LOTOS

THE LOTOS GROUP
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - CONSOLIDATED

	PLN'000		EUR'000	
	9 months ended Sept 30 2014	**9 months ended Sept 30 2013 (restated)**	**9 months ended Sept 30 2014**	**9 months ended Sept 30 2013 (restated)**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Revenue	21,926,084	21,062,319	5,245,098	4,987,407
Operating profit/(loss)	(318,101)	213,774	(76,095)	50,620
Pre-tax profit/(loss)	(621,066)	(5,757)	(148,570)	(1,363)
Net profit/(loss)	(189,939)	63,817	(45,437)	15,111
Net profit attributable to owners of the Parent	(189,924)	63,795	(45,433)	15,106
Net profit/(loss) attributable to non-controlling interests	(15)	22	(4)	5
Total comprehensive income	(467,673)	41,086	(111,875)	9,729
Total comprehensive income attributable to owners of the Parent	(467,659)	41,063	(111,872)	9,723
Total comprehensive income attributable to non-controlling interests	(14)	23	(3)	5
Net cash from operating activities	929,923	1,085,509	222,454	257,041
Net cash from investing activities	(763,856)	(442,420)	(182,728)	(104,762)
Net cash from financing activities	(254,067)	(218,047)	(60,777)	(51,632)
Total net cash flow	(88,000)	425,042	(21,051)	100,647
Basic earnings per share (PLN/EUR)	(1.46)	0.49	(0.35)	0.12
Diluted earnings per share (PLN/EUR)	(1.46)	0.49	(0.35)	0.12

	PLN'000		EUR'000	
	As at Sept 30 2014	**As at Dec 31 2013 (restated)**	**As at Sept 30 2014**	**As at Dec 31 2013 (restated)**
	(unaudited)	**(audited)**	**(unaudited)**	**(audited)**
Total assets	19,935,116	20,284,754	4,774,306	4,891,193
Equity attributable to owners of the Parent	8,721,665	9,189,307	2,088,771	2,215,786
Non-controlling interests	192	289	46	70
Total equity	8,721,857	9,189,596	2,088,817	2,215,856

FINANCIAL HIGHLIGHTS - SEPARATE

	PLN'000		EUR'000	
	9 months ended Sept 30 2014	**9 months ended Sept 30 2013 (restated)**	**9 months ended Sept 30 2014**	**9 months ended Sept 30 2013 (restated)**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Revenue	20,301,757	19,754,325	4,856,531	4,677,683
Operating (loss)	(152,184)	(234,484)	(36,405)	(55,524)
Pre-tax loss	(217,315)	(41,310)	(51,986)	(9,782)
Net profit/(loss)	(148,325)	16,401	(35,482)	3,884
Total comprehensive income	(430,082)	(7,709)	(102,883)	(1,825)
Net cash from operating activities	558,782	804,495	133,670	190,498
Net cash from investing activities	(120,096)	8,864	(28,729)	2,099
Net cash from financing activities	(237,248)	(267,809)	(56,754)	(63,415)
Total net cash flow	201,438	545,550	48,187	129,182
Basic earnings per share (PLN/EUR)	(1.14)	0.13	(0.27)	0.03
Diluted earnings per share (PLN/EUR)	(1.14)	0.13	(0.27)	0.03

	PLN'000		EUR'000	
	As at Sept 30 2014	**As at Dec 31 2013**	**As at Sept 30 2014**	**As at Dec 31 2013**
	(unaudited)	**(audited)**	**(unaudited)**	**(audited)**
Total assets	15,012,222	15,559,412	3,595,311	3,751,787
Equity	6,705,513	7,135,595	1,605,919	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:

Sep 30 2014	**Dec 31 2013**
1 EUR = 4.1755 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:

9 months ended Sept 30 2014	**9 months ended Sept 30 2013**
1 EUR = 4.1803 PLN	1 EUR = 4.2231 PLN

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

THE LOTOS GROUP

QUARTERLY FINANCIAL REPORT
FOR Q3 2014

WITH THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF

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

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

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30th 20142014

PLN '000	Note	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Revenue	8	7,549,828	21,926,084	7,787,455	21,062,319
Cost of sales	9	(7,001,385)	(20,446,966)	(7,041,107)	(19,814,547)
Gross profit		**548,443**	**1,479,118**	**746,348**	**1,247,772**
Distribution costs	9	(287,966)	(847,401)	(302,782)	(812,622)
Administrative expenses	9	(114,202)	(329,163)	(103,411)	(301,644)
Other income	10	4,018	12,846	3,652	93,774
Other expenses	11	(70,741)	(633,501)	(3,640)	(13,506)
Operating profit/(loss)		**79,552**	**(318,101)**	**340,167**	**213,774**
Finance income	12	3,715	15,254	110,298	52,790
Finance costs	13	(178,824)	(319,221)	(64,950)	(276,641)
Share in net profit/loss of equity-accounted joint ventures		1,494	1,002	1,801	4,320
Pre-tax profit/(loss)		**(94,063)**	**(621,066)**	**387,316**	**(5,757)**
Corporate income tax	14.1	59,022	431,127	(50,086)	69,574
Net profit/(loss)		**(35,041)**	**(189,939)**	**337,230**	**63,817**
Other comprehensive income					
Items that may be reclassified to profit/loss:					
Exchange differences on translating foreign operations		4,026	4,023	(20,592)	1,379
Cash flow hedges		(302,544)	(347,848)	271,780	(29,766)
Income tax on other comprehensive income	14.1	57,483	66,091	(51,638)	5,656
Other comprehensive income, net		**(241,035)**	**(277,734)**	**199,550**	**(22,731)**
Total comprehensive income		**(276,076)**	**(467,673)**	**536,780**	**41,086**
Net profit (loss) attributable to:					
Owners of the Parent		(35,038)	(189,924)	337,232	63,795
Non-controlling interests		(3)	(15)	(2)	22
		(35,041)	**(189,939)**	**337,230**	**63,817**
Total comprehensive income attributable to:					
Owners of the Parent		(276,074)	(467,659)	536,786	41,063
Non-controlling interests		(2)	(14)	(6)	23
		(276,076)	**(467,673)**	**536,780**	**41,086**
Earnings/(loss) per share attributable to owners of the Parent (PLN) (PLN)					
Weighted average number of shares ('000)	15	129,873	129,873	129,873	129,873
- basic	15	(0.27)	(1.46)	2.60	0.49
- diluted	15	(0.27)	(1.46)	2.60	0.49

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2014, presented on pages 8 to 43, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at September 30th 2014

PLN '000	Note	Sep 30 2014 (unaudited)	Dec 31 2013 (restated) (audited)	Jan 1 2013 (restated) (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		9,613,131	10,009,073	9,644,600
Goodwill		46,688	46,688	46,688
Other intangible assets		684,059	658,797	496,386
Equity-accounted joint ventures		124,355	129,798	85,214
Deferred tax assets	14.2	1,397,573	924,534	1,121,314
Other non-current assets		141,654	210,981	107,232
Total non-current assets		**12,007,460**	**11,979,871**	**11,501,434**
Current assets				
Inventories		4,911,230	5,728,884	5,963,027
- including mandatory stocks		*3,321,186*	*4,250,530*	*4,353,207*
Trade receivables		2,112,080	1,591,649	1,625,715
Current tax assets		94,158	76,711	90,566
Derivative financial instruments		766	73,935	121,334
Other current assets		403,463	337,071	434,400
Cash and cash equivalents		403,961	495,839	266,104
Total current assets		**7,925,658**	**8,304,089**	**8,501,146**
Assets held for sale		1,998	794	2,428
Total assets		**19,935,116**	**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		(220,738)	61,019	(36,801)
Retained earnings		7,476,926	7,666,833	7,627,427
Exchange differences on translating foreign operations		24,256	20,234	33,878
Equity attributable to owners of the Parent		**8,721,665**	**9,189,307**	**9,065,725**
Non-controlling interests		192	289	699
Total equity		**8,721,857**	**9,189,596**	**9,066,424**
Non-current liabilities				
Borrowings, other debt instruments and finance lease liabilities	20	4,464,530	4,496,190	4,462,098
Derivative financial instruments		44,499	52,876	88,325
Deferred tax liabilities	14.2	143,182	275,823	313,716
Employee benefit obligations		155,685	151,425	129,862
Other liabilities and provisions		700,451	705,688	405,687
Total non-current liabilities		**5,508,347**	**5,682,002**	**5,399,688**
Current liabilities				
Borrowings, other debt instruments and finance lease liabilities	20	2,040,217	1,715,196	2,094,602
Derivative financial instruments		60,009	21,277	91,000
Trade payables		2,172,598	2,395,237	2,169,408
Current tax payables		20,145	8,823	5,752
Employee benefit obligations		95,962	103,973	109,971
Other liabilities and provisions		1,315,981	1,168,650	1,068,163
Total current liabilities		**5,704,912**	**5,413,156**	**5,538,896**
Total liabilities		**11,213,259**	**11,095,158**	**10,938,584**
Total equity and liabilities		**19,935,116**	**20,284,754**	**20,005,008**

The Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2014, presented on pages 8 to 43, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended September 30th 2014

prepared using the indirect method

PLN '000	Note	9 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Cash flows from operating activities			
Net profit/(loss)		**(189,939)**	**63,817**
Adjustments:		**1,185,426**	**1,089,839**
Income tax expense	*14*	*(431,127)*	*(69,574)*
Share in net profit/loss of equity-accounted joint ventures		*(1,002)*	*(4,320)*
Amortisation and depreciation	*8, 9*	*590,848*	*480,461*
Foreign exchange (gains)/losses		*68,770*	*111,885*
Interest and dividends		*131,760*	*140,583*
(Gain)/loss from investing activities		*593,594*	*(47,848)*
Settlement and valuation of financial instruments	*13*	*93,695*	*(34,538)*
(Increase) in trade receivables		*(520,431)*	*(618,129)*
(Increase) in other assets		*(22,281)*	*(4,726)*
Decrease in inventories		*817,654*	*708,198*
(Decrease) in trade payables		*(222,639)*	*(53,809)*
Increase in other provisions and liabilities		*90,336*	*500,191*
(Decrease) in employee benefit obligations		*(3,751)*	*(18,535)*
Corporate income tax paid		(65,564)	(68,147)
Net cash from operating activities		**929,923**	**1,085,509**
Cash flows from investing activities			
Dividends received – equity-accounted joint ventures		7,264	6,116
Dividends received from other entities		894	680
Interest received		4,229	5,120
Sale of property, plant and equipment and other intangible assets		13,878	6,627
Sale of organised part of business		-	672
Effect of the final accounting for the acquisition of Heimdal assets		12,575	-
Purchase of property, plant and equipment and other intangible assets		(803,446)	(447,156)
Acquisition of shares in related entities		(17)	(13,112)
Share capital increase - equity-accounted joint ventures	2	(339)	(315)
Security deposit (margin)		(521)	(3,058)
Settlement of derivative financial instruments		1,627	2,006
Net cash from investing activities		**(763,856)**	**(442,420)**
Cash flows from financing activities			
Proceeds from borrowings	20	473,784	526,505
Proceeds from non-bank borrowings	20	106,901	-
Grants received		1,239	-
Security deposit (margin)		2,111	-
Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control (squeeze-out in LOTOS Petrobaltic S.A.)	2	(54)	(275)
Repayment of bank borrowings	20	(688,539)	(620,397)
Repayment of non-bank borrowings	20	(9,726)	(5,000)
Interest paid		(130,880)	(131,780)
Decrease in finance lease liabilities		(14,784)	(12,376)
Settlement of derivative financial instruments		5,881	25,276
Net cash from financing activities		**(254,067)**	**(218,047)**
Total net cash flow		**(88,000)**	**425,042**
Effect of exchange rate fluctuations on cash held		3,370	3,204
Change in net cash		**(84,630)**	**428,246**
Cash at beginning of the period		**(3,075)**	**(242,884)**
Cash at end of period	19	**(87,705)**	**185,362**

The Notes to the interim condensed financial statements for the three and nine months ended September 30th 2014, presented on pages 8 to 43, are an integral part of the statements.

THE LOTOS GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended September 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		-	-	-	*(189,924)*	-	*(189,924)*	*(15)*	*(189,939)*
Other comprehensive income (net)		-	-	*(281,757)*	-	*4,022*	*(277,735)*	*1*	*(277,734)*
Total comprehensive income		-	-	(281,757)	(189,924)	4,022	(467,659)	(14)	(467,673)
Squeeze-out in LOTOS Petrobaltic S.A. from non-controlling shareholders	2	-	-	-	29	-	29	(83)	(54)
Other		-	-	-	(12)	-	(12)	-	(12)
Sep 30 2014 (unaudited)		**129,873**	**1,311,348**	**(220,738)**	**7,476,926**	**24,256**	**8,721,665**	**192**	**8,721,857**
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		-	-	-	*63,795*	-	*63,795*	*22*	*63,817*
Other comprehensive income (net)		-	-	*(24,110)*	-	*1,378*	*(22,732)*	*1*	*(22,731)*
Total comprehensive income		-	-	(24,110)	63,795	1,378	41,063	23	41,086
Squeeze-out in LOTOS Petrobaltic S.A. from non-controlling shareholders		-	-	-	141	-	141	(416)	(275)
Sep 30 2013 (restated) (unaudited)		**129,873**	**1,311,348**	**(60,911)**	**7,691,363**	**35,256**	**9,106,929**	**306**	**9,107,235**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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" or the "Group") consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas deposits and oil and gas production. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Composition of the LOTOS Group

As at September 30th 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		
			Sep 30 2014	Dec 31 2013	Sep 30 2013
Parent					
Downstream segment					
• 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					
Upstream segment					
• LOTOS Petrobaltic S.A. (parent of the LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99% (1)	99.98%	99.98%
Downstream segment					
• 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 marketing of lubricating oils and lubricants, 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%
Other					
• 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%

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

Name	Registered office	Principal business activity	The Group's ownership interest			
			Sep 30 2014		Dec 31 2013	Sep 30 2013
Indirect fully-consolidated subsidiaries						
Downstream segment						
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%
Upstream segment						
LOTOS Petrobaltic Group						
• LOTOS Exploration and Production Norge AS	Norway, Stavanger	Crude oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil and natural gas 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%
• B8 Sp. z o.o.	Gdańsk	Support activities for extraction and quarrying operations	99.99%	(5)	99.98%	-
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Exploration for and production of crude oil and natural gas	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%
Other						
• ENERGOBALTIC Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99%	(5)	99.98%	99.98%

Name	Registered office	Principal business activity	The Group's ownership interest		
			Sep 30 2014	Dec 31 2013	Sep 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	62.40% (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 squeeze-out of shares in LOTOS Petrobaltic S.A. to acquire equity interests held by non-controlling shareholders (excluding shares held by the State Treasury). In H1 2014, the Company acquired 429 shares for a total amount of PLN 54 thousand, representing 0.0043% of the registered share capital. As a result of the transactions completed in H1 2014, the amount of non-controlling interests decreased by PLN 83 thousand, and PLN 29 thousand was recognised as retained earnings attributable to the Parent. Expenditure on the acquisition of the shares in LOTOS Petrobaltic S.A. was PLN 54 thousand and was disclosed in the consolidated statement of cash flows under *Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control (squeeze-out in LOTOS Petrobaltic S.A.)*. At September 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).

(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 September 30th 2014 and 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*. The share capital increase was registered on May 27th 2014.

(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. On September 9th 2014, the general meeting of Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. passed resolutions to increase the agreed contribution of the company's limited partner CalEnergy Resources Poland Sp. z o.o. by PLN 44,205 thousand, i.e. from PLN 21,865 thousand to PLN 66,071 thousand, through a cash contribution; and to increase the agreed contribution of the company's limited partner LOTOS Petrobaltic S.A. by PLN 348 thousand, i.e. from PLN 52,300 thousand to PLN 52,648 thousand, also through a cash contribution.

On September 30th 2014, Baltic Gas Sp. z o.o., CalEnergy Resources Poland Sp. z o.o. and LOTOS Petrobaltic S.A. made cash contributions of PLN 1 thousand, PLN 31,594 thousand and PLN 52,442 thousand, respectively. 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 September 30th 2014 were as follows: Baltic Gas Sp. z o.o. (general partner) (0.001%); LOTOS Petrobaltic S.A. (limited partner) (62.403%); CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (limited partner) (37,596%). The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (jointly-controlled entity) is 62,40%.

The expenditure of PLN 309 thousand incurred in the nine months ended September 30th 2014, 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*.

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 September 30th 2014, in accordance with IFRS 11 Joint Arrangements, the interest in UAB Minijos Nafta was equity-accounted. In the approved consolidated financial statements, for the reporting periods ended December 31st 2013 and September 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 the 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 September 30th 2014, December 31st 2013 and January 1st 2013, results of the Group's operations for the three and nine months ended September 30th 2014 and September 30th 2013, and the Group's cash flows for the nine months ended September 30th 2014 and September 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 September 30th 2014 and for the nine months then ended contained in these interim condensed consolidated financial statements has been reviewed by the independent auditor. The comparative financial data for the nine months ended September 31st 2013 has not been reviewed by an 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 September 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 September 30th 2014, the Group accounted for the interests in UAB Minijos Nafta, as well as LOTOS-Air BP Polska Sp. z o.o., Baltic Gas Sp. z o.o. and Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., using the equity method (in the approved financial statements for the periods ended before January 1st 2014 UAB Minijos Nafta was accounted for with the proportionate method; 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 September 30th 2014, the Group held interests in joint operations in the production segment through a Norwegian company LOTOS Exploration and Production Norge AS, the parent 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.

As the reporting period ended September 30th 2014 was the first period when the Group recognised revenue from sale of crude oil and natural gas in Norway, the Company elected that such revenue would be accounted for and measured and subsequently approved the new accounting policies.

