o. had been fully consolidated and had operated within the downstream segment. As at December 31st 2013, shares in LOTOS-Air BP Polska Sp. z o.o. were accounted for with the equity method.

(7) On April 10th 2014, the share capital of Baltic Gas Sp. z o.o. was increased from PLN 45 thousand to PLN 105 thousand, i.e. by PLN 60 thousand, through an issue of 1,200 new shares with a par value of PLN 50 per share. All new shares were paid for in cash and acquired by the company's existing shareholders, i.e. LOTOS Petrobaltic S.A. and CalEnergy. LOTOS Petrobaltic S.A. acquired 600 shares with a total par value of PLN 30 thousand. The expenditure of PLN 30 thousand, representing the cash contribution made by LOTOS Petrobaltic S.A., has been disclosed in the consolidated statement of cash flows in *Share capital increase - equity-accounted joint ventures*.

(8) On January 20th 2014, in response to a call for payment CalEnergy Resources Poland Sp. z o.o. made a PLN 10,183 thousand cash contribution to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. As a result, the ownership interests in Baltic Gas, measured as a percentage of the amount of contributions made by individual partners to total contributions as at June 30th 2014 were as follows: Baltic Gas Sp. z o.o. (general partner) (0.001%); LOTOS Petrobaltic S.A. (limited partner) (70.451%); CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (limited partner) (29.548%). The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (jointly-controlled entity) is 70.44%. 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 50.9995% share in profits, and CalEnergy holds 48.9995% share in profits. For IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k is an entity jointly controlled by the Group (equity-accounted joint arrangement under IFRS 11; see Note 2 to the consolidated financial statements for 2013).

(9) As at June 30th 2014, in accordance with IFRS 11 Joint Arrangements, the interest in UAB Minijos Nafta was measured with the equity method. As at December 31st 2013 and June 30th 2013, the company was proportionately consolidated (see Note 4.4).

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 2013 (see Note 2 to the consolidated financial statements for 2013) to the end of the reporting period there were changes in Group's structure; see Note 2.

4. Basis of preparation and presentation

These interim condensed consolidated financial statements of the LOTOS Group (the "interim consolidated financial statements", "interim financial statements", "consolidated financial statements", "financial statements") have been prepared in accordance with the EU-endorsed International Accounting Standard No. 34 ("IAS 34").

These interim condensed consolidated financial statements present the financial position of the Group as at June 30th 2014, December 31st 2013 and January 1st 2013, results of the Group's operations for the three and six months ended June 30th 2014 and June 30th 2013, and the Group's cash flows for the six months ended June 30th 2014 and June 30th 2013.

These interim financial statements should be read in conjunction with the audited *Consolidated Financial Statements of the LOTOS Group for 2013*, issued on March 5th 2014 (the "consolidated financial statements for 2013").

The data as at June 30th 2014 and for the six months then ended, and the comparative financial data for the six months ended June 30th 2013, contained in these interim condensed consolidated financial statements, has been reviewed by the independent auditor. The financial data for the three months ended June 30th 2014 and the comparative financial data for the three months ended June 30th 2013, contained in these interim condensed consolidated financial statements, has not been reviewed by the independent auditor. The financial information as at December 31st 2013 was audited. The auditor's opinion on the consolidated financial statements for 2013 was issued on March 3rd 2014.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Group companies' continuing as a going concern.

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

4.1 Accounting policies

The accounting policies and calculation methods applied 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 2013 (see Note 7 to the consolidated financial statements for 2013), save for the policies changed or introduced as a result of compliance with new IFRS requirements or new transactions occurring for the first time, which require their recognition and measurement (see below).

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 on or after January 1st 2014 and have been applied by the Group:

- 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),
- 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 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),
- 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),

The EU also endorsed IFRIC 21 Levies, published on May 20th 2013 (applicable to annual periods beginning on or after January 1st 2014 – in the EU effective for annual periods beginning on or after June 17th 2014). The Group intends to apply the interpretation as of January 1st 2015. The Company's Management Board is analysing and assessing the effect of the interpretation on the accounting policies applied by the Group and on the Group's future financial statements.

IFRS 11 Joint Arrangements replaced the previously applicable IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled entities – Non-monetary contributions by venturers. Application of IFRS 11 resulted in a change of the Group's accounting policies described in the consolidated financial statements for 2013 (in particular in Notes 7.11 and 7.30).

IFRS 11 defines a joint arrangement as a contractual arrangement under which the business of two or more parties is subject to joint control. Joint control exists only when decisions about the relevant activities under the arrangement require the unanimous consent of all the parties.

IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures. The distinction between the two is based on different rights and obligations of the parties under the joint arrangement.

If under the joint arrangement the parties with joint control of the arrangement have rights to the net assets of the arrangement, then it is a joint venture, which in principle requires the establishment of a separate vehicle. As at June 30th 2014, the Group's joint ventures included LOTOS – Air BP Polska Sp. z o.o., a jointly-controlled entity operating in the downstream segment, and the following entities operating in the upstream segment: Baltic Gas Sp. z o.o., Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., and UAB Minijos Nafta.

As of January 1st 2014, all joint arrangements that meet the definition of a joint venture are consolidated using the equity method. Under IFRS 11, proportionate consolidation is no longer allowed. For a description of rules of accounting for interests in entities using the equity method and entities subject to proportionate consolidation (no longer in use), see Note 7.11 to the consolidated financial statements for 2013.

In these interim condensed consolidated financial statements prepared as at June 30th 2014, the Group accounted for the interest in UAB Minijos Nafta using the equity method (as opposed to the proportionate method used before January 1st 2014; see Note 4.4).

Joint arrangements under which the parties with joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, are defined as joint operations. As at June 30th 2014, the Group held interests in joint operations in the production segment through a Norwegian company LOTOS Exploration and Production Norge AS, a company of the LOTOS Petrobaltic Group.

In accordance with IFRS 11, the Group recognises its interest in assets, liabilities, costs and expenses related to its joint operations in Norway, as reflected in relevant items of these interim consolidated financial statements. Before January 1st 2014, the operations in Norway were accounted for in accordance with the rules applicable to joint ventures within the meaning of IAS 31 as jointly controlled assets and liabilities (see Note 7.30 to the consolidated financial statements for 2013). The application of IFRS 11 did not result in any restatements or change in the Group's comparative data related to these operations as the existing and previously applicable IFRS requirements concerning accounting for such jointly controlled activities are similar.

At the same time, the Management Board notes that due to fact that the reporting period ended June 30th 2014 was the first period when the Group recognised revenue from sale of crude oil and natural gas in Norway, new accounting policies related to recognition and measurement of such revenue were selected and approved.

The revenue generated in the reporting period was derived from sales of crude oil and natural gas produced from the Skirne, Vale and Atla fields, the interest in which the Group purchased on December 30th 2013 (see Note 13 – Acquisition of interests in Norwegian production and exploration licences − Heimdal, to the consolidated financial statements for 2013). In accordance with the revised accounting policies applied by the Group, such revenue was reported and accounted for using the entitlements (rights) method. It is one of two methods for recognition of revenue commonly applied by oil and gas producers (with the sales method as the alternative) and allowed under IFRS. The Management Board believes that the entitlements method provides for a fair and accurate presentation of the assets, financial performance and profitability of the Group's joint operations carried out at oil and gas producing fields.

For logistical reasons, when hydrocarbons are produced from a field by many participants there are naturally occurring differences between the volumes actually received by individual participants and their respective contractual share of production (to which participants are entitled under relevant agreements). Thus, it is necessary to apply a special mechanism to account for such discrepancies. In accordance with the entitlements method applied by the Group, revenue is always recognised in the Group's accounting books in proportion to its entitlement to production from the field. The correct amount of revenue in the financial statements is arrived at in such manner that an overlift party, i.e. a participant which in a given period receives hydrocarbons in excess of its contractual share of production from a field, recognises the excess in its accounting books not as revenue but as a liability. Conversely, if in a given period the underlift party, i.e. a participant that receives less than its entitlement, recognises the underlift as a receivable (revenue). In the consolidated statement of financial position, assets and liabilities under the entitlements method are presented as *trade receivables* and *trade payables*. For more information on estimates related to the application of the entitlements method, see Note 7.

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

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

- IFRS 9 Financial Instruments, published on July 24th 2014 (effective for annual periods beginning on or after January 1st 2018).
- Amendments introduced as part of the Improvements to IFRSs 2010-2012 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments introduced as part of the Improvements to IFRSs 2011-2013 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1st 2014),
- IFRS 14 Regulatory Deferral Accounts, published on January 30th 2014 (effective for annual periods beginning on or after January 1st 2016),
- IFRS 15 Revenue from Contracts with Customers, published on May 28th 2014 (effective for annual periods beginning on or after January 1st 2017),

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations, published on May 6th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published on May 12th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published on June 30th 2014 (effective for annual periods beginning on or after January 1st 2016).
- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements, published on August 12th 2014 (effective for annual periods beginning on or after January 1st 2016).

The Group has not elected to early adopt 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.

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:

NBP's mid-exchange rate quoted for:	Jun 30 2014 (1)	Dec 31 2013 (2)
USD	3.0473	3.0120
EUR	4.1609	4.1472
NOK	0.4949	0.4953
LTL	1.2051	1.2011

(1) NBP's mid-rates table, effective for June 30th 2014.
(2) NBP's mid-rates table, effective for December 31st 2013.

NBP's average exchange rate for the reporting period	6 months ended Jun 30 2014 (1)	6 months ended Jun 30 2013 (2)
USD	3.0539	3.2165
EUR	4.1784	4.2140
NOK	0.5036	0.5553
LTL	1.2102	1.2205

(1) Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2014.
(2) Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2013.

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

Change of comparative data following final accounting for acquisition of interests in Norwegian production and exploration licences − Heimdal

On October 18th 2013, LOTOS Exploration and Production Norge AS, a company of the LOTOS Petrobaltic Group, entered into an agreement with Centrica Resources (Norge) AS and Centrica Norway Limited, subsidiaries of Centrica Plc. of the UK, to purchase Heimdal assets on the Norwegian Continental Shelf.

On December 30th 2013, all conditions precedent to the agreement were fulfilled and all material risks and benefits related to the ownership of the acquired Heimdal assets were transferred to LOTOS E&P Norge AS (see Note 13 to the consolidated financial statements for 2013).

In accordance with the agreement, as at March 31st 2014 the parties finally settled the transaction (within three months of the acquisition date). The effect of the final settlement was accounted for retrospectively; accordingly, in these interim consolidated financial statements, the comparative data was adjusted. Finally determined values and their effect on the comparative data for the date of acquisition, that is December 31st 2013, are presented below.

	Initial accounting as at December 31st 2013		Final accounting as at March 31st 2014		Effect of the final accounting recognised as adjustment in the statement of financial position as at December 31st 2013	
Reporting item	**NOKm**	**PLNm**	**NOKm**	**PLNm**	**NOKm**	**PLNm**
I. Property, plant and equipment	634.2	314.1	628.2	311.1	(6.0)	(3.0)
II. Intangible assets	303.6	150.4	303.6	150.4	-	-
Value of acquired Heimdal assets after pro and contra settlement, taking into account capitalised transaction costs and estimated future conditional payments (I + II)	937.8	464.5	931.8	461.5	(6.0)	(3.0)
III. Decommissioning asset	496.0	245.7	496.0	245.7	-	-
Total (I + II + III)	**1,433.8**	**710.2**	**1,427.8**	**707.2**	**(6.0)**	**(3.0)**
Settlement of purchase price (A + B):	910.5	450.9	904.5	447.9	(6.0)	(3.0)
A. Price paid after pro and contra settlement (USD 175.8m - USD 77m)	631.6	312.8	606.8	300.5	(24.8)	(12.3)
B. Tax resulting from pro and contra settlement, on cash flows generated in the transitional period (amount paid by Centrica to the Norwegian tax authorities, settled against deferred tax asset of LOTOS E&P Norge AS)	278.9	138.1	297.7	147.4	18.8	9.3
Capitalised transaction costs (C + D):	27.3	13.6	27.3	13.6	-	-
C. Amount of conditional future payments as per agreement	10.2	5.1	10.2	5.1	-	-
D. Capitalised transaction costs	17.1	8.5	17.1	8.5	-	-
E. Decommissioning provision	496.0	245.7	496.0	245.7	-	-
Total (A+B+C+D+E)	**1,433.8**	**710.2**	**1,427.8**	**707.2**	**(6.0)**	**(3.0)**

Change of comparative data following the discontinuation of consolidation using the proportionate method and the application of the equity method

As of January 1st 2014, all joint arrangements that meet the definition of a joint venture are consolidated using the equity method. Under IFRS 11, proportionate consolidation is no longer allowed. For a description of rules of accounting for interests in entities using the equity method and entities subject to proportionate consolidation (no longer in use) see Note 7.11 to the consolidated financial statements for 2013.