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 and 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 Employee Benefits: 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),
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; published on September 11th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments introduced as part of the Improvements to IFRSs 2012-2014 cycle, published on September 25th 2014 (effective for annual periods beginning on or after July 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:	Sep 30 2014 (1)	Dec 31 2013 (2)
USD	3.2973	3.0120
EUR	4.1755	4.1472
NOK	0.5144	0.4953
LTL	1.2093	1.2011

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

NBP's average exchange rate for the reporting period	9 months ended Sep 30 2014 (1)	9 months ended Sep 30 2013 (2)
USD	3.1030	3.2040
EUR	4.1803	4.2231
NOK	0.5054	0.5461
LTL	1.2107	1.2231

(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–September 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–September 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 LOTOS Petrobaltic Group company, 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 Dec 31 2013		Final accounting as at Mar 31 2014		Effect of final accounting for the acquisition recognised as adjustment in the statement of financial position as at Dec 31 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 September 30th 2014, the Group accounted for the interest in UAB Minijos Nafta using the equity method (as opposed to the proportionate method used in the approved financial statements for the periods ended 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), performed in Q4 2013, 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 issued interim financial statements for the nine months ended September 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.

Starting from 2013, the Group recognises the cost of discount on its employee benefit obligations in the consolidated statement of comprehensive income as finance costs rather than operating expense.

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 change, 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 PLN '000	3 months ended Sep 30 2013 (unaudited)	3 months ended Sep 30 2013 (restated)	Effect of change, including:		
				Effect of the change of the consolidation method applied for UAB Minijos Nafta	*Effect of other changes*
Revenue	*7,796,314*	*7,787,455*	*(8,859)*	*(8,859)*	*-*
Cost of sales	*(7,047,985)*	*(7,041,107)*	*6,878*	*5,756*	*1,122*
Gross profit	**748,329**	**746,348**	**(1,981)**	**(3,103)**	**1,122**
Distribution costs	*(302,919)*	*(302,782)*	*137*	*142*	*(5)*
Administrative expenses	*(104,643)*	*(103,411)*	*1,232*	*814*	*418*
Other income	*3,660*	*3,652*	*(8)*	*(8)*	*-*
Other expenses	*(3,639)*	*(3,640)*	*(1)*	*(1)*	*-*
Operating loss	**340,788**	**340,167**	**(621)**	**(2,156)**	**1,535**
Finance income	*110,298*	*110,298*	*-*	*-*	*-*
Finance costs	*(63,452)*	*(64,950)*	*(1,498)*	*37*	*(1,535)*
Share in net profit/loss of equity-accounted joint ventures	*-*	*1,801*	*1,801*	*1,801*	*-*
Pre-tax profit	**387,634**	**387,316**	**(318)**	**(318)**	**-**
Corporate income tax	*(50,404)*	*(50,086)*	*318*	*318*	*-*
Net profit	**337,230**	**337,230**	**-**	**-**	**-**
Other comprehensive income (net)	**199,550**	**199,550**	**-**	**-**	**-**
Total comprehensive income	**536,780**	**536,780**	**-**	**-**	**-**

Consolidated statement of comprehensive income PLN '000	9 months ended Sep 30 2013 (unaudited)	9 months ended Sep 30 2013 (restated)	Effect of change, including:	Effect of the change of the consolidation method applied for UAB Minijos Nafta	Effect of other changes
Revenue	*21,092,487*	*21,062,319*	*(30,168)*	*(30,168)*	*-*
Cost of sales	*(19,839,644)*	*(19,814,547)*	*25,097*	*21,733*	*3,364*
Gross profit	**1,252,843**	**1,247,772**	**(5,071)**	**(8,435)**	**3,364**
Distribution costs	*(813,039)*	*(812,622)*	*417*	*430*	*(13)*
Administrative expenses	*(305,645)*	*(301,644)*	*4,001*	*2,748*	*1,253*
Other income	*92,292*	*93,774*	*1,482*	*(18)*	*1,500*
Other expenses	*(12,059)*	*(13,506)*	*(1,447)*	*53*	*(1,500)*
Operating profit	**214,392**	**213,774**	**(618)**	**(5,222)**	**4,604**
Finance income	*52,793*	*52,790*	*(3)*	*(3)*	*-*
Finance costs	*(272,178)*	*(276,641)*	*(4,463)*	*141*	*(4,604)*
Share in net profit/loss of equity-accounted joint ventures	*-*	*4,320*	*4,320*	*4,320*	*-*
Pre-tax loss	**(4,993)**	**(5,757)**	**(764)**	**(764)**	**-**
Corporate income tax	*68,810*	*69,574*	*764*	*764*	*-*
Net profit	**63,817**	**63,817**	**-**	**-**	**-**
Other comprehensive income (net)	**(22,731)**	**(22,731)**	**-**	**-**	**-**
Total comprehensive income	**41,086**	**41,086**	**-**	**-**	**-**

Consolidated statement of cash flows	9 months ended Sep 30 2013 (unaudited)	9 months ended Sep 30 2013 (restated)	Effect of the change of the consolidation method applied for UAB Minijos Nafta
Net cash from operating activities	*1,095,856*	*1,085,509*	*(10,347)*
Net cash from investing activities	*(449,199)*	*(442,420)*	*6,779*
Net cash from financing activities	*(218,047)*	*(218,047)*	*-*
Total net cash flow	**428,610**	**425,042**	**(3,568)**

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 September 30th 2014, property, plant and equipment under construction included expenditure of PLN 1,687m (NOK 3,280m) 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 24.1 to 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 decided to re-analyse the development prospects for its YME assets and, consequently, 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 process of selecting 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 Q3 2014 report,
- absence of an approved version of the budget for further YME field development,
- delay of the estimated production launch at the YME field.

Considering the above circumstances, an impairment loss was recognised as at June 30th 2014 in relation to all capital expenditure on the YME project. Consequently, the aggregate impairment losses including the effect of currency exchange, as presented in these interim financial statements, taking into account the exchange rate differences, increased by PLN 567m (NOK 1,101m), to PLN 1,659m (NOK 3,224m). The impairment loss disclosed in these interim consolidated financial statements has no effect on the future ability to develop other assets of LOTOS E&P Norge AS related to other production and exploration licences.

In these interim consolidated financial statements, the PLN 557m (NOK 1,101m) impairment loss reflecting the reduction of the carrying amount of the YME assets (including the effect of currency exchange) is disclosed in the consolidated statement of comprehensive income under *Other expenses*.

In addition, following the Operator's revaluation of the future costs of decommissioning of the production infrastructure in the YME field (currently expected to take place in 2031) from a nominal amount of PLN 966m (NOK 1,878m) to a nominal amount of PLN 1,190m (NOK 2,313m) and the resulting future obligations proportionate to LOTOS Norge's interest in the YME field (20%), the Group revalued the estimated provision for the future decommissioning costs from PLN 129m (NOK 251m) to PLN 158m (NOK 306m), thus increasing the amount of the decommissioning asset and concurrently charging it in full to other expenses as a one-off expense of PLN 28m (NOK 55m) in the consolidated statement of comprehensive income.

The operating loss on the impairment of the YME field assets, including the revaluation of the estimated provision for the future decommissioning costs made in Q3 2014, recognised in the statement of comprehensive income for the nine months ended September 30th 2014, was PLN 585m (NOK 1,157m), whereas the effect on net earnings (after accounting for the deferred tax effect) was PLN 198m (NOK 392m).

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 Norwegian government with respect to LOTOS E&P Norge AS's exploration and production activities on the Norwegian Continental Shelf, the impairment loss does not preclude further capital expenditure on the YME field or the necessity to revalue the expected decommissioning costs, in particular once the YME field development concept is selected or decision is made to abandon the field and the Norwegian government approves a revised Plan for Development and Operation or abandonment decision. As there is a risk that the scenario of sooner full decommissioning of the infrastructure of the YME field could be implemented, the estimated costs of decommissioning may need to be incurred in the next several years, and the related provision will have to be adjusted accordingly with relevant charges in the current periods.

However, LOTOS E&P Norge AS continues to work on possible development scenarios for the YME field. Assessment of and the rationale for further capital expenditure on the YME licence are currently the subject of thorough analyses. If a positive decision is made, the business rationale behind the project will be analysed through the prism of future economic benefits resulting from estimated volumes and market value of recoverable hydrocarbon reserves in the YME filed, which depend on the finally approved development plan and start date of production from the YME field, the related investment expenditure, and the amount and timing of expenditure connected with decommissioning of the field infrastructure.

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 these statements. 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 September 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 1,355m (NOK 2,634m) as at September 30th 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 September 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 period ended September 30th 2014, LOTOS E&P Norge and PKO BP executed annexes to the multi-purpose credit facility agreement of December 17th 2010, with subsequent annexes, and to the USD 110m investment credit facility agreement for purchase of production assets of December 11th 2013, as amended. Following execution of the annexes and establishing security for the agreements, the framework agreement for trade finance bank guarantees of December 11th 2013 will be terminated. At the same time, under the annexes to the agreements referred to above, a USD 12,5m deposit was released.

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 5-8 of the Management's Discussion and Analysis of Q3 2014 consolidated financial performance. A brief summary of the performance of the Group's business segments is also presented in Sections 2-4 of that document.

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 nine months ended September 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 Grupa LOTOS S.A. 1,167 thousand additional free CO_2 emission allowances from the European reserve, 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 nine months ended September 30th 2014 amounted to PLN 24,522 thousand and PLN 764 thousand, respectively.

Save for the information and changes in estimates related to the decommissioning of an offshore oil extraction facility in the YME field (see Notes 6, 11, 17 and 22) presented above, there were no material changes to estimates affecting these interim consolidated financial statements. For further information on material assumptions, estimates and judgments made in the preparation of the Group’s financial statements, see Note 5 to the consolidated financial statements for 2013.

8. Business segments

PLN '000	Upstream segment		Downstream segment		Other[1]		Consolidation adjustments		Consolidated	
	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
	ended Sep 30 2014 (unaudited)									
Revenue:	**198,150**	**696,994**	**7,480,541**	**21,686,483**	**6,373**	**19,493**	**(135,236)**	**(476,886)**	**7,549,828**	**21,926,084**
Intersegment sales	*117,323*	*426,691*	*13,221*	*36,794*	*4,692*	*13,401*	*(135,236)*	*(476,886)*	*-*	*-*
External sales	*80,827*	*270,303*	*7,467,320*	*21,649,689*	*1,681*	*6,092*	*-*	*-*	*7,549,828*	*21,926,084*
Operating profit/(loss) **(EBIT)**	**(46,889)** [2]	**(472,625)** [2]	**92,599**	**153,618**	**1,160**	**5,545**	**32,682**	**(4,639)**	**79,552**	**(318,101)**
Amortisation and depreciation	87,844	240,325	114,279	345,193	2,228	6,658	(447)	(1,328)	203,904	590,848
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**40,955**	**(232,300)**	**206,878**	**498,811**	**3,388**	**12,203**	**32,235**	**(5,967)**	**283,456**	**272,747**

PLN '000	Upstream segment	Downstream segment	Other[1]	Consolidation adjustments	Consolidated
	Sep 30 2014 (unaudited)				
Total assets	**4,323,677**	**16,689,759**	**118,111**	**(1,196,431)**	**19,935,116**
- including net exploration and evaluation assets	*505,260*	*-*	*-*	*-*	*505,260*

[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] Upstream segment's operating profit/(loss) for the nine months ended September 30th 2014 includes impairment losses on the YME field assets of PLN 584,673 thousand, including an impairment loss of PLN 556,636 thousand recognised in Q2 2014 (taking into account exchange differences on translating foreign operations) and an effect of revaluation, made in Q3 2014, of the estimated provision for future costs of decommissioning of the offshore oil extraction facility in the YME field of PLN 28,037 thousand (see Notes 6, 11, 17 and 22).

PLN ’000	Upstream segment 3 months	Upstream segment 9 months	Downstream segment 3 months	Downstream segment 9 months	Other[1] 3 months	Other[1] 9 months	Consolidation adjustments 3 months	Consolidation adjustments 9 months	Consolidated 3 months	Consolidated 9 months
	ended Sep 30 2013 (restated) (unaudited)									
Revenue:	**109,470**	**420,849**	**7,794,821**	**21,082,539**	**5,442**	**16,706**	**(122,278)**	**(457,775)**	**7,787,455**	**21,062,319**
Intersegment sales	*109,035*	*414,963*	*9,274*	*31,191*	*3,969*	*11,621*	*(122,278)*	*(457,775)*	-	-
External sales	*435*	*5,886*	*7,785,547*	*21,051,348*	*1,473*	*5,085*	-	-	*7,787,455*	*21,062,319*
Operating profit/(loss) **(EBIT)**	**7,146**	**195,413**	**299,345**	**27,208**	**1,263**	**2,211**	**32,413**	**(11,058)**	**340,167**	**213,774**
Amortisation and depreciation	32,732	98,190	120,101	376,427	2,398	7,190	(447)	(1,346)	154,784	480,461
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**39,878**	**293,603**	**419,446**	**403,635**	**3,661**	**9,401**	**31,966**	**(12,404)**	**494,951**	**694,235**

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 Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Amortisation and depreciation	203,904	590,848	154,784	480,461
Raw materials and consumables used	6,433,433	18,547,313	6,657,562	17,574,170
- including exchange differences (1)	*26,286*	*31,728*	*(63,734)*	*(49,978)*
Services	323,526	909,718	296,327	912,795
Taxes and charges	44,586	140,091	39,837	133,014
Employee benefits expense	164,340	506,135	152,549	487,573
Other expenses by nature	74,009	267,099	50,891	117,629
Value of merchandise and materials sold	240,805	721,978	334,933	1,503,043
Total expenses by nature	**7,484,603**	**21,683,182**	**7,686,883**	**21,208,685**
Change in products and adjustments to cost of sales	(81,050)	(59,652)	(239,583)	(279,872)
Total	**7,403,553**	**21,623,530**	**7,447,300**	**20,928,813**
including:				
Cost of sales	7,001,385	20,446,966	7,041,107	19,814,547
Distribution costs	287,966	847,401	302,782	812,622
Administrative expenses	114,202	329,163	103,411	301,644

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

10. Other income

PLN '000	Note	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Gain on disposal of non-financial non-current assets		816	1,656	-	747
Grants		394	1,490	519	1,555
Provisions		-	197	2,273	4,638
Revaluation of property, plant and equipment and other intangible assets, including:		-	-	1,281	52,974
- reversal of impairment losses on assets associated with the B-4 and B-6 fields, contributed to Baltic Gas		-	-	-	*48,273*
Revaluation of estimated provision related to the offshore oil production facility in the YME field in Norway		-	-	-	21,306
Compensation		1,648	2,881	(1,532)	4,689
Gain on sale of organised part of business		-	-	-	379
Gain on disposal of assets held for sale	18	-	1,013	-	-
Other		1,160	5,609	1,111	7,486
Total		**4,018**	**12,846**	**3,652**	**93,774**

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35. The Group discloses material items of income and expenses charged to profit or loss separately, as presented in the table above.

11. Other expenses

PLN '000	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Loss on disposal of non-financial non-current assets	-	-	1,262	-
Loss on discontinued projects	5,821	5,821	-	-
Impairment losses on receivables	889	1,547	329	2,904
Impairment loss on property, plant and equipment and other intangible assets:	61,149	618,278	-	-
- impairment loss on YME field assets	*30,019* [(1)]	*584,673* [(1)]	-	-
- impairment loss on assets associated with the B-27 field	*31,044*	*31,044*		
- other	*86*	*2,561*	-	-
Revaluation of estimated provision related to offshore oil production facility in the YME field in Norway	-	-	359	-
Provisions	817	-	-	-
Fines and compensation	159	966	-	642
Property damage incurred during ordinary course of business	241	691	37	1,700
Charitable donations	293	782	312	2,312
Other	1,372	5,416	1,341	5,948
Total	**70,741**	**633,501**	**3,640**	**13,506**

[(1)] In Q3 2014, the Group revalued the provision for future costs of decommissioning of the offshore oil extraction facilities in the YME field, increasing the value of the decommissioning asset and charging it to operating costs as a one-off expense of PLN 28,037 thousand in the consolidated statement of comprehensive income (see Notes 6, 17 and 22).In the nine months ended September 30th 2014, the Group recognised a total impairment loss on the YME field assets of PLN 584,673 thousand, of which PLN 556,636 thousand (taking into account exchange differences on translating foreign operations) was recognised in Q2 2014.

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35. The Group discloses material items of income and expense charged to profit or loss separately, as presented in the table above.

12. Finance income

PLN '000	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Dividend received	-	1,103	-	840
Interest:	3,715	14,112	4,942	13,289
- on trade receivables	*887*	*4,975*	*1,653*	*5,008*
- on finance lease receivables	*22*	*158*	*40*	*141*
- on cash	*458*	*808*	*419*	*1,003*
- on deposits	*1,909*	*6,096*	*2,452*	*6,189*
- other	*439*	*2,075*	*378*	*948*
Revaluation of financial assets:	-	-	101,252	34,538
- valuation of derivative financial instruments	-	-	*108,832*	*7,256*
- settlement of derivative financial instruments	-	-	*(7,580)*	*27,282*
Other	-	39	4,103	4,123
Total	**3,715**	**15,254**	**110,297**	**52,790**

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35. The Group discloses material items of income and expenses charged to profit or loss separately, as presented in the table above.