In these interim condensed consolidated financial statements prepared as at June 30th 2014, the Group accounted for the interest in UAB Minijos Nafta using the equity method (as opposed to the proportionate method used before January 1st 2014).

Change in comparative data relating to the final accounting for the acquisition of UAB Manifoldas by AB LOTOS Geonafta

The effect of final accounting for the acquisition of UAB Manifoldas of Lithuania by AB LOTOS Geonafta in 2012 (upstream segment, LOTOS Petrobaltic Group) was presented retrospectively in the consolidated financial statements for 2013. For more information on the transaction, see Note 6 to the consolidated financial statements for 2013. The effect of final accounting for the acquisition affected retained earnings presented in the consolidated statement of changes in equity as at January 1st 2013, which increased by PLN 4,009 thousand on the amount disclosed in the interim financial statements for the six months ended June 30th 2013.

Other changes

Due to the final settlement of the corporate income tax (CIT) for 2013 at LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group), as at December 31st 2013 the Group recognised income tax receivables, which resulted in reclassification of this item of the consolidated statement of financial position as at December 31st 2013. Comparative data was restated for *Deferred tax assets*, which decreased by PLN 46,424 thousand and *Current tax assets*, which increased by the same amount.

The Group made presentation changes to the statement of comprehensive income in the consolidated financial statements for 2013 by applying uniform rules for the presentation of gains and losses in *Other income/expenses*. Gains and losses on disposal of non-financial non-current assets, impairment losses and reversal of impairment losses on property, plant and equipment, other intangible assets and receivables, as well as the recognition and reversal of provisions are presented on a net basis, under *Other income/expenses* (previously presented on a gross basis in income and expenses). From 2013 the Group also recognises the cost of discount on its employee benefit obligations in finance costs rather than in operating profit/loss. The effect of the above changes on the consolidated statement of comprehensive income in these interim consolidated financial statements was presented in the comparative data for the three and six months ended June 30th 2013.

The table below presents the effect of the significant changes discussed above on the comparative data:

Consolidated statement of financial position PLN '000	Dec 31 2013 (audited)	Dec 31 2013 (restated)	Effect of changes, including:	*Effect of change of the consolidation method applied for UAB Minijos Nafta*	*Effect of final accounting for the acquisition of Heimdal assets*	*Effect of other changes*
Non-current assets, including:	**12,038,771**	**11,979,871**	**(58,900)**	**(153)**	**(12,323)**	**(46,424)**
Property, plant and equipment	*10,048,374*	*10,009,073*	*(39,301)*	*(36,298)*	*(3,003)*	*-*
Other intangible assets	*686,222*	*658,797*	*(27,425)*	*(27,431)*	*6*	*-*
Equity-accounted joint ventures	*66,222*	*129,798*	*63,576*	*63,576*	*-*	*-*
Deferred tax assets	*980,284*	*924,534*	*(55,750)*	*-*	*(9,326)*	*(46,424)*
Current assets, including:	**8,260,052**	**8,304,089**	**44,037**	**(14,710)**	**12,323**	**46,424**
Inventories	*5,731,851*	*5,728,884*	*(2,967)*	*(2,967)*	*-*	*-*
Trade receivables	*1,594,746*	*1,591,649*	*(3,097)*	*(3,097)*	*-*	*-*
Current tax assets	*30,755*	*76,711*	*45,956*	*(468)*	*-*	*46,424*
Other current assets	*325,079*	*337,071*	*11,992*	*(331)*	*12,323*	*-*
Cash and cash equivalents	*503,686*	*495,839*	*(7,847)*	*(7,847)*	*-*	*-*
Assets held for sale	794	794	-	-	-	-
Total assets	**20,299,617**	**20,284,754**	**(14,863)**	**(14,863)**	**-**	**-**
Equity	**9,189,596**	**9,189,596**	-	-	-	-
Non-current liabilities, including:	**5,693,643**	**5,682,002**	**(11,641)**	**(11,641)**	**-**	**-**
Deferred tax liability	*281,307*	*275,823*	*(5,484)*	*(5,484)*	*-*	*-*
Other liabilities and provisions	*711,845*	*705,688*	*(6,157)*	*(6,157)*	*-*	*-*
Current liabilities, including:	**5,416,378**	**5,413,156**	**(3,222)**	**(3,222)**	**-**	**-**
Trade payables	*2,396,086*	*2,395,237*	*(849)*	*(849)*	*-*	*-*
Employee benefit obligations	*105,057*	*103,973*	*(1,084)*	*(1,084)*	*-*	*-*
Other liabilities and provisions	*1,169,939*	*1,168,650*	*(1,289)*	*(1,289)*	*-*	*-*
Total liabilities	**11,110,021**	**11,095,158**	**(14,863)**	**(14,863)**	**-**	**-**
Total equity and liabilities	**20,299,617**	**20,284,754**	**(14,863)**	**(14,863)**	**-**	**-**

Consolidated statement of financial position PLN '000	Jan 1 2013 (audited)	Jan 1 2013 (restated)	Effect of the change of the consolidation method applied for UAB Minijos Nafta
Non-current assets, including:	**11,509,743**	**11,501,434**	**(8,309)**
Property, plant and equipment	*9,685,850*	*9,644,600*	*(41,250)*
Other intangible assets	*548,659*	*496,386*	*(52,273)*
Equity-accounted joint ventures	*-*	*85,214*	*85,214*
Current assets, including:	**8,515,394**	**8,501,146**	**(14,248)**
Inventories	*5,966,203*	*5,963,027*	*(3,176)*
Trade receivables	*1,632,837*	*1,625,715*	*(7,122)*
Current tax assets	*90,566*	*90,566*	*-*
Other current assets	*436,121*	*434,400*	*(1,721)*
Cash and cash equivalents	*268,333*	*266,104*	*(2,229)*
Assets held for sale	2,428	2,428	-
Total assets	**20,027,565**	**20,005,008**	**(22,557)**
Equity	**9,066,424**	**9,066,424**	-
Non-current liabilities, including:	**5,415,418**	**5,399,688**	**(15,730)**
Deferred tax liability	*322,873*	*313,716*	*(9,157)*
Other liabilities and provisions	*412,260*	*405,687*	*(6,573)*
Current liabilities, including:	**5,545,723**	**5,538,896**	**(6,827)**
Trade payables	*2,174,451*	*2,169,408*	*(5,043)*
Employee benefit obligations	*110,930*	*109,971*	*(959)*
Other liabilities and provisions	*1,068,988*	*1,068,163*	*(825)*
Total liabilities	**10,961,141**	**10,938,584**	**(22,557)**
Total equity and liabilities	**20,027,565**	**20,005,008**	**(22,557)**

Consolidated statement of comprehensive income	3 months ended June 30th 2013 (unaudited)	3 months ended June 30th 2013 (restated)	Effect of the changes, including:		
PLN '000				*Effect of the change of the consolidation method applied for UAB Minijos Nafta*	*Effect of other changes*
Revenue	*6,118,796*	*6,106,166*	*(12,630)*	*(12,630)*	*-*
Cost of sales	*(5,956,768)*	*(5,945,349)*	*11,419*	*10,298*	*1,121*
Gross profit	**162,028**	**160,817**	**(1,211)**	**(2,332)**	**1,121**
Distribution costs	*(262,157)*	*(258,296)*	*3,861*	*145*	*3,716*
Administrative expenses	*(87,313)*	*(89,568)*	*(2,255)*	*1,048*	*(3,303)*
Other income	*93,712*	*92,018*	*(1,694)*	*332*	*(2,026)*
Other expenses	*(7,095)*	*(5,313)*	*1,782*	*(244)*	*2,026*
Operating loss	**(100,825)**	**(100,342)**	**483**	**(1,051)**	**1,534**
Finance income	*20,128*	*26,234*	*6,106*	*6,106*	*-*
Finance costs	*(91,639)*	*(93,113)*	*(1,474)*	*60*	*(1,534)*
Share in net profit of equity-accounted joint ventures	*-*	*(5,264)*	*(5,264)*	*(5,264)*	*-*
Pre-tax loss	**(172,336)**	**(172,485)**	**(149)**	**(149)**	**-**
Corporate income tax	*46,263*	*46,412*	*149*	*149*	*-*
Net loss	**(126,073)**	**(126,073)**	**-**	**-**	**-**
Other comprehensive income (net)	**(57,558)**	**(57,558)**	**-**	**-**	**-**
Total comprehensive income	**(183,631)**	**(183,631)**	**-**	**-**	**-**

Consolidated statement of comprehensive income PLN '000	6 months ended June 30th 2013 (unaudited)	6 months ended June 30th 2013 (restated)	Effect of the changes, including:	Effect of the change of the consolidation method applied for UAB Minijos Nafta	Effect of other changes
Revenue	*13,296,173*	*13,274,864*	*(21,309)*	*(21,309)*	*-*
Cost of sales	*(12,791,659)*	*(12,773,440)*	*18,219*	*15,977*	*2,242*
Gross profit	**504,514**	**501,424**	**(3,090)**	**(5,332)**	**2,242**
Distribution costs	*(514,975)*	*(509,840)*	*5,135*	*288*	*4,847*
Administrative expenses	*(196,147)*	*(198,233)*	*(2,086)*	*1,934*	*(4,020)*
Other income	*98,438*	*91,743*	*(6,695)*	*(9)*	*(6,686)*
Other expenses	*(18,226)*	*(11,487)*	*6,739*	*53*	*6,686*
Operating loss	**(126,396)**	**(126,393)**	**3**	**(3,066)**	**3,069**
Finance income	*9,209*	*15,309*	*6,100*	*6,100*	*-*
Finance costs	*(275,440)*	*(278,405)*	*(2,965)*	*104*	*(3,069)*
Share in net profit of equity-accounted joint ventures	*-*	*(3,584)*	*(3,584)*	*(3,584)*	*-*
Pre-tax loss	**(392,627)**	**(393,073)**	**(446)**	**(446)**	**-**
Corporate income tax	*119,214*	*119,660*	*446*	*446*	*-*
Net loss	**(273,413)**	**(273,413)**	**-**	**-**	**-**
Other comprehensive income (net)	**(222,281)**	**(222,281)**	**-**	**-**	**-**
Total comprehensive income	**(495,694)**	**(495,694)**	**-**	**-**	**-**

Consolidated statement of cash flows PLN '000	6 months ended June 30th 2013 (unaudited)	6 months ended June 30th 2013 (restated)	Effect of the change of the consolidation method applied for UAB Minijos Nafta
Net cash from operating activities	*890,177*	*889,935*	*(242)*
Net cash from investing activities	*(335,553)*	*(334,954)*	*599*
Net cash from financing activities	*(157,347)*	*(157,347)*	*-*
Total net cash flow	**397,277**	**397,634**	**357**

5. Seasonality and cyclicality of operations in the reporting period

There was no seasonality or cyclicality in the Group's operations in the reporting period.

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

All significant changes to reporting items subsequent to the last annual reporting period, i.e. 2013, presented in the key sections of the financial statements were supplemented with additional information presented in the relevant notes to the financial statements. In addition the Group notes that:

- On February 3rd 2014, the ownership of a new drilling rig purchased under an agreement of December 20th 2013 was transferred to SPV Baltic Sp. z o.o., a company of the LOTOS Petrobaltic Group. The transaction resulted in an increase in the amount of property, plant and equipment disclosed in this interim statement of financial position (see also Note 18). The purchase of the rig was financed chiefly with a loan and an investment facility (see Note 20).

- As at June 30th 2014, property, plant and equipment under construction included expenditure of PLN 1,596m (NOK 3,224m) incurred by LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS"), a company of the LOTOS Petrobaltic Group, on the acquisition of interests in Norwegian production licences and on the development associated with the interests in the YME field.

  Due to significant delays in the implementation of the project, cost overruns, and defects of the MOPU (Mobile Operating and Production Unit) to be used in production operations on the YME field, the Group tested the YME assets for impairment in the previous reporting periods, which resulted in impairment losses being recognised on those assets. More details on the impairment tests performed in the previous years and the resulting impairment losses recognised on the YME assets are included in the Group's financial statements for 2013 (see Note 13) and 2012 (see Note 13).

As described in Note 23.1 of these financial statements, in March 2013 the operator of the YME field, Talisman Energy Norge AS ("Talisman," "Operator") and the supplier of the Mobile Operating and Production Unit, Single Buoy Moorings Inc. ("SBM"), announced that an agreement had been reached to remove the defective MOPU (evacuated in mid-July 2012) from the YME field and to terminate all existing contracts and agreements between the parties in connection with the project.

As the decision-making process concerning the choice of the YME field development concept protracts (the decision was originally expected at the end of Q1 2014) and no development scenario has been selected by the YME consortium partners, the Group has decided to re-analyse the development prospects for its YME assets, and in effect to recognise further impairment loss reducing the carrying amount of its YME assets to zero. The analysis accounted for the following facts:

- continued uncertainty and risks resulting from the protracted selection of Plans for Development and Operation of the YME field, originally expected to be completed by the end of Q1 2014,
- absence of any decision concerning the YME field development concept as at the date of this half-year report,
- no approved version of the budget for further development of the YME field,
- delay of the estimated production launch at the YME field.

Considering the above, as at June 30th 2014, the Group recognised impairment equal to the full amount of its investment in the YME project, resulting in a PLN 545m (NOK 1,101m) increase in the aggregate impairment losses, to PLN 1,596m (NOK 3,224m). However, LOTOS E&P Norge AS and its YME licence Partners continue to work on possible development scenarios for the YME field, in line with the approved licence schedule. The impairment loss recognised in these interim consolidated financial statements has no effect on the future ability to develop other LOTOS E&P Norge AS assets related to other production and exploration licences.

In these interim consolidated financial statements, the PLN 555m (NOK 1,101m) impairment loss on reducing the carrying amount of the YME asset was recognised in the consolidated statement of comprehensive income under *Other expenses*. The effect on net profit/(loss) for the six months ended June 30th 2014, after accounting for the deferred tax, was PLN 191m (NOK 380m). In the comparative period ended June 30th 2013, the Group did not recognise any impairment losses.

Given the nature of the Joint Operating Agreement between the YME project partners, and the guarantees issued by LOTOS Petrobaltic S.A. for the benefit of the government of Norway in relation to LOTOS E&P Norge AS's exploration and production operations on the Norwegian Continental Shelf, recognition of the impairment loss does not preclude further investment expenditure on the YME field, in particular after the final development concept for the project is selected and the relevant approvals of the revised PDO are obtained from the Norwegian authorities. The assessment and advisability of such further expenditure is currently being analysed in detail by the operator and the YME consortium partners, and if a positive decision is made, the business rationale for the project will be considered on the basis of future economic benefits resulting from the estimated size and market value of the recoverable hydrocarbon reserves of the YME field, which will depend on the development plan that is ultimately selected and the possible time of production launch.

Furthermore, work concerning removal of the defective MOPU from the YME field, for which the partners obtained financing under an agreement with SBM, is still under way. The scheduled removal date of the MOPU remains unchanged (July 2015), while the amount of expected costs of the operation (most of which have been already contracted) has been properly reflected in these financial statements by updating relevant provisions in accordance with the best current knowledge of the Company's Management Board as at the date of this half-year report. Concurrently, the Group continues to seek alternative scenarios for LOTOS E&P Norge AS's withdrawal from the YME project.

Taking into account the recognised impairment losses on the YME expenditure and the incurred tax losses that may be carried forward, in the consolidated statement of financial position as at June 30th 2014 the Group recognised a deferred tax asset. The total amount of the tax asset related to the Group's operations in Norway was PLN 1,248m (NOK 2,552m) as at the end of H1 2014. Given the fact that under the Norwegian tax legislation tax losses can be carried forward indefinitely, and that on December 30th 2013 the Group acquired interests in the Heimdal assets (see Note 4.4), including interests in producing fields from which the Group derives revenue, the Management Board believes that the deferred tax asset recognised as at June 30th 2014 is fully realisable at the amount disclosed in these interim consolidated financial statements.

- In connection with the acquisition of the Heimdal assets discussed in Note 4.4 (for more information on the transaction, see Note 13 to the consolidated financial statements for 2013), the Group provided the seller with a bank guarantee in the form of a stand-by letter of credit securing LOTOS E&P Norge AS's future liabilities related to decommissioning of depleted off-shore oil and gas facilities on the acquired fields. The bank guarantee agreement was signed with PKO BP S.A. in 2013. In the reporting period ended June 30th 2014 the letter of credit was secured with a PLN 38,063 thousand (USD 12.5m) deposit, disclosed in the statement of financial position as at June 30th 2014 under *Other current assets*.

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 sections 2.1 and 2.2 of the Directors' Report on the LOTOS Group's operations for H1 2014.

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

Carbon dioxide (CO_2) emission allowances

CO_2 emission allowances are presented by the Group in its financial statements in accordance with the net liability approach, meaning that the Group recognises only those liabilities that result from exceeding the limit of emission allowances granted, and the liability is recognised only when the Group actually exceeds the limit.

In the six months ended June 30th 2014, the European Commission approved the allowance limits planned for the last group of member states, including Poland. As expected by the Management Board, the Group used the free emission allowances for 2013 to offset its emissions in line with the agreed schedule, i.e. by the end of April 2014.

Under the Regulation of the Council of Ministers of March 31st 2014 which specifies installations, other than those used for electricity generation, covered by the greenhouse gas emission allowance trading system in trading periods beginning on or after January 1st 2013, and the number of allowances allocated to such installations; and the Regulation of the Council of Ministers of April 8th 2014 which specifies installations used for energy generation covered by the greenhouse gas emission allowance trading system in trading periods beginning on or after January 1st 2013, and the number of allowances allocated to such installations, Grupa LOTOS S.A. received 11,303 thousand free emission allowances for 2013-2020. In addition, in April 2014, Grupa LOTOS S.A. received 155 thousand and 154 thousand additional free CO_2 emission allowances from the European reserve, to be used by its refinery in 2013 and 2014, respectively. In total, the European Commission allocated 1,167 thousand additional free CO_2 emission allowances from the European reserve to Grupa LOTOS S.A., for use in 2013−2020. The carbon dioxide emission allowances already held by Grupa LOTOS S.A and those allocated for 2013 were sufficient to cover its actual emissions in that year. Other Group companies received a total of 314 thousand free carbon dioxide (CO_2) emission allowances for 2013−2020.

Recognition of revenue from sales of crude oil and natural gas derived from joint operations in Norway

In line with the Group's accounting policy, revenue from sales of crude oil and natural gas produced from the fields on the Norwegian Continental Shelf in which the Group holds interests are recognised using the entitlements method (see Note 4.1), in proportion to the Group's entitlement to production from a given field. Revenue from oil and gas sales disclosed in the statement of comprehensive income for a given reporting period is estimated based on up-to-date data on production from the individual fields in the reporting period. Any differences between the amount of actual revenue from sales of crude oil produced from the Skirne, Vale and Atla fields and the Group's revenue estimated based on the contractual share of production from the fields are recognised in the statement of financial position under trade receivables and trade payables, which in the six months ended June 30th 2014 amounted to PLN 3,388 thousand and PLN 14,758 thousand, respectively.

There were no material changes to estimates reported in previous financial years other than those related to the estimates presented above.

8. Business segments

PLN '000	Upstream segment		Downstream segment		Other[1]		Consolidation adjustments		Consolidated	
	3 months ended June 30th 2014	6 months ended June 30th 2014	3 months ended June 30th 2014	6 months ended June 30th 2014	3 months ended June 30th 2014	6 months ended June 30th 2014	3 months ended June 30th 2014	6 months ended June 30th 2014	3 months ended June 30th 2014	6 months ended June 30th 2014
	(unaudited)									
Revenue:	**240,096**	**498,844**	**7,158,235**	**14,205,942**	**6,221**	**13,120**	**(205,269)**	**(341,650)**	**7,199,283**	**14,376,256**
Intersegment sales	*187,667*	*309,368*	*13,342*	*23,573*	*4,260*	*8,709*	*(205,269)*	*(341,650)*	-	-
External sales	*52,429*	*189,476*	*7,144,893*	*14,182,369*	*1,961*	*4,411*	-	-	*7,199,283*	*14,376,256*
Operating profit/(loss) **(EBIT)**	**(483,295)** [2]	**(425,736)**	**92,571**	**61,019**	**1,446**	**4,385**	**(25,704)**	**(37,321)**	**(414,982)**	**(397,653)**
Amortisation and depreciation	53,466	152,481	117,322	230,914	2,297	4,430	(446)	(881)	172,639	386,944
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**(429,829)**	**(273,255)**	**209,893**	**291,933**	**3,743**	**8,815**	**(26,150)**	**(38,202)**	**(242,343)**	**(10,709)**

PLN '000	Upstream segment	Downstream segment	Other[1]	Consolidation adjustments	Consolidated
	Jun 30 2014 (unaudited)				
Total assets	**4,269,819**	**16,544,356**	**119,614**	**(1,300,226)**	**19,633,563**
- including net exploration and evaluation assets	*476,657*	-	-	-	*476,657*

[1] Includes LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation), LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.
[2] Includes impairment loss on YME field assets of PLN 554,654 thousand; see Note 6.

PLN '000	Upstream segment		Downstream segment		Other[1]		Consolidation adjustments		Consolidated	
	3 months ended June 30th 2013	6 months ended June 30th 2013	3 months ended June 30th 2013	6 months ended June 30th 2013	3 months ended June 30th 2013	6 months ended June 30th 2013	3 months ended June 30th 2013	6 months ended June 30th 2013	3 months ended June 30th 2013	6 months ended June 30th 2013
	(restated) (unaudited)									
Revenue:	**123,995**	**311,379**	**6,110,822**	**13,287,718**	**5,486**	**11,264**	**(134,137)**	**(335,497)**	**6,106,166**	**13,274,864**
Intersegment sales	*118,600*	*305,928*	*11,651*	*21,917*	*3,886*	*7,652*	*(134,137)*	*(335,497)*	-	-
External sales	*5,395*	*5,451*	*6,099,171*	*13,265,801*	*1,600*	*3,612*	-	-	*6,106,166*	*13,274,864*
Operating profit/(loss) **(EBIT)**	**119,949**	**188,267**	**(224,708)**	**(272,137)**	**791**	**948**	**3,626**	**(43,471)**	**(100,342)**	**(126,393)**
Amortisation and depreciation	31,237	65,458	125,620	256,326	2,434	4,792	(449)	(899)	158,842	325,677
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**151,186**	**253,725**	**(99,088)**	**(15,811)**	**3,225**	**5,740**	**3,177**	**(44,370)**	**58,500**	**199,284**

PLN '000	Upstream segment	Downstream segment	Other[1]	Consolidation adjustments	Consolidated
	Dec 31 2013 (restated) (audited)				
Total assets	**4,101,632**	**17,059,568**	**120,425**	**(996,871)**	**20,284,754**
- including net exploration and evaluation assets	*381,130*	-	-	-	*381,130*

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

9. Expenses by nature

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Amortisation and depreciation	172,639	386,944	158,842	325,677
Raw materials and consumables used	6,207,490	12,113,880	4,393,416	10,916,608
- including exchange differences [(1)]	*4,219*	*5,442*	*(18,303)*	*13,756*
Services	309,033	586,192	345,647	616,468
Taxes and charges	40,319	95,505	38,470	93,177
Employee benefits expense	170,790	341,795	158,007	335,024
Other expenses by nature	106,190	193,090	31,195	66,738
Value of merchandise and materials sold	252,984	481,173	866,040	1,168,110
Total expenses by nature	**7,259,445**	**14,198,579**	**5,991,617**	**13,521,802**
Change in products and adjustments to cost of sales	(203,437)	21,398	301,596	(40,289)
Total	**7,056,008**	**14,219,977**	**6,293,213**	**13,481,513**
including:				
Cost of sales	6,650,511	13,445,581	5,945,349	12,773,440
Distribution costs	291,502	559,435	258,296	509,840
Administrative expenses	113,995	214,961	89,568	198,233

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

10. Other income

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Gain on disposal of non-financial non-current assets		522	840	1,977	2,009
Grants		538	1,096	519	1,036
Provisions		-	1,014	2,233	2,365
Revaluation of property, plant and equipment and other intangible assets, including:		-	-	55,840	51,693
- reversal of impairment losses on assets associated with the B-4 and B-6 fields, contributed to Baltic Gas		-	-	*48,273*	*48,273*
Revaluation of estimated provision related to the offshore oil production facility in the YME field in Norway		-	-	21,665	21,665
Compensation		648	1,233	4,469	6,221
Gain on sale of organised part of business		-	-	379	379
Gain on disposal of assets held for sale	18	1,013	1,013	-	-
Other		1,389	4,449	4,936	6,375
Total		**4,110**	**9,645**	**92,018**	**91,743**

11. Other expenses

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Impairment losses on receivables		1,889	658	768	2,575
Impairment loss on property, plant and equipment and other intangible assets:		556,390	557,129	-	-
- impairment loss on YME field assets	*6*	*554,654*	*554,654*	-	-
- other		*1,736*	*2,475*	-	-
Provisions		513	-	-	-
Fines and compensation		326	807	422	705
Property damage incurred during ordinary course of business		206	450	792	1,663
Charitable donations		289	489	1,829	2,000
Other		2,754	4,044	1,502	4,544
Total		**562,367**	**563,577**	**5,313**	**11,487**

12. Finance income

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Dividend received	1,103	1,103	6,943	6,943
Interest	5,916	10,397	3,853	8,347
- on trade receivables	*2,725*	*4,088*	*1,095*	*3,355*
- on finance lease receivables	*78*	*136*	*41*	*101*
- on cash	*225*	*350*	*540*	*584*
- on deposits	*2,511*	*4,187*	*1,885*	*3,737*
- other	*377*	*1,636*	*292*	*570*
Revaluation of financial assets:	-	-	15,419	-
- valuation of derivative financial instruments	-	-	*(71,151)*	-
- settlement of derivative financial instruments	-	-	*86,570*	-
Other	11	62	19	19
Total	**7,030**	**11,562**	**26,234**	**15,309**