13. Finance costs

PLN '000	Note	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Interest:		51,265	151,262	46,986	153,382
- on borrowings		*33,256*	*104,211*	*38,327*	*117,842*
- on non-bank borrowings		*4,875*	*7,280*	*103*	*424*
- on notes		*858*	*2,472*	*-*	*-*
- on trade payables		*58*	*79*	*8*	*46*
- on finance lease liabilities		*2,990*	*9,433*	*3,925*	*12,372*
- on factoring arrangements		*2,536*	*6,551*	*1,436*	*10,194*
- on other financial liabilities		*62*	*183*	*32*	*119*
- discount related to provisions for oil and gas production facilities, land reclamation, and other provisions	*22*	*4,788*	*15,632*	*1,481*	*7,363*
- cost of discount on employee benefit obligations		*1,158*	*4,262*	*1,535*	*4,604*
- other		*684*	*1,159*	*139*	*418*
Exchange differences:		49,964	59,053	12,729	105,882
- on borrowings		*82,613*	*94,129*	*(53,918)*	*27,793*
- on translation of intra-Group borrowings (1)		*(41,340)*	*(40,193)*	*56,554*	*71,827*
- on realised foreign-currency transactions in bank accounts		*11,233*	*8,381*	*3,119*	*4,531*
- on notes, including intra-Group notes (1)		*8,780*	*11,450*	*9,850*	*12,090*
- on cash		*(1,512)*	*(4,124)*	*(4,109)*	*(6,831)*
- on cash blocked in bank accounts		*(8,965)*	*(10,971)*	*1,148*	*(12,470)*
- on investment commitments		*752*	*2,133*	*(615)*	*9,565*
- on other financial assets and liabilities		*(1,597)*	*(1,752)*	*700*	*(623)*
Revaluation of financial assets:		72,147	93,695	-	-
- valuation of derivative financial instruments		*68,005*	*101,203*	*-*	*-*
- settlement of derivative financial instruments		*4,142*	*(7,508)*	*-*	*-*
Bank fees		4,345	11,258	3,934	12,789
Other		1,103	3,953	1,301	4,588
Total		**178,824**	**319,221**	**64,950**	**276,641**

(1) According to IAS 21 – The Effects of Changes in Foreign Exchange Rates, foreign exchange gains and losses on intra-group foreign currency transactions are recognised in the Group's net profit or loss.

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35. The Group discloses material items of income and expenses charged to profit or loss separately, as presented in the table above.

14. Income tax

14.1 Tax expense

PLN '000	Note	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Current tax		38,518	58,393	4,926	42,888
Deferred tax	14.2.1	(97,540)	(489,520)	45,160	(112,462)
Total income tax charged to net profit or loss		**(59,022)**	**(431,127)**	**50,086**	**(69,574)**
Tax expense recognised in other comprehensive income (net), including:		(57,483)	(66,091)	51,638	(5,656)
- cash flow hedging		*(57,483)*	*(66,091)*	*51,638*	*(5,656)*

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: Sep 30 2014 (unaudited)	Statement of financial position: Dec 31 2013 (restated) (audited)	Change
Deferred tax assets		1,397,573	924,534	473,039
Deferred tax liabilities		(143,182)	(275,823)	132,641
Net deferred tax assets/(liabilities)	**14.2.1**	**1,254,391**	**648,711**	**605,680**
Exchange differences on translating deferred tax of foreign operations				(38,738)
Deferred tax disclosed under other comprehensive income, net	14.1			(66,091)
Other differences:				(11,331)
- uplift [(1)]				*(4,803)*
- other				*(6,528)*
Deferred tax expense recognised in net profit or loss	14.1			**489,520**

[(1)] Tax relief applicable in Norway (uplift). The determined uplift rate is 5.5% pa. 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	Sep 30 2014 (unaudited)
Deferred tax assets						
Employee benefit obligations	49,561	(1,751)	-	194	-	48,004
Impairment losses on inventories	564	(164)	-	-	-	400
Impairment losses on property, plant and equipment and other intangible assets	115,837	877	-	6,314	-	123,028
Impairment losses on assets related to the YME field	714,882	386,674 (1)	-	34,453	-	1,136,009
Negative fair value of derivative financial instruments	13,734	(979)	-	-	-	12,755
Exchange differences on revaluation of foreign-currency denominated items	6,446	25,100	-	683	-	32,229
Impairment losses on receivables	16,200	(283)	-	-	-	15,917
Finance lease liabilities	28,068	(2,763)	-	-	-	25,305
Provisions for decommissioning of oil and gas facilities and land reclamation	187,827	34,040	-	6,891	-	228,758
Unrealised margin assets	8,545	776	-	-	-	9,321
Tax losses carried forward	1,089,325	117,455	-	32,295	11,331	1,250,406
Other provisions	9,619	852	-	-	-	10,471
Bio-component tax credit	4,463	(4,463)	-	-	-	-
Cash flow hedge accounting	-	-	51,779	-	-	51,779
Other	16,919	(882)	-	24	-	16,061
Total	**2,261,990**	**554,489**	**51,779**	**80,854**	**11,331**	**2,960,443**
Deferred tax liabilities						
Difference between the current tax value and carrying amount of property, plant and equipment and other intangible assets	1,493,672	61,865	-	41,763	-	1,597,300
Positive fair value of derivative financial instruments	140	(140)	-	-	-	-
Tax liabilities associated with the acquired exploration and production licences in Lithuania	49,522	(4,768)	-	343	-	45,097
Cash flow hedge accounting	14,312	-	(14,312)	-	-	-
Accrued interest	43,966	8,229	-	10	-	52,205
Other	11,667	(217)	-	-	-	11,450
Total	**1,613,279**	**64,969**	**(14,312)**	**42,116**	**-**	**1,706,052**
Net deferred tax assets/(liabilities)	**648,711**	**489,520**	**66,091**	**38,738**	**11,331**	**1,254,391**

(1) Effect of impairment losses on the YME field assets recognised in the nine months ended September 30th 2014. For more information on the effect of impairment of the YME field assets, as recognised in Q3 and Q2 2014, on other items of the financial statement, see Notes 6, 11, 17 and 22.

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

15. Earnings/(loss) per share

	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (unaudited)	9 months ended Sep 30 2013 (unaudited)
Net profit/(loss) attributable to owners of the Parent (PLN '000) (A)	(35,038)	(189,924)	337,232	63,795
Weighted average number of shares ('000) (B)	129,873	129,873	129,873	129,873
Earnings/(loss) per share (PLN) (A/B)	**(0.27)**	**(1.46)**	**2.60**	**0.49**

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.

16. Dividends

As at September 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.

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.

17. Impairment losses

PLN '000	Property, plant and equipment		Intangible assets		Inventories		Receivables		Total	
	3 months ended Sep 30									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
At beginning of the period (restated) (unaudited)	**1,644,398**	**1,215,127**	**148,702**	**154,626**	**5,264**	**7,616**	**172,787**	**181,506**	**1,971,151**	**1,558,875**
Recognised	61,093 [1]	-	173	(81)	1,700	3,572	1,398	3,041	64,364	6,532
Exchange differences on translating foreign operations	60,637	(62,042)	5,058	(7,849)	-	-	4	(52)	65,699	(69,943)
Used / Reversed	(805)	(20,863) [3]	-	9	-	(259)	(2,722)	(8,771)	(3,527)	(29,884)
At end of the period (unaudited)	**1.765.323**	**1,132,222**	**153.933**	**146,705**	**6.964**	**10,929**	**171,467**	**175,724**	**2.097.687**	**1,465,580**

PLN '000	Property, plant and equipment		Intangible assets		Inventories		Receivables		Total	
	9 months ended Sep 30									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
At beginning of the period (restated) (audited)	**1,126,191**	**1,316,708**	**148,215**	**151,065**	**2,919**	**1,407**	**175,293**	**177,152**	**1,452,618**	**1,646,332**
Recognised	617,932 [1]	170	696	4,884 [4]	4,711	9,927	7,890	8,842	631,229	23,823
Exchange differences on translating foreign operations	50,381	(75,689)	5,022	(8,691)	-	-	8	56	55,411	(84,324)
Used / Reversed	(29,181) [2]	(108,967) [3]	-	(553) [5]	(666)	(405)	(11,724)	(10,326)	(41,571)	(120,251)
At end of the period (unaudited)	**1,765,323**	**1,132,222**	**153,933**	**146,705**	**6,964**	**10,929**	**171,467**	**175,724**	**2,097,687**	**1,465,580**

[1] In Q3 2014, the Group revalued the provision for future costs of decommissioning of the offshore oil extraction facilities in the YME field, increasing the value of the decommissioning asset and charging it to operating costs as a one-off expense of PLN 28,037 thousand in the consolidated statement of comprehensive income (see Notes 6, 11 and 22). In the nine months ended September 30th 2014, the Group recognised a total impairment loss on the YME field assets of PLN 584,673 thousand, of which PLN 556,636 thousand (taking into account exchange differences on translating foreign operations) was recognised in Q2 2014.
In Q3 2014 the Group also recognised an impairment loss of PLN 31,044 thousand on assets related to the B-27 field (see Note 11).

[2] In Q2 2014, the Group resolved to decommission a well on the B-28 field. The Group wrote-off discontinued projects using previously recognised impairment losses of PLN 27,160 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 impairment losses recognised in Q2 2014 on assets associated with the Waterproofing Materials Production Plant sold in July 2013;
- PLN 48,273 thousand under assets associated with the B-4 and B-6 gas fields which were contributed by LOTOS Petrobaltic S.A. to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. in Q2 2013 (see Note 10; for more information on the transaction, see Note 2 to the consolidated financial statements for 2013);
- PLN 20,240 thousand under assets associated with the YME field, which were classified as assets held for sale in Q3 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	9 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Purchase of property, plant and equipment and other intangible assets	738,911	357,791

In the nine months ended September 30th 2014, the Group's capital expenditure in the upstream segment focused on mineral resources exploration and evaluation, upgrades of the existing platforms, and purchase of a new drilling rig by SPV Baltic Sp. z o.o. (LOTOS Petrobaltic Group company) on February 3rd 2014. The new rig was deployed to support exploration projects in the Baltic Sea. The investment 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. In the downstream segment, in the nine months ended September 30th 2014 the Group incurred capital expenditure on the extension of the Poznań fuel depot, construction of a hydrogen recovery unit (HRU) and expansion of the service station network.