13. Finance costs

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Interest:		48,955	99,997	54,256	106,396
- on borrowings		*35,076*	*70,955*	*40,844*	*79,515*
- on non-bank borrowings		*1,778*	*2,405*	*164*	*321*
- on notes		*812*	*1,614*	*-*	*-*
- on trade payables		*6*	*21*	*19*	*38*
- on finance lease liabilities		*3,247*	*6,443*	*3,912*	*8,447*
- on factoring arrangements		*1,647*	*4,015*	*3,276*	*8,758*
- on other financial liabilities		*121*	*121*	*27*	*87*
- discount related to provisions for oil production facilities and for land reclamation, and other provisions	*21*	*4,427*	*10,844*	*4,225*	*5,882*
- cost of discount on employee benefit obligations		*1,519*	*3,104*	*1,534*	*3,069*
- other		*322*	*475*	*255*	*279*
Exchange differences:		33,797	9,089	32,453	93,153
- on borrowings		*18,552*	*11,516*	*21,361*	*81,711*
- on intra-Group borrowings		*21,310*	*1,147*	*19,718*	*15,273*
- on realised foreign-currency transactions in bank accounts		*(2,830)*	*(2,852)*	*(1,641)*	*1,412*
- on notes		*4,700*	*2,670*	*3,175*	*2,240*
- on cash		*(2,401)*	*(2,612)*	*(1,527)*	*(2,722)*
- on cash blocked in bank accounts		*(5,115)*	*(2,006)*	*(13,618)*	*(13,618)*
- on investment commitments		*(153)*	*1,381*	*5,650*	*10,180*
- on other financial assets and liabilities		*(266)*	*(155)*	*(665)*	*(1,323)*
Revaluation of financial assets:		9,843	21,548	-	66,714
- valuation of derivative financial instruments		*29,261*	*33,198*	*-*	*101,576*
- settlement of derivative financial instruments		*(19,418)*	*(11,650)*	*-*	*(34,862)*
Bank fees		4,440	6,913	4,352	8,855
Other		819	2,873	2,052	3,287
Total		**97,854**	**140,420**	**93,113**	**278,405**

14. Income tax

14.1 Tax expense

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Current tax	2,796	19,875	15,929	37,962
Deferred tax	(386,211)	(391,980)	(62,341)	(157,622)
Total income tax charged to net profit or loss	**(383,415)**	**(372,105)**	**(46,412)**	**(119,660)**
Tax expense recognised in other comprehensive income (net), including:	(2,878)	(8,608)	(14,909)	(57,294)
- cash flow hedging	*(2,878)*	*(8,608)*	*(14,909)*	*(57,294)*

For the Group 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. Income earned on the operations of LOTOS E&P Norge AS is subject to taxation under two parallel tax systems: the corporate income tax system (27% tax rate) and the petroleum tax system (additional tax rate of 51%).

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%.

14.2 Deferred income tax

PLN '000	Note	Statement of financial position Jun 30 2014 (unaudited)	Statement of financial position Dec 31 2013 (restated) (audited)	Change
Deferred tax assets		1,293,247	924,534	368,713
Deferred tax liabilities		(241,663)	(275,823)	34,160
Net deferred tax assets/(liabilities)	**14.2.1**	**1,051,584**	**648,711**	**402,873**
Exchange differences on translating deferred tax of foreign operations				13,022
Deferred tax disclosed under other comprehensive income, net	14.1			(8,608)
Other differences:				(15,307)
- uplift [(1)]				*(3,190)*
- other				*(12,117)*
Deferred tax expense recognised in net profit or loss	14.1			**391,980**

(1) Tax credit (uplift) applicable in the Norwegian petroleum tax system at the rate of 5.5% per annum. The uplift is calculated based on the capitalised investment expenditure (offshore production installation) and is settled against taxable income over a period of four years from the year the expenditure was incurred. Any uplift unused in a given period may be settled in the future until fully used, with no time limit. The amount of LOTOS Production and Exploration Norge AS's unused uplift increased the deferred tax asset under the Group's tax losses settled over time, and had no effect on tax disclosed in the consolidated statement of comprehensive income.

14.2.1 Deferred tax assets and liabilities

As the Group entities are separate 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.

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

PLN '000	Dec 31 2013 (restated) (audited)	Deferred tax charged to net profit or loss	Deferred tax disclosed under other comprehensive income	Exchange differences on translating deferred tax of foreign operations	Other differences	Jun 30 2014 (unaudited)
Deferred tax assets						
Employee benefit obligations	49,561	(1,989)	-	(18)	-	47,554
Impairment losses on inventories	564	(164)	-	-	-	400
Impairment losses on property, plant and equipment and other intangible assets	115,837	(5,231)	-	(125)	-	110,481
Impairment losses on assets related to the YME field	714,882	363,505 [1]	-	(6,857)	-	1,071,530
Negative fair value of derivative financial instruments	13,734	(1,927)	-	-	-	11,807
Exchange differences on revaluation of foreign-currency denominated items	6,446	5,185	-	(87)	-	11,544
Impairment losses on receivables	16,200	134	-	-	-	16,334
Finance lease liabilities	28,068	(1,821)	-	-	-	26,247
Provisions for decommissioning of oil and gas facilities and land reclamation	187,827	(5,590)	-	(16)	-	182,221
Unrealised margin assets	8,545	6,870	-	-	-	15,415
Tax losses carried forward	1,089,325	66,064	-	(1,786)	15,307	1,168,910
Other provisions	9,619	(6)	-	-	-	9,613
Bio-component tax credit	4,463	(4,463)	-	-	-	-
Other	16,919	1,716	-	-	-	18,635
Total	**2,261,990**	**422,283**	**-**	**(8,889)**	**15,307**	**2,690,691**
Deferred tax liabilities						
Difference between the current tax value and carrying amount of property, plant and equipment and other intangible assets	1,493,672	29,079	-	3,952	-	1,526,703
Positive fair value of derivative financial instruments	140	54	-	-	-	194
Tax liabilities associated with the acquired exploration and production licences in Lithuania	49,522	(3,223)	-	178	-	46,477
Cash flow hedge accounting	14,312	-	(8,608)	-	-	5,704
Accrued interest	43,966	4,945	-	3	-	48,914
Other	11,667	(552)	-	-	-	11,115
Total	**1,613,279**	**30,303**	**(8,608)**	**4,133**	**-**	**1,639,107**
Net deferred tax assets/(liabilities)	**648,711**	**391,980**	**8,608**	**(13,022)**	**15,307**	**1,051,584**

[1] For more information on the transaction, see Note 6.

Taxable temporary differences are expected to expire in 2015 – 2083.

15. Net loss per share

	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Net loss attributable to owners of the Parent (PLN '000) (A)	(122,519)	(154,886)	(126,085)	(273,437)
Weighted average number of shares ('000) (B)	129,873	129,873	129,873	129,873
Net loss per share (PLN) (A/B)	**(0.94)**	**(1.19)**	**(0.97)**	**(2.11)**

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

Diluted loss per share is equal to basic loss per share as the Group carries no instruments with dilutive effect.

16. Dividends

On June 30th 2014, the General Meeting of Grupa LOTOS S.A. passed a resolution on coverage of the Company's net loss for 2013. In accordance with the resolution, the net loss for 2013 of PLN 14,774 thousand was covered from the Company's statutory reserve funds.

As at June 30th 2014 and December 31st 2013, Grupa LOTOS S.A. was restricted in its ability to distribute funds as dividend. 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.

17. Impairment losses

PLN '000	Property, plant and equipment		Intangible assets		Inventories	Receivables	Total
Jan 1 2014 (restated) (audited)	**1,126,191**		**148,215**		**2,919**	**175,293**	**1,452,618**
Recognised	556,839	(1)	523		3,011	6,492	566,865
Exchange differences on translating foreign operations	(10,256)		(36)		-	4	(10,288)
Used / Reversed	(28,376)	(2)	-		(666)	(9,002)	(38,044)
Jun 30 2014 (unaudited)	**1,644,398**		**148,702**		**5,264**	**172,787**	**1,971,151**
Jan 1 2013 (restated) (audited)	**1,316,708**		**151,065**		**1,407**	**177,152**	**1,646,332**
Recognised	170		4,965	(4)	6,355	5,801	17,291
Exchange differences on translating foreign operations	(13,647)		(842)		-	108	(14,381)
Used / Reversed	(88,104)	(3)	(562)	(5)	(146)	(1,555)	(90,367)
Jun 30 2013 (restated) (unaudited)	**1,215,127**		**154,626**		**7,616**	**181,506**	**1,558,875**

(1) Including impairment loss on the YME field assets of PLN 554,654 thousand recognised in the statement of comprehensive income under *Other expenses* (see Note 11), discussed in Note 6.
(2) In H1 2014, the Group resolved to decommission a well on the B-28 field (Baltic Sea). The Group wrote-off discontinued projects using previously recognised impairment losses of PLN 27,132 thousand, thus the write-off did not affect the financial result presented in these interim condensed financial statements.
(3) Including:
- PLN 37,705 thousand under assets associated with the Waterproofing Materials Production Plant, which as at June 30th 2013 were classified as assets held for sale,
- PLN 48,273 thousand under assets associated with the B-4 and B-6 gas fields contributed by LOTOS Petrobaltic S.A. to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. (see Note 10; for more information on the transaction, see Note 2 to the consolidated financial statements for 2013).

(4) In respect of Norwegian exploration licence PL 498.
(5) In respect of Norwegian exploration licence PL 497.

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 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).

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

PLN '000	6 months ended Jun 30 2014 (unaudited)		6 months ended Jun 30 2013 (restated) (unaudited)
Purchase of property, plant and equipment and other intangible assets	543,369	(1)	246,789

(1) Includes mainly the purchase of a drilling rig, see below.

On February 3rd 2014, the ownership of a new drilling rig purchased under an agreement of December 20th 2013 was transferred to SPV Baltic Sp. z o.o. (an upstream company of the LOTOS Petrobaltic Group). The purchase of the rig was financed with a loan from Agencja Rozwoju Przemysłu S.A., an investment facility from Nordea Bank Polska S.A. (see Note 20), and loans from LOTOS Petrobaltic S.A. The drilling rig was delivered to Poland on February 26th 2014 and was deployed to support exploration projects pursued by LOTOS Petrobaltic S.A. in the Baltic Sea.

PLN '000	6 months ended Jun 30 2014 (unaudited) Carrying amount	Effect of transaction	6 months ended Jun 30 2013 (unaudited) Carrying amount	Effect of transaction
Sale of property, plant and equipment and intangible assets	3,707	1,119	126	1,722
Disposal of assets held for sale	794	1,013	773	(3)
Sale of non-current assets related to the sale of an organised part of business (Jasło Branch) by LOTOS Oil S.A.	-	-	69	381

In addition, in the 6 month period ended June 30th 2013, LOTOS Petrobaltic S.A., as a limited partner, made an in-kind contribution of PLN 51,700 thousand to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (see Note 24.1; for more information on the transaction, see Note 2 to the consolidated financial statements for 2013). The contributed assets were associated with the B-4 and B-6 gas fields, in respect of which impairment losses had been recognised at their full amount, reversed in the reporting period (see Note 17).

As at June 30th 2014, the Group's future contractual liabilities related to expenditure on property, plant and equipment or intangible assets undisclosed in the statement of financial position were PLN 464,214 thousand and mostly related to the conversion of LOTOS Petrobaltic S.A.'s drilling rig into a production platform to be installed at the B-8 field (December 31st 2013: PLN 592,229 thousand – related mostly to the purchase of the drilling rig by SPV Baltic Sp. z o.o. and conversion of a drilling rig into a production platform at LOTOS Petrobaltic S.A.).

19. Cash and cash equivalents

PLN '000	Jun 30 2014 (unaudited)	Jun 30 2013 (restated) (unaudited)
Cash at bank	440,209	342,994
Cash in hand	667	373
Other cash	946	665
Total cash and cash equivalents recognised in the statement of financial position	**441,822**	**344,032**
Overdraft facilities	(711,403)	(166,013)
Total cash and cash equivalents recognised in the statement of financial position	**(269,581)**	**178,019**

20. Borrowings, other debt instruments and finance lease liabilities

PLN '000	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)
Bank borrowings:	6,017,722	5,851,809
- investment credit facilities	*4,398,691*	*4,512,290*
- working capital facilities	*1,042,991*	*831,739*
- inventory refinancing and financing facilities	*916,574*	*753,296*
- funds in bank deposits securing repayment of interest and principal instalments	*(340,534)*	*(245,516)*
Loans	103,624	10,306
Notes	200,627	198,240
Finance lease liabilities	139,242	151,031
Total	**6,461,215**	**6,211,386**
including:		
non-current	*4,326,247*	*4,496,190*
current	*2,134,968*	*1,715,196*

Material credit facility agreements of the Group

Most of the Group's bank borrowings were incurred by the Parent and the LOTOS Petrobaltic Group companies.

As at June 30th 2014, an amount of PLN 3,792.3m (USD 1,244.5m) was outstanding under an investment facility contracted by the Parent to finance the 10+ Programme. As at December 31st 2013, the outstanding amount under the facility was PLN 3,960.9m (USD 1,315.0m).

The Parent also uses a credit facility for the refinancing and financing of its inventory. As at June 30th 2014, the amount drawn under the facility was PLN 914.2m (USD 300m). As at December 31st 2013, it was PLN 753m (USD 250m).

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

As at June 30th 2014, liabilities under borrowings incurred by the LOTOS Petrobaltic Group were PLN 873.8m (December 31st 2013: PLN 702.2m).

New credit facility and loan agreements executed in the reporting period

On January 31st 2014, SPV Baltic Sp. z o.o. (an upstream company of the LOTOS Petrobaltic Group) entered into an agreement for a loan of up to PLN 100m with Agencja Rozwoju Przemysłu S.A., and an agreement for an investment credit facility of up to PLN 100m with Nordea Bank Polska S.A., to finance the purchase of an offshore rig under an agreement of December 20th 2013. The facility falls due on is January 31st 2021.

Repayment of the facility and of the loan is secured with:
- registered pledge over the purchased drilling rig,
- registered pledge over bank accounts,
- registered pledge over assets,
- registered and financial pledges over shares,
- assignment of rights under insurance policies,
- assignment of rights under agreement on services involving the drilling rig,
- representations on submission to enforcement,
- blank promissory note,
- sureties issued by AB LOTOS Geonafta Group companies and Miliana Shipholding Group companies (upstream segment, LOTOS Petrobaltic Group).

The interest rates under the agreements referred to above are based on 1M WIBOR.

As at June 30th 2014, total liabilities under the agreements were PLN 193.9m, attributable in equal parts to the loan advanced by Agencja Rozwoju Przemysłu S.A. and to the investment facility granted by Nordea Bank Polska S.A.

On April 23rd 2014, LOTOS Kolej Sp. z o.o. and mBank S.A. entered into a PLN 35m overdraft facility agreement. The agreement is effective until April 24th 2015 and is secured with a blank promissory note. The credit facility bears interest based on the O/N WIBOR rate.

In addition, on June 10th 2014, LOTOS Exploration and Production Norge AS (an upstream company of the LOTOS Petrobaltic Group) and Skandinaviska Enskilda Banken entered into a NOK 89m (PLN 44m) working capital facility agreement. The facility falls due on December 20th 2014. The facility is secured with the tax refund receivable for the exploration expenditure incurred in 2013, and the interest rate is based on 1M NIBOR.

Proceeds from and repayment of borrowings

In the six months ended June 30th 2014, proceeds from borrowings contracted by the Group totalled PLN 523.1m and primarily included the credit facility for the refinancing and financing of inventory contracted by the Parent (PLN 154.1m), the investment facility and the loan contracted by SPV Baltic Sp. z o.o. (PLN 194.7m), as well as working capital facilities contracted by AB LOTOS Geonafta (PLN 124.9m). In the same period, repayments of borrowings were PLN 446.2m and mainly included repayments under the investment facilities used by the Parent (PLN 215m) and the working capital facilities of AB LOTOS Geonafta (PLN 135.4m) contracted to refinance its existing debt. These amounts were disclosed in the statement of cash flows from financing activities under *Proceeds from borrowings* and *Repayment of borrowings*, respectively.

In the six months ended June 30th 2014 and June 30th 2013, none of the Group companies defaulted on their borrowings. As at June 30th 2014, AB LOTOS Geonafta defaulted on one of its debt covenants, hence PLN 38,487 thousand of long-term borrowings was reclassified to short-term borrowings.

Issue, redemption or repayment of debt or equity securities

Pursuant to the note issue programme agreement of October 29th 2013 with Bank Pekao S.A., LOTOS Petrobaltic S.A. may issue medium-term USD-denominated notes for up to the equivalent of PLN 200m. In the six months ended June 30th 2014, LOTOS Petrobaltic S.A. did not issue or redeem any notes. As at June 30th 2014, an amount of PLN 200,627 thousand (December 31st 2013: PLN 198,240 thousand) was outstanding under notes issued in 2013.

In addition, LOTOS Asfalt Sp. z o.o. has operated a short-term note issue programme since 2010. The term of the programme is five years. In the six months ended June 30th 2014 and June 30th 2013, LOTOS Asfalt Sp. z o.o. did not issue or redeem any notes under the programme. As at June 30th 2014 and December 31st 2013, LOTOS Asfalt Sp. z o.o. did not carry any liabilities under notes in issue.

In the six months ended June 30th 2014 and June 30th 2013, no other debt or equity securities were issued, redeemed or repaid.

21. Provisions

		Provisions for decommissioning and reclamation costs							
PLN '000	Note	Provisions for retired refinery installations	Provision for onshore oil and gas facilities – Lithuania	Provision for offshore oil and gas facilities – the North Sea		Provision for offshore oil and gas facilities – the Baltic Sea	Baltic Sea Oil and Gas Facility Decommissioning Fund	Other provisions	Total
Jan 1 2014 (restated) (audited)		**36,128**	**13,026**	**562,268**		**186,800**	**29,866**	**27,534**	**855,622**
Recognised		*1*	*-*	*-*		*-*	*-*	*760*	*761*
Change in provisions for liabilities attributable to approaching maturity date (discount reversal effect)	*13*	*137*	*327*	*8,372*		*2,008*	*-*	*-*	*10,844*
Interest on Oil and Gas Facility Decommissioning Fund		*-*	*-*	*-*		*-*	*303*	*-*	*303*
Exchange differences on translating foreign operations		*-*	*42*	*209*		*-*	*-*	*24*	*275*
Used		*(492)*	*-*	*(46,808)*	(1)	*-*	*-*	*(2,450)*	*(49,750)*
Reversed		*-*	*-*	*-*		*-*	*-*	*(51)*	*(51)*
Jun 30 2014 (unaudited)		**35,774**	**13,395**	**524,041**		**188,808**	**30,169**	**25,817**	**818,004**
including:									
non-current		*30,387*	*13,395*	*371,625*		*188,808*	*30,169*	*8,050*	*642,434*
current		*5,387*	*-*	*152,416*		*-*	*-*	*17,767*	*175,570*

(1) The amount mainly includes PLN 41,938 thousand of used provisions for future costs of removal of the MOPU and disassembly of plant and equipment at the YME field. The provision was recognised in connection with the agreement between Talisman (the YME field operator) and SBM (rig owner) reached in March 2013 (see Notes 6 and 23.1).

PLN '000	Note	Provisions for decommissioning and reclamation costs: Provisions for retired refinery installations	Provision for onshore oil and gas facilities – Lithuania	Provision for offshore oil and gas facilities – the North Sea	Provision for offshore oil and gas facilities – the Baltic Sea	Baltic Sea Oil and Gas Facility Decommissioning Fund	Other provisions	Total
Jan 1 2013 (restated) (audited)		**41,770**	**11,695**	**117,132**	**180,817**	**27,481**	**33,755**	**412,650**
Recognised		-	*199*	*30,880*	-	-	*1,503*	*32,582*
Change in provisions for liabilities attributable to approaching maturity date (discount reversal effect)	*13*	*137*	*(55)*	*2,636*	*3,164*			*5,882*
Interest on Oil and Gas Facility Decommissioning Fund		-	-	-	-	*441*	-	*441*
Exchange differences on translating foreign operations		-	*692*	*(4,396)*	-	-	*(61)*	*(3,765)*
Estimated costs of removal of the MOPU from the YME field		-	-	*246,309*	-	-	-	*246,309*
Used		*(427)*	-	*(30,887)*	-	-	*(3,861)*	*(35,175)*
Reversed		*(2,840)*	-	-	-	-	*(5,094)*	*(7,934)*
Jun 30 2013 (restated) (unaudited)		**38,640**	**12,531**	**361,674**	**183,981**	**27,922**	**26,242**	**650,990**
including:								
non-current		*35,762*	*12,531*	*179,034*	*183,981*	*27,922*	*280*	*439,510*
current		*2,878*	-	*182,640*	-	-	*25,962*	*211,480*

22. Changes in the method of fair value measurement applied to financial instruments measured at fair value and changes in the classification of financial instruments

In the six months ended June 30th 2014, the Group made no changes in 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 consolidated financial statements for 2013), made no transfers of financial instruments between fair value hierarchy levels (see Note 31.2 to the consolidated financial statements for 2013), and did not reclassify any of its financial instruments. As at June 30th 2014 and December 31st 2013, the Group held financial derivatives classified under fair value hierarchy Level 2.

As at June 30th 2014 and December 31st 2013, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy

	Jun 30 2014	Dec 31 2013
	(unaudited)	(audited)
PLN '000	Level 2	
Financial assets		
Commodity swap	1,022	736
Currency forward and spot contracts	14,114	34,924
Currency swap	11,584	38,275
Total	**26,720**	**73,935**
Financial liabilities		
Commodity swap	3	-
Currency forward and spot contracts	2	1,017
Interest rate swap (IRS)	62,140	72,263
Currency swap	1,085	873
Total	**63,230**	**74,153**

23. Contingent liabilities and assets

23.1 Material court, arbitration or administrative proceedings and other risks of the Parent or its subsidiaries, 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 2013 (see Note 35.1 to the 2013 consolidated financial statements):

- 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 a court decision on the awarding of PLN 6,975 thousand, plus statutory interest from May 1st 1999, as compensation for losses incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring 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. filed an appeal against the ruling. Grupa LOTOS S.A. responded to the appeal on March 11th 2014. The case is being reviewed by the court of the 2nd instance, i.e. the Court of Appeals in Gdańsk. As at the date of approval of these financial statements, the case is pending.

  Assuming 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.

- LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") was a party to proceedings held before an arbitration court in Norway in connection with claims filed by Single Buoy Moorings Inc. ("SBM"), the supplier of a MOPU (Mobile Offshore Production Unit) for the operation of the YME field, against Talisman Energy Norge AS, the operator of the YME field ("Talisman", the "Operator") and the other YME licence holders. The share of SBM's claims attributable to LOTOS E&P Norge AS was 20%.

  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 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 agreed to 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.

The agreement provided for the terms of termination of all pending arbitration proceedings (between SBM and Talisman and the other YME licence holders).

In accordance with the provisions of the agreement with SBM, USD 12.22m has been paid to LOTOS E&P Norge AS's bank account by March 31st 2013. The payment represented 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, to be gradually released to finance the removal of the MOPU and related infrastructure from the field, in accordance the agreement. On December 4th 2013, Talisman and Excalibur Maritime Contractors („EMC") signed an agreement to remove the Mobile Offshore Production Unit (MOPU) from the YME field. On February 5th 2014, Talisman notified LOTOS E&P Norge AS of the execution of an agreement between EMC and Single Buoy Moorings Inc. ("SBM") for the transport of the MOPU. In June 2014, Talisman notified LOTOS E&P Norge AS of the execution of an agreement between Veolia Environmental Services and Single Buoy Moorings Inc. ("SBM") concerning the scrapping of the rig.

In the six months ended June 30th 2014, works on the removal of the MOPU proceeded according to schedule. In these financial statements, the Group disclosed a PLN 25,328 thousand decrease in funds deposited in the escrow account.

As at June 30th 2014, available cash deposited in the escrow account, denominated in the presentation currency, was recognised under *Other assets*, including the non-current portion of PLN 78,121 thousand and the current portion of PLN 110,489 thousand. The available provision for future costs of the removal of the MOPU and disassembly of the related fixed assets was recognised under *Other liabilities and provisions*, including the non-current portion of PLN 21,937 thousand and the current portion of PLN 133,540 thousand. As the amount of the provision is the Management Board's best estimate as at the reporting date, the adopted assumptions may be subject to reasonable changes that may in the future cause the need to remeasure the provisions for future costs of decommissioning of the platform.