In the nine months ended September 30th 2013, the Group's capital expenditure in the upstream segment involved mainly spending on development of the B8 field, whereas in the downstream segment it was related chiefly to the expansion of the service station network and modernisation work performed during the overhaul shutdown in Q2 2013.

PLN ’000	9 months ended Sep 30 2014 (unaudited)		9 months ended Sep 30 2013 (unaudited)	
	Carrying amount	Effect of transaction	Carrying amount	Effect of transaction
Sale of property, plant and equipment and intangible assets	3,844	1,993	110	2,692
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 period of nine months ended September 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 ended September 30th 2013 (see Note 17).

As at September 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 421,247 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, and the construction of a hydrogen recovery unit (HRU) at the Refinery, enabling further conversion of waste gases previously used as fuel gas in the Refinery furnaces (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	Sep 30 2014 (unaudited)	Sep 30 2013 (restated) (unaudited)
Cash at bank	402,708	295,120
Cash in hand	461	397
Other cash	792	4,999
Total cash and cash equivalents recognised in the statement of financial position	**403,961**	**300,516**
Overdraft facilities	(491,666)	(115,154)
Total cash and cash equivalents recognised in the statement of financial position	**(87,705)**	**185,362**

20. Borrowings, other debt instruments and finance lease liabilities

PLN ’000	Sep 30 2014 (unaudited)	Dec 31 2013 (audited)
Bank borrowings:	6,046,547	5,851,809
- investment credit facilities	*4,568,359*	*4,512,290*
- working capital facilities	*817,075*	*831,739*
- inventory refinancing and financing facilities	*991,815*	*753,296*
- funds in bank deposits securing repayment of interest and principal instalments	*(330,702)*	*(245,516)*
Loans	106,576	10,306
Notes	217,143	198,240
Finance lease liabilities	134,481	151,031
Total	**6,504,747**	**6,211,386**
including:		
non-current	*4,464,530*	*4,496,190*
current	*2,040,217*	*1,715,196*

Borrowings by currency and maturity

Sep 30 2014	Bank borrowings					Loans	Notes	Total
PLN '000	EUR	USD	NOK	PLN	Total	PLN	USD	
Up to 1 year	4,316	1,694,467	45,408	246,924	1,991,115	11,720	16,523	2,019,358
From 1 to 2 years	615	657,820	-	30,276	688,711	11,042	16,472	716,225
From 2 to 3 years	-	495,984	-	34,700	530,684	11,727	32,944	575,355
From 3 to 4 years	-	499,607	-	35,293	534,900	11,570	151,204	697,674
From 4 to 5 years	-	544,431	-	33,900	578,331	11,822	-	590,153
Over 5 years	-	1,615,645	-	107,161	1,722,806	48,695	-	1,771,501
Total	**4,931**	**5,507,954**	**45,408**	**488,254**	**6,046,547**	**106,576**	**217,143**	**6,370,266**

Material credit facility and loan agreements

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

As at September 30th 2014, an amount of PLN 3,980.3m (USD 1,207.1m) 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 989.2m (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 September 30th 2014, liabilities under borrowings incurred by the LOTOS Petrobaltic Group were PLN 859.2m (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 September 30th 2014, total liabilities under the agreements were PLN 189.6m, 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.

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.

Moreover, on June 16th 2014, LOTOS Kolej executed a PLN 6.9m loan agreement with the Provincial Fund for Environmental Protection of Gdańsk. The loan matures on July 31st 2024. The loan is secured with a blank promissory note and assignment of receivables, and bears interest at a rate based the rediscount rate.

Proceeds from and repayment of borrowings

In the nine months ended September 30th 2014, proceeds from bank borrowings contracted by the Group totalled PLN 473.8 and primarily included a credit facility for the refinancing and financing of inventory contracted by the Parent (PLN 154.1m), an investment facility contracted by SPV Baltic Sp. z o.o. (PLN 100m), as well as credit facilities contracted by AB LOTOS Geonafta (PLN 173.6m). In the same period, repayments of bank borrowings were PLN 688.5m and mainly included repayments under investment facilities used by the Parent (PLN 328.7m) and credit facilities contracted by AB LOTOS Geonafta (PLN 213.4m), chiefly to refinance its existing debt. These amounts were presented in the statement of cash flows from financing activities under *Proceeds from bank borrowings* and *Repayment of bank borrowings*, respectively.

In the nine months ended September 30th 2014, proceeds from non-bank borrowings contracted by the Group totalled PLN 106.9m and included chiefly a PLN 100m loan advanced to SPV Baltic Sp. z o.o. In the same period, repayments of non-bank borrowings were PLN 9.7m. These amounts were disclosed in the statement of cash flows from financing activities under *Proceeds from non-bank borrowings* and *Repayment of non-bank borrowings*, respectively.

In the nine months ended September 30th 2014 and September 30th 2013, none of the Group companies defaulted on their borrowings. As at September 30th 2014, AB LOTOS Geonafta defaulted on one of its debt covenants, hence PLN 41,579 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 nine months ended September 30th 2014, LOTOS Petrobaltic S.A. did not issue or redeem any notes. As at September 30th 2014, an amount of PLN 217,143 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 nine months ended September 30th 2014 and September 30th 2013, LOTOS Asfalt Sp. z o.o. did not issue or redeem any notes under the programme. As at September 30th 2014 and December 31st 2013, LOTOS Asfalt Sp. z o.o. did not carry any liabilities under notes in issue.

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

21. Contractual maturities of financial liabilities

Sep 30 2014 PLN '000	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Borrowings (other than overdraft facilities)	5,661,457	6,054,480	1,399,572	447,908	710,006	1,701,284	1,795,710
Overdraft facilities	491,666	491,666	491,666	-	-	-	-
Notes	217,143	217,428	16,630	-	16,487	184,311	-
Finance lease liabilities	134,481	168,691	16,772	16,935	34,953	79,733	20,298
Trade payables	2,172,598	2,172,598	2,171,819	779	-	-	-
Other financial liabilities	87,462	87,462	76,570	6,699	51	2,185	1,957
Total	**8,764,807**	**9,192,325**	**4,173,029**	**472,321**	**761,497**	**1,967,513**	**1,817,965**

22. Provisions

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 2014 (restated) (audited)		**36,128**	**13,026**	**562,268**		**186,800**	**29,866**	**27,534**		**855,622**
Recognised		*1*	*-*	*-*		*-*	*-*	*21,988*	*(3)*	*21,989*
Revaluation of decommissioning costs		*-*	*-*	*28,037*	*(1)*	*-*	*-*	*-*		*28,037*
Change in provisions for liabilities attributable to approaching maturity date (discount reversal effect)	*13*	*206*	*496*	*12,602*		*2,008*	*-*	*320*		*15,632*
Interest on Oil and Gas Facility Decommissioning Fund		*-*	*-*	*-*		*-*	*487*	*-*		*487*
Exchange differences on translating foreign operations		*-*	*88*	*21,283*		*-*	*-*	*565*		*21,936*
Used		*(683)*	*-*	*(63,089)*	*(2)*	*-*	*-*	*(2,538)*		*(66,310)*
Reversed		*(1,652)*	*-*	*-*		*-*	*-*	*(416)*		*(2,068)*
Sep 30 2014 (unaudited)		**34,000**	**13,610**	**561,101**		**188,808**	**30,353**	**47,453**		**875,325**
including:										
non-current		*30,456*	*13,610*	*391,844*		*188,808*	*30,353*	*27,366*		*682,437*
current		*3,544*	*-*	*169,257*		*-*	*-*	*20,087*		*192,888*

(1) The Group revalued the provision for future costs of decommissioning of the offshore oil extraction facilities in the YME field, increasing the value of the decommissioning asset and charging it to operating costs as a one-off expense of PLN 28,037 thousand in the consolidated statement of comprehensive income (see Notes 6, 11 and 17).

(2) The amount mainly includes PLN 49,969 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 24.1).

(3) Including PLN 18,461 from revaluation of the provision for contingent payments under the Heimdal assets acquisition agreement (for more information on the transaction, see Note 13 to the consolidated financial statements for 2013).