- On March 11th 2013, LOTOS Petrobaltic S.A. received a payment notice for approximately GBP 6.5m from AGR Subsea Ltd. ("AGR"). The claim concerns AGR's remuneration for the performance of a contract to unearth the legs of the Baltic Beta platform. LOTOS Petrobaltic S.A. questioned the amount demanded by AGR as remuneration for the services and has proposed to pay PLN 16m (the equivalent of GBP 3.2m, translated at the mid rate quoted by the National Bank of Poland for December 31st 2012) to AGR under the claim. The Group disclosed this liability in the statements of financial position as at June 30th and September 30th 2013. The dispute concerns the nature of the contract, the reasons of its delayed and incomplete performance, as well as the grounds for LOTOS Petrobaltic S.A. to terminate the contract and demand reimbursement of costs incurred by LOTOS Petrobaltic S.A. to hire replacement contractors to complete the work. AGR Subsea Ltd. did not accept the settlement and brought the case to court. On November 4th 2013, LOTOS Petrobaltic S.A. received a claim brought by AGR for payment of GBP 6.5m. The dispute was referred to mediation by virtue of the court's decision, which was accepted by LOTOS Petrobaltic S.A. Mediation meetings between AGR and LOTOS Petrobaltic S.A. were scheduled for April 22nd 2014.At a joint request of both parties, on June 20th 2014 the court agreed to extend the mediation proceedings until July 31st 2014. LOTOS Petrobaltic S.A. has moved for extension of the mediation proceedings until September 30th 2014.
  On October 31st 2013, LOTOS Petrobaltic S.A. filed a claim against AGR with the Regional Court of Gdańsk for payment of GBP 5.6m to cover the costs of hiring the replacement contractors. Consequently, as at June 30th 2014 and December 31st 2013 no liability towards AGR Subsea Ltd. was recognised by the Group in these consolidated financial statements. On March 25th 2014, the Regional Court, 9th Commercial Division in Gdańsk, in writ-of-payment proceedings, issued an order for payment which was served to LOTOS Petrobaltic S.A. on April 17th 2014. The Court commissioned a translation of the order, along with the claim and relevant forms, which will be delivered to the respondent. Following the receipt of the payment order AGR will have 14 days to file an objection.

  Given the complex nature of the dispute, it is difficult to assess the risk arising in relation to the court proceedings, because if the judgement is unfavourable to one of the parties, that party may have to incur additional expenses related to the proceedings, including costs of legal representation and costs of enforcement.

In the six months ended June 30th 2014 and June 30th 2013, the Group had no material amounts outstanding under court proceedings, other than those presented above. In addition, on March 27th 2014, in accordance with a separate plan for the distribution of funds obtained as part of the bankruptcy proceedings against KRAK-GAZ Sp. z o.o. (see Note 35.1 of the consolidated financial statements for 2013), LOTOS Gaz S.A. w likwidacji (in liquidation) was awarded PLN 3,067 thousand.

23.2 Other contingent liabilities

- As at June 30th 2014, 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 LOTOS Exploration and Production Norge AS' exploration and production operations on the Norwegian Continental Shelf, was effective as at June 30th 2014. In the guarantee, LOTOS Petrobaltic S.A. undertook to assume any financial liabilities which may arise in connection with the operations of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, consisting in exploration for and extraction of the natural resources from the sea bottom, including their storage and transport using means of transport other than ships.

- On May 13th 2013, LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") entered into an arrangement concerning conditional reimbursement of the costs of the Baltic Gas project (for more information, see Note 2 to the 2013 consolidated financial statements), whereby LOTOS Petrobaltic S.A. agreed to reimburse contributions made and documented by CalEnergy related to the performance of the second part of design work, as well as the remuneration payable to LOTOS Petrobaltic S.A. by CalEnergy, in the event of revocation of the B-4 and B-6 licences (valid until May 11th 2032 and November 7th 2032, respectively) within 12 months of the date of the arrangement. The total value of contingent liabilities will not exceed USD 13,900 thousand (or PLN 42,357 thousand, translated at the mid rate quoted by the NBP for June 30th 2014).

24. Related parties

24.1 Transactions with related entities in which the Group holds shares

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Equity-accounted joint ventures				
Sale	116,012	203,736 [1]	92	124
Purchases	163	407	30	216
Purchase of property, plant and equipment	14	14	-	-
In-kind contribution	-	-	51,700 [2]	51,700 [2]

[1] The Group traded primarily with LOTOS-Air BP Polska Sp. z o.o. The transactions involved sale of aviation fuel. Following loss of control over LOTOS Air-BP Polska Sp. z o.o. (sale of 50% of interest in the company in November 2013), the company is no longer fully accounted; instead, it is accounted for with the equity method (for details of the transaction, see Note 2 to the consolidated financial statements for 2013).
[2] 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 in the form of non-current assets related to B-4 and B-6 fields (for details of the transaction, see Note 2 to the consolidated financial statements for 2013).

PLN '000	Jun 30 2014 (unaudited)	Dec 31 2013 (restated) (audited)
Equity-accounted joint ventures		
Receivables	45,499	16,670
Liabilities	221	215

As at June 30th 2014, the Group mainly disclosed receivables from LOTOS-Air BP Polska Sp. z o.o. of PLN 45,478 thousand (December 31st 2013: PLN 16,321 thousand).

For general information on joint ventures in which the Group holds interests see Note 2.

24.2 Entity having control of the Group

As at June 30th 2014 and December 31st 2013, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the three and six months ended June 30th 2014 and June 30th 2013, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

24.2.1 Transactions with related entities of which the State Treasury has control, joint control or significant influence

In the three and six months ended June 30th 2014 and June 30th 2013, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the Group's day-to-day business and involved mainly sale of fuels, sale and purchase of storage services, purchase of transport services, energy, natural gas and other fuels.

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Sale	311,525	422,575	75,831	160,536
Purchases	404,910	719,934	383,169	780,724

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

In the three and six months ended June 30th 2014 and June 30th 2013, the Company paid remuneration to the Company's Management and Supervisory Board members, which did not materially differ from the remuneration presented in the 2013 consolidated financial statements (see Note 36.3, in relevant proportion to the period of three and six months). 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 consolidated financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the three and six months ended June 30th 2014 and June 30th 2013, Grupa LOTOS S.A. did not become aware of any transactions concluded with the Company or a company of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

24.4 Transactions with related parties of members of the Management Board and the Supervisory Board

In the three and six months ended June 30th 2014, the Group executed transactions with parties related to it through members of the Supervisory Board. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the Group's regular business activities and involved purchase of natural gas in Q2 2014 for PLN 115,956 thousand. As at June 30th 2014, the value of the Group's outstanding transactions with parties related to it through members of the Supervisory Board was PLN 62,598 thousand. In the three and six months ended June 30th 2013, the Group did not execute any transactions with parties related to it through members of the Supervisory Board.

In the three and six months ended June 30th 2014 and June 30th 2013, the Group did not execute any transactions with parties related to it through members of the Management Board.

25. Material events which occurred after the end of the interim period and are not reflected in the consolidated financial statements for the interim period

No material events occurred after the end of the reporting period which would not be reflected in these consolidated financial statements for the reporting period.

26. Other information

- On May 23rd 2014, the Ministry of Environment amended the B-3 licence, allowing crude oil and natural gas production to continue for 32 years from the licence issue date, i.e. until June 29th 2026. On May 26th 2014, LOTOS Petrobaltic S.A. received an executed copy of the mining usufruct agreement, whereby the right to produce from the B-3 field was extended by 10 years, i.e. from July 29th 2016 to July 29th 2026.

- On April 7th 2014, the District Court for Gdańsk issued a decision to register completion of recovery proceedings at Energobaltic Sp. z o.o. (a subsidiary of LOTOS Petrobaltic S.A.) with the National Court Register in light of the decision of the District Court for Gdańsk-Północ confirming performance of the arrangement executed at the meeting of creditors of June 29th 2009 as part of the recovery proceedings between Energobaltic Sp. z o.o. and its creditors (see Note 17 to the consolidated financial statement for 2009).

- On August 12th 2014, the Management Board of Grupa LOTOS S.A. issued a notice of the Extraordinary General Meeting of the Company to be held on September 8th 2014, whose agenda includes adoption of a decision on share capital increase through issuance of new shares, public offering of new shares, setting the rights record date for November 18th 2014, conversion of new shares into book-entry form and seeking admission of the pre-emptive rights, allotment certificates and new shares to trading on the regulated market of the Warsaw Stock Exchange, amending the Company's Articles of Association and authorising the Supervisory Board to prepare a consolidated text of the Company's Articles of Association.

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three and six months ended June 30th 2014

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Revenue		6,694,305	13,377,495	5,615,506	12,510,404
Cost of sales	7	(6,494,850)	(13,059,206)	(5,742,873)	(12,511,656)
Gross profit/(loss)		**199,455**	**318,289**	**(127,367)**	**(1,252)**
Distribution costs	7	(163,912)	(323,636)	(138,196)	(287,376)
Administrative expenses	7	(51,473)	(99,472)	(53,321)	(104,716)
Other income		768	4,300	6,473	7,858
Other expenses		(1,078)	(2,681)	(2,401)	(4,244)
Operating loss		**(16,240)**	**(103,200)**	**(314,812)**	**(389,730)**
Finance income	8	147,759	159,754	290,742	276,883
Finance costs	9	(40,808)	(83,224)	(42,730)	(179,507)
Pre-tax profit/(loss)		**90,711**	**(26,670)**	**(66,800)**	**(292,354)**
Corporate income tax	10.1	9,329	33,281	62,687	105,645
Net profit/(loss)		**100,040**	**6,611**	**(4,113)**	**(186,709)**
Other comprehensive income					
Items that may be reclassified to profit/loss:					
Cash flow hedges		(15,146)	(45,304)	(78,467)	(301,546)
Income tax on other comprehensive income	10.1	2,878	8,608	14,909	57,294
Other comprehensive income (net)		**(12,268)**	**(36,696)**	**(63,558)**	**(244,252)**
Total comprehensive income		**87,772**	**(30,085)**	**(67,671)**	**(430,961)**
Earnings/(loss) per share					
Weighted average number of shares ('000)	11	129,873	129,873	129,873	129,873
- basic	11	0.77	0.05	(0.03)	(1.44)
- diluted	11	0.77	0.05	(0.03)	(1.44)

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at June 30th 2014

PLN '000	Note	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		6,445,830	6,572,705
Intangible assets		112,573	114,448
Shares		910,702	910,649
Other non-current assets		545,802	439,537
Total non-current assets		**8,014,907**	**8,037,339**
Current assets			
Inventories		4,873,116	5,544,460
- including mandatory stocks		*3,665,275*	*4,247,822*
Trade receivables		1,555,484	1,584,750
Current tax assets		502	10,296
Derivative financial instruments		26,194	73,956
Other current assets		162,954	84,580
Cash and cash equivalents		325,771	224,031
Total current assets		**6,944,021**	**7,522,073**
Total assets		**14,958,928**	**15,559,412**
EQUITY AND LIABILITIES			
Equity			
Share capital		129,873	129,873
Share premium		1,311,348	1,311,348
Cash flow hedging reserve		24,323	61,019
Retained earnings		5,639,966	5,633,355
Total equity		**7,105,510**	**7,135,595**
Non-current liabilities			
Bank borrowings	16	3,360,198	3,538,779
Derivative financial instruments		42,393	52,876
Deferred tax liabilities	10.2	164,836	206,817
Employee benefit obligations		53,300	53,300
Total non-current liabilities		**3,620,727**	**3,851,772**
Current liabilities			
Bank borrowings	16	1,530,643	1,327,536
Derivative financial instruments		27,789	28,297
Trade payables		1,841,221	2,436,614
Employee benefit obligations		26,648	33,582
Other liabilities and provisions		806,390	746,016
Total current liabilities		**4,232,691**	**4,572,045**
Total liabilities		**7,853,418**	**8,423,817**
Total equity and liabilities		**14,958,928**	**15,559,412**

GRUPA LOTOS S.A.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
for the six months ended June 30th 2014
prepared using the indirect method

PLN '000	Note	6 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Cash flows from operating activities			
Net profit/(loss)		**6,611**	**(186,709)**
Adjustments:		**136,767**	**873,647**
Income tax expense	*10.1*	*(33,281)*	*(105,645)*
Amortisation and depreciation	*7*	*177,465*	*202,672*
Foreign exchange (gains)/losses		*7,595*	*43,980*
Interest and dividends		*(107,640)*	*(210,280)*
(Gain)/loss from investing activities		*547*	*121*
Settlement and valuation of derivative financial instruments		*21,559*	*57,453*
Decrease/(increase) in trade receivables		*29,200*	*(363,307)*
(Increase)/decrease in other assets		*(19,103)*	*174,454*
Decrease in inventories		*671,344*	*495,498*
(Decrease)/increase in trade payables		*(595,393)*	*272,804*
(Decrease)/Increase in other provisions and liabilities		*(8,592)*	*317,326*
(Decrease) in employee benefit obligations		*(6,934)*	*(11,429)*
Corporate income tax paid		(890)	(3,562)
Net cash from operating activities		**142,488**	**683,376**
Cash flows from investing activities			
Dividends received		92,360	169,051
Interest received		2,161	2,252
Gain on sale of organised part of business	14	13,817	-
Sale of property, plant and equipment and intangible assets		8	14
Purchase of property, plant and equipment and intangible assets		(63,793)	(107,918)
Loans advanced to related parties	20.1	(100,080)	(30,000)
Security deposit (margin)		383	(6,190)
Cash pool expenses		(13,059)	(30,158)
Settlement of derivative financial instruments		(144)	870
Net cash from investing activities		**(68,347)**	**(2,079)**
Cash flows from financing activities			
Proceeds from borrowings	16	154,145	170,310
Repayment of borrowings	16	(215,033)	(304,685)
Interest paid		(44,810)	(58,388)
Settlement of derivative financial instruments		11,736	33,806
Net cash from financing activities		**(93,962)**	**(158,957)**
Total net cash flow		**(19,821)**	**522,340**
Effect of exchange rate fluctuations on cash held		248	22,130
Change in net cash		**(19,573)**	**544,470**
Cash at beginning of the period		**(220,237)**	**(406,359)**
Cash at end of period	15	**(239,810)**	**138,111**

The Notes to the interim condensed financial statements for the six months ended June 30th 2014, presented on pages 45 to 56, are an integral part of the statements.

PLN '000	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
Jan 1 2014 (audited)	**129,873**	**1,311,348**	**61,019**	**5,633,355**	**7,135,595**
Net profit	-	-	-	*6,611*	*6,611*
Other comprehensive income (net)	-	-	*(36,696)*	-	*(36,696)*
Total comprehensive income	-	-	(36,696)	6,611	(30,085)
Jun 30 2014 (unaudited)	**129,873**	**1,311,348**	**24,323**	**5,639,966**	**7,105,510**
Jan 1 2013 (audited)	**129,873**	**1,311,348**	**(36,801)**	**5,647,933**	**7,052,353**
Net loss	-	-	-	*(186,709)*	*(186,709)*
Other comprehensive income (net)	-	-	*(244,252)*	-	*(244,252)*
Total comprehensive income	-	-	(244,252)	(186,709)	(430,961)
Jun 30 2013 (unaudited)	**129,873**	**1,311,348**	**(281,053)**	**5,461,224**	**6,621,392**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2014

1. General information

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

Grupa LOTOS S.A.'s business comprises production, services and trading activities. The Company's principal business activity consists in the production and processing of refined petroleum products. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Basis of preparation and presentation

These interim condensed financial statements of Grupa LOTOS S.A. ("interim financial statements", "financial statements") have been prepared in accordance with the EU-endorsed International Accounting Standard No. 34 ("IAS 34").

These interim condensed financial statements present the financial position of the Company as at June 30th 2014 and December 31st 2013, as well as results of the Company's operations for the three and six months ended June 30th 2014 and June 30th 2013, and cash flows for the six months ended June 30th 2014 and June 30th 2013.

These interim financial statements should be read in conjunction with the audited Financial Statements of Grupa LOTOS S.A. for 2013, issued on March 5th 2014 (the "financial statements for 2013").

The data as at June 30th 2014 and for the six months then ended, and the comparative financial data for the six months ended June 30th 2013, contained in these interim condensed financial statements has been reviewed by the independent auditor. The financial data for the three months ended June 30th 2014 and the comparative financial data for the three months ended June 30th 2013, contained in these interim condensed financial statements, has not been reviewed by the independent auditor. The financial information as at December 31st 2013 has been audited. The auditor's opinion on the financial statements for 2013 was issued on March 3rd 2014.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Company's continuing as a going concern.

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

2.1 Accounting policies

The accounting policies and calculation methods applied by the Company in the preparation of these interim condensed financial statements are the same as those used in the preparation of the financial statements for 2013 (see Note 7 to the financial statements for 2013).

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 on or after January 1st 2014 and have been applied by the Company:

- 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),
- 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 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),
- 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),

The EU also endorsed IFRIC 21 *Levies*, published on May 20th 2013 (applicable to annual periods beginning on or after January 1st 2014 – in the EU effective for annual periods beginning on or after June 17th 2014). The Company intends to apply the interpretation as of January 1st 2015. The Company's Management Board is analysing and assessing the effect of the interpretation on the accounting policies applied by the Company and on the Company's future financial statements.

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

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

- IFRS 9 Financial Instruments, published on July 24th 2014 (effective for annual periods beginning on or after January 1st 2018).
- Amendments introduced as part of the Improvements to IFRSs 2010-2012 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments introduced as part of the Improvements to IFRSs 2011-2013 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1st 2014),
- IFRS 14 Regulatory Deferral Accounts, published on January 30th 2014 (effective for annual periods beginning on or after January 1st 2016),
- IFRS 15 Revenue from Contracts with Customers, published on May 28th 2014 (effective for annual periods beginning on or after January 1st 2017),
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations, published on May 6th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published on May 12th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published on June 30th 2014 (effective for annual periods beginning on or after January 1st 2016).
- Amendments to IAS 27 Separate Financial Statements: Equity method in separate financial statements published on August 12th 2014 (effective for annual periods beginning on or after January 1st 2016).

The Company has not elected to early adopt 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 Company and on the Company's future financial statements.

2.3 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:

NBP's mid-exchange rate quoted for:	Jun 30 2014 (1)	Dec 31 2013 (2)
USD	3.0473	3.0120
EUR	4.1609	4.1472

(1) NBP's mid-rates table, effective for June 30th 2014.
(2) NBP's mid-rates table, effective for December 31st 2013.

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

Starting from 2013, the Company recognises the cost of discount on its employee benefit obligations in finance costs rather than in operating profit/loss. The Company's comparative data in the statement of comprehensive income for the period of three and six months ended June 30th 2013 was adjusted accordingly. Following the adjustment, finance costs and operating profit for the three and six months ended June 30th 2013 increased by PLN 536 thousand and for the six months ended 30 June 2014 increased by PLN 1,072 thousand.

3. Seasonality and cyclicality of operations in the reporting period

There was no seasonality or cyclicality in the Company's operations in the reporting period.

4. Significant changes in reporting items, including amounts which significantly affect assets, liabilities, equity, net profit/loss or cash flows and which are non-typical due to their nature, value, effect or frequency

All significant changes to reporting items subsequent to the last annual reporting period, i.e. 2013, presented in the key sections of the financial statements were supplemented with additional information presented in the relevant notes to the financial statements.

5. 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

Carbon dioxide (CO_2) emission allowances

CO_2 emission allowances are presented by the Company in its financial statements in accordance with the net liability approach, meaning that the Company recognises only those liabilities that result from exceeding the limit of emission allowances granted, and the liability is recognised only when the Company actually exceeds the limit.

In the six months ended June 30th 2014, the European Commission approved the allowance limits planned for the last group of member states, including Poland. As expected by the Management Board, the Company used the free emission allowances for 2013 to offset its emissions in line with the agreed schedule, i.e. by the end of April 2014.

Under the Regulation of the Council of Ministers of March 31st 2014 which specifies installations, other than those used for electricity generation, covered by the greenhouse gas emission allowance trading system in trading periods beginning on or after January 1st 2013, and the number of allowances allocated to such installations; and the Regulation of the Council of Ministers of April 8th 2014 which specifies installations used for energy generation covered by the greenhouse gas emission allowance trading system in trading periods beginning on or after January 1st 2013, and the number of allowances allocated to such installations, Grupa LOTOS S.A. received 11,303 thousand free emission allowances for 2013-2020. In addition, in April 2014, Grupa LOTOS S.A. received 155 thousand and 154 thousand additional free CO_2 emission allowances from the European reserve, to be used by its refinery in 2013 and 2014, respectively. In total, the European Commission allocated 1,167 thousand additional free CO_2 emission allowances from the European reserve to Grupa LOTOS S.A., for use in 2013−2020. The carbon dioxide emission allowances already held by Grupa LOTOS S.A and those allocated for 2013 were sufficient to cover its actual emissions in that year.

6. Business segments

The individual companies have been allocated to the identified business segments of the Group and the results of operating segments for the periods of three and six months ended June 30th 2014 are presented in Note 8 to the interim condensed consolidated financial statements for the six months ended June 30th 2014. Grupa LOTOS S.A. is classified in the downstream segment. The results of operations are assessed based on operating profit or loss at the Company (unconsolidated) level.

7. Expenses by nature

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Amortisation and depreciation	90,500	177,465	98,434	202,672
Raw materials and consumables used	6,312,435	12,345,002	4,464,486	11,043,376
- including exchange differences(1)	*4,102*	*5,433*	*(15,883)*	*15,796*
Services	214,438	424,193	265,955	471,868
Taxes and charges	24,038	56,267	22,908	54,582
Employee benefits expense	49,071	101,080	48,194	101,749
Other expenses by nature	54,964	73,888	21,066	34,520
Merchandise and materials sold	112,146	218,450	735,932	915,335
Total expenses by nature	**6,857,592**	**13,396,345**	**5,656,975**	**12,824,102**
Change in products and adjustments to cost of sales	(147,357)	85,969	277,415	79,646
Total	**6,710,235**	**13,482,314**	**5,934,390**	**12,903,748**
including:				
Cost of sales	6,494,850	13,059,206	5,742,873	12,511,656
Distribution costs	163,912	323,636	138,196	287,376
Administrative expenses	51,473	99,472	53,321	104,716

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

8. Finance income

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Dividend received:		141,070	151,386	269,211	269,211
- from related entities	*20.1*	*139,967*	*150,283*	*268,371*	*268,371*
- from other entities		*1,103*	*1,103*	*840*	*840*
Interest:		4,764	8,110	4,069	7,672
- on trade receivables		*37*	*128*	*331*	*809*
- on cash		*4*	*7*	*7*	*11*
- on deposits		*1,830*	*2,493*	*1,308*	*2,324*
- on loans advanced	*20.1*	*2,890*	*5,479*	*2,312*	*4,417*
- on cash pool	*20.1*	*3*	*3*	*111*	*111*
Exchange differences:		1,925	258	-	-
- on borrowings		*(2,349)*	*(4,511)*	-	-
- on loans advanced		*271*	*727*	-	-
- on realised foreign-currency transactions in bank accounts		*3,937*	*4,008*	-	-
- on cash		*49*	*137*	-	-
- on other financial assets and liabilities		*17*	*(103)*	-	-
Revaluation of financial assets:		-	-	17,462	-
- valuation of derivative financial instruments		-	-	*(69,151)*	-
- settlement of derivative financial instruments		-	-	*86,613*	-
Total		**147,759**	**159,754**	**290,742**	**276,883**

9. Finance costs

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (restated) (unaudited)	6 months ended Jun 30 2013 (restated) (unaudited)
Interest:	25,926	53,337	32,661	68,948
- on borrowings	*24,664*	*50,346*	*30,965*	*63,835*
- on trade payables	-	-	*7*	*7*
- on factoring arrangements	*689*	*1,845*	*1,153*	*4,034*
- cost of discount on employee benefit obligations	*573*	*1,146*	*536*	*1,072*
Exchange differences:	-	-	5,157	43,742
- on foreign-currency denominated bank borrowings	-	-	*(3,667)*	*47,175*
- on foreign-currency denominated loans	-	-	*(1,230)*	*(4,352)*
- on realised foreign-currency transactions in bank accounts	-	-	*(1,317)*	*1,683*
- on cash	-	-	*10,910*	*(1,645)*
- on other financial assets and liabilities	-	-	*461*	*881*
Revaluation of financial assets:	10,261	21,639	-	57,453
- valuation of derivative financial instruments	*29,651*	*33,151*	-	*92,129*
- settlement of derivative financial instruments	*(19,390)*	*(11,592)*	-	*(34,676)*
- other	-	*80*	-	-
Bank fees	3,076	6,270	3,509	7,026
Bank guarantees	1,545	1,978	1,403	2,338
Total	**40,808**	**83,224**	**42,730**	**179,507**

10. Income tax

10.1 Tax expense

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Current tax		(26)	92	160	(433)
Deferred tax	10.2	(9,303)	(33,373)	(62,847)	(105,212)
Total income tax charged to net profit or loss		**(9,329)**	**(33,281)**	**(62,687)**	**(105,645)**
Tax expense recognised in other comprehensive income (net), including:		(2,878)	(8,608)	(14,909)	(57,294)
- cash flow hedging	*10.2*	*(2,878)*	*(8,608)*	*(14,909)*	*(57,294)*

The income tax expense was calculated at the rate of 19% of the income tax base.

10.2 Deferred income tax

PLN '000	Note	Statement of financial position Jun 30 2014 (unaudited)	Statement of financial position Dec 31 2013 (audited)	Statement of comprehensive income for the six months ended Jun 30 2014 (unaudited)
Deferred tax assets				
Employee benefit obligations		15,357	17,093	(1,736)
Impairment losses on receivables		9,021	8,877	144
Impairment losses on property, plant and equipment		4,266	4,266	-
Negative fair value of derivative financial instruments		11,807	13,730	(1,923)
Tax loss carried forward		307,269	292,159	15,110
Other		683	685	(2)
Total		**348,403**	**336,810**	**11,593**
Deferred tax liabilities				
Difference between the current tax value and carrying amount of property, plant and equipment and other intangible assets		503,580	526,300	(22,720)
Cash flow hedges		5,704	14,312	(8,608)
Positive fair value of derivative financial instruments		194	140	54
Other		3,761	2,875	886
Total		**513,239**	**543,627**	**(30,388)**
Deferred tax expense recognised in:				**41,981**
- net profit or loss	*10.1*			*33,373*
- other comprehensive income, net	*10.1*			*8,608*
Net deferred tax assets/(liabilities)		**(164,836)**	**(206,817)**	
including:				
Deferred tax assets		*348,403*	*336,810*	
Deferred tax liabilities		*(513,239)*	*(543,627)*	

Taxable temporary differences are expected to expire in 2015–2083.