		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 2013 (restated) (audited)		**41,770**	**11,695**	**117,132**	**180,817**	**27,481**	**33,755**	**412,650**
Recognised		*1*	*199*	*57,868*	*-*	*-*	*1,614*	*59,682*
Change in provisions for liabilities attributable to approaching maturity date (discount reversal effect)	*13*	*206*	*105*	*3,888*	*3,164*	*-*	*-*	*7,363*
Interest on Oil and Gas Facility Decommissioning Fund		*-*	*-*	*-*	*-*	*591*	*-*	*591*
Exchange differences on translating foreign operations		*-*	*365*	*(18,486)*	*-*	*-*	*(389)*	*(18,510)*
Estimated costs of removal of the MOPU from the YME field		*-*	*-*	*214,729*	*-*	*-*	*-*	*214,729*
Used		*(828)*	*-*	*(57,874)*	*-*	*-*	*(5,701)*	*(64,403)*
Reversed		*(5,206)*	*-*	*-*	*-*	*-*	*(5,011)*	*(10,217)*
Sep 30 2013 (restated) (unaudited)		**35,943**	**12,364**	**317,257**	**183,981**	**28,072**	**24,268**	**601,885**
including:								
non-current		*35,663*	*12,364*	*257,008*	*183,981*	*28,072*	*280*	*517,368*
current		*280*	*-*	*60,249*	*-*	*-*	*23,988*	*84,517*

23. 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 nine months ended September 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 September 30th 2014 and December 31st 2013, the Group held financial derivatives classified under fair value hierarchy Level 2.

As at September 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	Sep 30 2014 (unaudited)	Dec 31 2013 (audited)
	Level 2	
Financial assets		
Commodity swap	-	736
Currency forward and spot contracts	7	34,924
Currency swap	759	38,275
Total	**766**	**73,935**
Financial liabilities		
Commodity swap	2,435	-
Currency forward and spot contracts	19,251	1,017
Interest rate swap (IRS)	64,698	72,263
Currency swap	18,124	873
Total	**104,508**	**74,153**

24. Contingent liabilities and assets

24.1 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; on August 28th 2014, the court issued a decision dismissing the appeal and awarding a refund of the costs of proceedings to Grupy LOTOS S.A. 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.

- The Company is a party to the proceedings against the State Treasury for declaring invalid the expropriation decision, based on which the Company acquired the perpetual usufruct right to land and ownership rights to buildings erected thereon.

  The proceedings cover real estate with a total area of 87,000 m², where a part of the tank farm of the Refinery's wastewater treatment plant is erected. The proceedings were initiated upon a motion of the former owners of the estate. The motion of December 18th 2006 calls for declaring invalid the expropriation decision issued by the President of the City of Gdańsk on June 14th 1983 in its entirety or with respect to the amount of the compensation paid. On September 9th 2014, the Gdańsk Province Governor issued a decision refusing to declare the expropriation decision invalid. As at the date of approval of these financial statements, the decision is not final.

  The Company believes the risk of an adverse conclusion of the proceedings to be low and without any effect on these consolidated financial statements.

- 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 nine months ended September 30th 2014, works on the removal of the MOPU proceeded according to the schedule.

As at September 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 47,495 thousand and the current portion of PLN 149,915 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 144 thousand and the current portion of PLN 152,886 thousand. As the amount of the provision is the Management Board's best estimate as at the reporting date, the 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 September 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 nine months ended September 30th 2014 and September 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.

24.2 Other contingent liabilities

- Since August 20th 2014, the Parent has had a PLN 240,000 thousand own blank promissory note deposited at the Customs Office in Gdańsk as lump-sum security for excise duty of PLN 800,000 thousand. The security expiry date is August 19th 2015. Further, as at September 30th 2014, the Parent had another PLN 240,000 thousand own promissory note deposited with the Head of the Customs Office in Gdańsk; the promissory note will be returned to the Company upon formal settlement of the previous lump-sum security for excise duty of PLN 800,000 thousand, which was valid from August 20th 2013 to September 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 September 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 consolidated financial statements for 2013), 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 amount of contingent liabilities will not exceed USD 13,900 thousand (VAT exclusive).

25. Related parties

25.1 Transactions with related entities in which the Group holds shares

PLN '000	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Equity-accounted joint ventures				
Sale	147,370	351,106	63	187
Purchases	254	661	230	446
Purchase of property, plant and equipment	-	14	-	-
In-kind contribution	-	-	-	51,700

PLN '000	Sep 30 2014 (unaudited)	Dec 31 2013 (restated) (audited)
Equity-accounted joint ventures		
Receivables	37,732	16,670
Liabilities	243	215

In the period of three and nine months ended September 30th 2014, the Group traded primarily with LOTOS-Air BP Polska Sp. z o.o. The transactions involved sale of aviation fuel. The aggregate value of the sales was PLN 147,305 and PLN 350,503 thousand, respectively. As at September 30th 2014, the balance of outstanding receivables under these transactions was PLN 37,677 thousand (PLN 16,321 thousand in the comparative period). The transactions were executed after the date Group lost control of LOTOS-Air BP Polska Sp. z o.o., following the sale of 50% of shares in LOTOS-Air BP Polska Sp. z o.o. 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).

In the comparative period ended September 30th 2013, 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).

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

25.2 Entity having control of the Group

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

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

In the three and nine months ended September 30th 2014 and September 30th 2013, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the 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 Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (unaudited)	9 months ended Sep 30 2013 (unaudited)
Sale	97,198	519,773	90,142	250,678
Purchases	329,944	1,049,878	369,031	1,149,755

PLN '000	Sep 30 2014 (unaudited)	Dec 31 2013 (audited)
Receivables	33,908	39,231
Liabilities	117,795	241,626

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

The remuneration paid to members of the Company's Management and Supervisory Boards was as follows:

PLN '000	9 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2013 (unaudited)
Management Board		
Short-term employee benefits (salaries), including:	1,010	1,254
- annual bonus paid	*-*	*249* [(1)]
- length-of-service awards (jubilee benefits)	*41*	*41*
Management Board – subsidiaries [(2)]		
Short-term employee benefits (salaries and wages)	2,743	2,611
Supervisory Board		
Short-term employee benefits (salaries and wages)	168	186
Total [(3)]	**3,921**	**4,051**

[(1)] Remuneration paid in 2013 on account of annual bonus for 2012.

[(2)] Remuneration paid to members of the Company's Management Board for serving in corporate bodies of direct and indirect subsidiaries.

[(3)] The amount reflects changes in the composition of the Company's Supervisory Board.

Other employee benefits − Management Board

PLN '000	Sep 30 2014 (unaudited)	Dec 31 2013 (unaudited)
Post-employment benefits, length-of-service awards and other benefits	551	522
Current liabilities under annual bonus [1]	233	311
Total	**784**	**833**

[1] Pursuant to the Act on Remunerating Persons Who Manage Certain Legal Entities (the Public Sector Salary Cap Act).

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 nine months ended September 30th 2014 and September 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.

Remuneration paid to members of key management staff (other than members of the Management Board of Grupa LOTOS S.A.)

PLN '000	9 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2013 (unaudited)
Short-term employee benefits (salaries), including:	20,683	23,907
- annual bonus paid	*3,330* [1]	*5,608* [2]

[1] Remuneration paid in 2014 on account of annual bonus for 2013.
[2] Remuneration paid in 2013 on account of annual bonus for 2012.

Other employee benefits − key management staff (other than members of the Management Board)

PLN '000	Sep 30 2014 (unaudited)	Dec 31 2013 (audited)
Post-employment benefits, length-of-service awards and other benefits	9,689	8,886
Current liabilities under annual bonus	5,833	7,163
Loans and other similar benefits	32	6
Total	**15,554**	**16,055**

In the nine months ended September 30th 2014, the Group granted loans to members of key management staff for a total amount of PLN 30 thousand. In the nine months ended September 30th 2013, the Group did not provide any loans or similar benefits to members of its key management staff.

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

In the three and nine months ended September 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 and Q3 2014 for PLN 161,174 thousand. In the three and nine months ended September 30th 2013, the Group did not execute any transactions with parties related to it through members of the Supervisory Board.

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

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

On October 15th 2014, the Company and the Minister of State Treasury, acting as the representative of the State Treasury and the administrator of the Business Restructuring Fund, entered into an agreement for the provision of assistance to the Company in the form of non-public aid.

The assistance in the form of non-public aid ("assistance") is granted pursuant to the Regulation of the Minister of State Treasury of August 11th 2011 on assistance in the form of non-public aid under an agreement entered into between an entrepreneur applying for assistance and the Minister of State Treasury acting as the administrator of the Business Restructuring Fund established under Art. 56.1.2 of the Act on Commercialisation and Privatisation of August 30th 1996. The assistance is provided on arm's length terms and will be used to finance investment projects, including new projects, or protecting the essential security interests of the Republic of Poland.
The Agreement sets forth the amount, form and intended purpose of the assistance granted to Grupa LOTOS by the Minister of State Treasury to finance, on arm's length terms, the construction of a Delayed Coking Unit (DCU) and auxiliary installations (the EFRA Project, formerly the DCU Project) by the LOTOS Group; the project will allow the Group to extend its existing business and fundamentally change the production technology employed by the Group ("the Project").
Under the Agreement, the Minister of State Treasury, acting as the administrator of the Business Restructuring Fund, granted assistance of up to PLN 530,000 thousand to the Company. In performance of the Agreement, the State Treasury, represented by the Minister of State Treasury, will subscribe for the Company new shares by exercising its pre-emptive rights.