11. Earnings/(loss) per share

	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Profit/(loss) (PLN '000) (A)	100,040	6,611	(4,113)	(186,709)
Weighted average number of shares ('000) (B)	129,873	129,873	129,873	129,873
Earnings/(loss) per share (PLN) (A/B)	**0.77**	**0.05**	**(0.03)**	**(1.44)**

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

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

12. Dividends

On June 30th 2014, the General Meeting of Grupa LOTOS S.A. passed a resolution on coverage of the Company's net loss for 2013. In accordance with the resolution, the net loss for 2013 of PLN 14,774 thousand was covered from the Company's statutory reserve funds.

As at June 30th 2014 and December 31st 2013, Grupa LOTOS S.A. was restricted in its ability to distribute funds as dividend. 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.

13. Impairment losses

PLN '000	Property, plant and equipment	Intangible assets	Inventories[1]	Receivables[2]	Total
Jan 1 2014 (audited)	**22,450**	**-**	**2,003**	**76,730**	**101,183**
Recognised	-	-	-	875	875
Used / Reversed	-	-	(590)	(192)	(782)
Jun 30 2014 (unaudited)	**22,450**	**-**	**1,413**	**77,413**	**101,276**
Jan 1 2013 (audited)	**22,450**	**-**	**470**	**86,685**	**109,605**
Recognised	-	-	-	764	764
Used / Reversed	-	-	(34)	(404)	(438)
Jun 30 2013 (unaudited)	**22,450**	**-**	**436**	**87,045**	**109,931**

[1]The effect of revaluation of inventories is presented under cost of sales.
[2]The amounts resulting from recognition or reversal of impairment losses on receivables are presented under other income or expenses (the principal portion) and under finance income or costs (the default interest portion).

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

PLN '000	6 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Purchase of property, plant and equipment and intangible assets	48,415	82,391

In the six months ended June 30th 2014 and June 30th 2013, the Company did not sell any material items of its property, plant and equipment or intangible assets.

On December 20th 2013, Grupa LOTOS S.A. sold its liquid fuel depots in Piotrków Trybunalski and Rypin to LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.) for a total consideration of PLN 13,817 thousand . In the six months ended June 30th 2014, LOTOS Terminale S.A. paid all amounts due under the purchase transactions. Proceeds from the sale were presented in the Company's statement of cash flows for the six months ended June 30th 2014 under *Proceeds from sale of organised part of business*.

As at June 30th 2014, Grupa LOTOS S.A.'s future contractual commitments for expenditure on property, plant and equipment and intangible assets, which were not disclosed in the statement of financial position, totalled PLN 101,437 thousand (December 31st 2013: PLN 53,150 thousand).

15. Cash and cash equivalents

PLN '000	Jun 30 2014 (unaudited)	Jun 30 2013 (unaudited)
Cash at bank	325,669	140,035
Cash in hand	102	33
Total cash and cash equivalents recognised in the statement of financial position	**325,771**	**140,068**
Overdraft facilities	(565,581)	(1,957)
Total cash and cash equivalents recognised in the statement of financial position	**(239,810)**	**138,111**

16. Bank borrowings

PLN '000	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)
Inventory financing and refinancing facility	916,574	753,296
Investment facilities	3,749,221	3,914,267
Working-capital facilities	565,581	444,268
Funds in bank deposits securing payment of interest and principal	(340,535)	(245,516)
Total	**4,890,841**	**4,866,315**
including:		
non-current	*3,360,198*	*3,538,779*
current	*1,530,643*	*1,327,536*

Material credit facility agreements of the Company

As at June 30th 2014, PLN 3,792.3m (USD 1,244.5m) was outstanding under an investment facility contracted by the Company to finance the 10+ Programme. As at December 31st 2013, the outstanding amount under the facility was PLN 3,960.9m (USD 1,315.0m).

The Company also uses a credit facility for the refinancing and financing of its inventory. As at June 30th 2014, the amount drawn under the facility was PLN 914.2m (USD 300m). As at December 31st 2013, it was PLN 753m (USD 250m).

In addition, the Company also has access to a working-capital facility in the form of overdraft facilities and funds available on demand, which are used by the Company on an as-needed basis.

Proceeds from and repayment of bank borrowings

In the six months ended June 30th 2014, proceeds from bank borrowings contracted by the Company totalled PLN 154.1 m and were related to an inventory refinancing and financing facility. In the same period, repayments of borrowings were PLN 215m and included repayments under the investment facilities. These amounts were presented in the statement of cash flows from financing activities under *Proceeds from borrowings* and *Repayment of borrowings*, respectively.

In the six months ended June 30th 2014 and June 30th 2013, the Company did not default on any credit facilities or other borrowings or breached any material covenants under credit facilities or other borrowing agreements.

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

In the six months ended June 30th 2014 and June 30th 2013, no debt or equity securities were issued, redeemed or repaid.

18. Changes in the method of fair value measurement applied to financial instruments measured at fair value and changes in the classification of financial instruments

In the six months ended June 30th 2014, the Company made no changes in the method of fair value measurement applied to financial instruments measured at fair value (the method is described in more detail in Note 7.19 to the financial statements for 2013), made no transfers of financial instruments between fair value hierarchy levels (see Note 28.2 to the 2013 financial statements), and did not reclassify any of its financial instruments. As at June 30th 2014 and December 31st 2013, the Company held financial derivatives classified under fair value hierarchy Level 2.

As at June 30th 2014 and December 31st 2013, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy

PLN '000	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)
	Level 2	
Financial assets		
Commodity swap	1,022	736
Currency forward and spot contracts	14,114	34,924
Currency swap	11,584	38,296
Total	**26,720**	**73,956**
Financial liabilities		
Commodity swap	3	-
Currency forward and spot contracts	664	1,686
Interest rate swap (IRS)	62,140	72,263
Currency swap	7,375	7,224
Total	**70,182**	**81,173**

19. Contingent liabilities and assets

19.1 Material court, arbitration or administrative proceedings and other risks of the Company, 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 after the end of the previous financial year, that is after December 31st 2013 (see Note 32.1 to the 2013 financial statements):

- 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 a court decision on the awarding of PLN 6,975 thousand, plus statutory interest from May 1st 1999, as compensation for losses incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring 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. filed an appeal against the ruling. Grupa LOTOS S.A. responded to the appeal on March 11th 2014. The case is being reviewed by the court of the 2nd instance, i.e. the Court of Appeals in Gdańsk. As at the date of approval of these financial statements, the case is pending.

  Assuming 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.

In the six months ended June 30th 2014 and June 30th 2013, the Company had no material settlements under court proceedings.

19.2 Other contingent liabilities

- As at June 30th 2014, the Company 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.

20. Related parties

20.1 Transactions with related entities in which Grupa LOTOS S.A. holds shares

PLN '000	Note	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Controlled entities					
Sale		2,889,803	5,597,703	3,006,388	5,870,339
Purchases		422,558	756,083	355,421	776,931
Purchase of property, plant and equipment and intangible assets		1,475	1,681	5,252	10,336
Dividend received	8	139,967	150,283	268,371	268,371
Interest income on loans advanced	8	2,890	5,479	2,312	4,417
Income on cash pool interest	8	3	3	111	111
Other interest income		13	60	329	742
Joint ventures (1)					
Sale		115,653	203,120	-	-
Purchases		-	-	-	-

PLN '000	Jun 30 2014 (unaudited)	Dec 31 2013 (audited)
Controlled entities		
Receivables	1,146,394	974,378
Cash pool	13,099	97
Loans advanced	295,919	189,714
Currency swaps (financial assets)	-	21
Liabilities	271,013	230,108
Currency forwards and swaps (financial liabilities)	6,952	7,020
Joint ventures (1)		
Receivables	45,460	16,321
Liabilities	-	-

(1) On November 25th 2013, Grupa LOTOS S.A. sold to BP Europe SE 1,000 shares in LOTOS Tank Sp. z o.o. (currently LOTOS Air-BP Polska Sp. z o.o.), representing 50% of LOTOS Air-BP Polska Sp. z o.o.'s share capital. The sale was effected as part of a joint-venture agreement between Grupa LOTOS S.A. and BP Europe SE, providing for the establishment of a new entity on the basis of LOTOS Air-BP POLSKA Sp. z o.o., through which the two partners could pursue joint operations in the aviation fuel market.

As at June 30th 2014, assigned trade receivables from related entities amounted to PLN 1,129,534 thousand (December 31st 2013: PLN 957,749 thousand).

In the six months ended June 30th 2014 and June 30th 2013, the Company did not provide any sureties for the benefit of related entities.

As at June 30th 2014 and December 31st 2013, the Company did not carry any sureties issued for the benefit of its related entities.

In the six months ended June 30th 2014, loans advanced by the Company to related entities totalled PLN 100,080 thousand (in the six months ended June 30th 2013: PLN 30,000 thousand). Cash outflows related to these loans are presented in the statement of cash flows from investing activities under *Loans advanced to related entities*.

Loans advanced to related entities in the six months ended June 30th 2014:

Related entity	Agreement date	Principal as per loan agreement		Maturity date	Security	Financing terms (interest)
		PLN thousand	Currency			
Controlled entities						
LOTOS Petrobaltic S.A.	Jan 23 2014	100,000	-	Dec 31 2017	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a variable rate based on 6M WIBOR plus margin.
LOTOS Gaz S.A. w likwidacji (in liquidation)	Feb 28 2014	80	-	Dec 31 2014	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a fixed rate based on 3M WIBOR plus margin.

In the six month ended June 30th 2014 and June 30th 2013, no repayments of the principal amounts under the loans were made by the related entities.

20.2 Entity exercising control over the Company

As at June 30th 2014 and December 31st 2013, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the three and six months ended June 30th 2014 and June 30th 2013, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

20.2.1 Transactions with related entities of which the State Treasury has control, joint control or significant influence

In the three and six months ended June 30th 2014 and June 30th 2013, Grupa LOTOS S.A. 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, sale and purchase of storage services, purchase of transport services, energy, natural gas and other fuels.

PLN '000	3 months ended Jun 30 2014 (unaudited)	6 months ended Jun 30 2014 (unaudited)	3 months ended Jun 30 2013 (unaudited)	6 months ended Jun 30 2013 (unaudited)
Sale	257,640	309,420	12,973	30,012
Purchases	365,013	652,481	346,339	710,682

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

In the three and six months ended June 30th 2014 and June 30th 2013, the Company paid remuneration to the Company's Management and Supervisory Board members, which did not materially differ from the remuneration presented in the 2013 financial statements (see Note 33.3, in relevant proportion to the period of three and six months). The Company 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 financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the three and six months ended June 30th 2014 and June 30th 2013, Grupa LOTOS S.A. did not become aware of any transactions concluded with the Company or a company of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

20.4 Transactions with related parties of members of the Management Board and the Supervisory Board

In the three and six months ended June 30th 2014, Grupa LOTOS S.A. executed transactions with parties related to it through members of the Supervisory Board. 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 purchase of natural gas in Q2 2014 for PLN 115,264 thousand. As at June 30th 2014, the value of the Group's outstanding transactions with parties related to it through members of the Supervisory Board was PLN 62,350 thousand. In the three and six months ended June 30th 2013, Grupa LOTOS S.A. did not execute any material transactions with parties related to it through members of the Supervisory Board.

In the three and six months ended June 30th 2014 and June 30th 2013, the Group did not execute any material transactions with parties related to it through members of the Management Board.

21. Material events which occurred after the reporting date and are not reflected in the financial statements for the interim period.

No material events occurred after the reporting date which are not reflected in these interim condensed financial statements for the reporting period.

22. Other information

- On August 12th 2014, the Management Board of Grupa LOTOS S.A. issued a notice of the Extraordinary General Meeting of the Company to be held on September 8th 2014, whose agenda includes adoption of a decision on share capital increase through issuance of new shares, public offering of new shares, setting the rights record date for November 18th 2014, conversion of new shares into book-entry form and seeking admission of the pre-emptive rights, allotment certificates and new shares to trading on the regulated market of the Warsaw Stock Exchange, amending the Company's Articles of Association and authorising the Supervisory Board to prepare a consolidated text of the Company's Articles of Association.

APPROVAL OF INTERIM FINANCIAL REPORT

This half-year financial report was approved for issue by the Management Board on August 13th 2014.

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 Sokołowski

Vice-President of the Management Board,
Chief Commercial Officer

Maciej Szozda

Chief Accountant

Tomasz Południewski