The ultimate number of new shares to be offered to the Company shareholders and the issue price of the new shares will be set so as to ensure that the State Treasury's retains its current interest in the Company's share capital and total voting rights (to the Company's knowledge, the State Treasury holds 69,076,392 Company shares representing 53.19% of the total voting rights).

The Company is required to use the issue proceeds to finance the Project as part of the EFRA Project designed to improve the efficiency of the LOTOS Group's refining operations and increase its distillate yield. The Company is required to use the proceeds for its intended purpose as defined in the Agreement.
The Agreement imposes certain reporting obligations on the Company, which will enable the Minister of State Treasury to monitor and account for the assistance granted. These obligations include preparing and submitting to the Minister of State Treasury periodic reports on the use of the assistance and its effects. To the extent required by the applicable laws, the Company will be entitled to publicly disclose the information prepared for the purposes of the reporting obligations under the Agreement.
Under the Agreement, the Company is required to return the amount of assistance granted together with statutory interest, only if the Minister of State Treasury determines that: (i) the Agreement was concluded based on incorrect data provided by the Company; (ii) the assistance provided to the Company is or has been used in violation of its intended purpose as defined in the Agreement, or (iii) the assistance provided to the Company has not been used to finance the tasks specified in the Agreement, and the Minister of State Treasury has not consented, in a manner provided for in the Agreement, to the financing of any other tasks. The return of the assistance could be effected by retiring the Company shares held by the State Treasury. In such a case, the Company will be required to take immediate action as provided for in the applicable laws with a view to retiring such number of the Company shares held by the State Treasury which would entitle the State Treasury to receive payment in respect of such share cancelling equal to the amount of assistance granted, together with statutory interest. In particular, the Company will be required to take steps to convene a General Meeting whose agenda will include the passing of resolutions necessary to effect acquisition by the Company, or retirement, of the Company shares held by the State Treasury.
The Agreement took effect on the date of its execution and will be effective until the date of approval by the Minister of State Treasury of the Company's final report on the use of the assistance, which is expected to take place in 2018.

Pursuant to Art. 6.2 of Resolution No. 2 of the Company's Extraordinary General Meeting of September 8th 2014 on increasing the Company's share capital by way of a new issue of shares, public offering of the new shares, setting the rights record date for November 18th 2014, conversion into book-entry form and seeking admission of pre-emptive rights, allotment certificates and the 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 ("Issue Resolution"). The Issue Resolution becomes invalid if, prior to the opening date of subscription for the new shares specified in the prospectus, the Company and the State Treasury fail to execute an agreement providing for the use by the State Treasury of financing from the fund referred to in Art. 56.1.2 of the Commercialisation and Privatisation Act of August 30th 1996 to pay the issue price of the new shares ("Condition Subsequent"). Execution of the Agreement is tantamount to non-fulfilment of the Condition Subsequent. As a result, the Company's new shares may be subscribed for on the terms and conditions set forth in the Issue Resolution. The text of the Issue Resolution is attached to the Company's Current Report No. 19/2014 of September 8th 2014.

Before the Company's new shares can be publicly offered on a pre-emptive basis in Poland, a prospectus must be prepared and approved by the Polish Financial Supervision Authority. The Company will also seek admission of pre-emptive rights, allotment certificates and the new shares to trading on the main market of the Warsaw Stock Exchange.

In a statement published on the State Treasury's website on September 8th 2014, a State Treasury representative announced that the State Treasury would participate in the Offering and acquire the Company Shares.

27. 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.

- On August 25th 2014, B8 Spółka z ograniczoną odpowiedzialnością BALTIC spółka komandytowo-akcyjna ("SPV B8"), (a LOTOS Petrobaltic Group company), Polskie Inwestycje Rozwojowe S.A. ("PIR"), Bank Gospodarstwa Krajowego ("BGK") and Bank Pekao S.A. ("Bank Pekao") entered into the following agreements on the financing of the development of the B-8 oil field on the Baltic Sea: Senior Note Programme Agreement and Subordinated Note Programme Agreement.

  Under the Senior Note Programme Agreement, SPV B8 will issue notes to finance the development of the B-8 field, its VAT liabilities and day-to-day operations. BGK and Bank Pekao will subscribe for the notes issued by the B8 SPV on the terms specified in the agreement.

  Under the Subordinated Note Programme Agreement, SPV B8 will issue notes to finance expenditure on the development of the B-8 field. The agreement also provides for the issue by SPV B8 of notes for repayment of interest and redemption of previously issued notes. PIR will subscribe for the notes issued by the B8 SPV on the terms specified in the agreement.

  The relations between senior and subordinate creditors and the seniority of claims against the B8 SPV are regulated by the Intercreditor Agreement.

  According to the agreements, the project is to be carried out on a project finance basis by SPV B8, established for that purpose; see also Note 2 to the consolidated financial statements for 2013: *Agreement on joint financing of the development of the B-8 oil field in the Baltic Sea; acquisition of shares in special purpose vehicles*.

  By September 30th 2014, LOTOS Petrobaltic S.A. had transferred to SPV B8 the mining usufruct rights, the right to use geological data, and items of property, plant and equipment related to the development of the B-8 field, including a drilling rig, as a non-cash contribution in exchange for the new shares of SPV B8, pursuant to the General Meeting's Resolution of September 17th 2014. SPV B8 will carry out the remaining development work on the B-8 field, including conversion of the drilling platform into a production centre, preparation of subsea infrastructure, and drilling of two last injection wells before the start of production.

  The total cost of the B-8 field development project is estimated at approximately PLN 1.8bn, including LOTOS Petrobaltic's contribution with a market value of approximately PLN 800m. To partly finance the project, SPV B8 will obtain USD 210m under the Senior Note Programme Agreement with BGK and Bank Pekao, and PLN 333m under the Subordinated Note Programme Agreement with PIR.

  Furthermore, pursuant to the Senior Note Programme Agreement, SPV B8 will be able to issue notes to finance its VAT liabilities up to the amount of PLN 50m and its day-to-day operations, up to the amount of PLN 30m, after production from the field has been launched, while under the Subordinated Note Programme Agreement, SPV B8 will be able to issue notes to finance its interest payments on the notes subscribed for by PIR up to the amount of PLN 50m, and redemption of the notes subscribed for by PIR up to the amount of PLN 50m.

  The notes subscribed for by the banks are to be redeemed by December 31st 2021, and those subscribed for by PIR – by December 31st 2022.

- On September 1st 2014, following proceedings initiated by B8 Spółka z ograniczoną odpowiedzialnością BALTIC spółka komandytowo-akcyjna, the Minister of Environment resolved to transfer Licence No. 1/2006 of September 5th 2006 to produce crude oil and accompanying natural gas deposits from the B-8 field located in the Polish exclusive economic zone of the Baltic Sea, from LOTOS Petrobaltic S.A. to B8 Spółka z ograniczoną odpowiedzialnością BALTIC spółka komandytowo-akcyjna.

II. QUARTERLY FINANCIAL INFORMATION OF THE PARENT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2014

PLN '000	3 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2014 (unaudited)	3 months ended Sep 30 2013 (restated) (unaudited)	9 months ended Sep 30 2013 (restated) (unaudited)
Revenue	6,924,262	20,301,757	7,243,921	19,754,325
Cost of sales	(6,765,625)	(19,824,831)	(6,870,131)	(19,381,787)
Gross profit	**158,637**	**476,926**	**373,790**	**372,538**
Distribution costs	(158,424)	(482,060)	(166,961)	(454,337)
Administrative expenses	(49,874)	(149,346)	(50,919)	(155,635)
Other income	1,774	6,074	1,141	8,999
Other expenses	(1,097)	(3,778)	(1,805)	(6,049)
Operating profit/(loss)	**(48,984)**	**(152,184)**	**155,246**	**(234,484)**
Finance income	4,549	164,303	35,639	312,522
Finance costs	(146,210)	(229,434)	60,159	(119,348)
Pre-tax profit/(loss)	**(190,645)**	**(217,315)**	**251,044**	**(41,310)**
Corporate income tax	35,709	68,990	(47,934)	57,711
Net profit/(loss)	**(154,936)**	**(148,325)**	**203,110**	**16,401**
Other comprehensive income				
Items that may be reclassified to profit/loss:				
Cash flow hedges	(302,544)	(347,848)	271,780	(29,766)
Income tax on other comprehensive income	57,483	66,091	(51,638)	5,656
Other comprehensive income, net	**(245,061)**	**(281,757)**	**220,142**	**(24,110)**
Total comprehensive income	**(399,997)**	**(430,082)**	**423,252**	**(7,709)**
Earnings/(loss) per share				
Weighted average number of shares ('000)	129,873	129,873	129,873	129,873
- basic	(1.19)	(1.14)	1.56	0.13
- diluted	(1.19)	(1.14)	1.56	0.13

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

PLN '000	Sep 30 2014 (unaudited)	Dec 31 2013 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	6,347,758	6,572,705
Intangible assets	121,027	114,448
Shares	910,702	910,649
Other non-current assets	554,320	439,537
Total non-current assets	**7,933,807**	**8,037,339**
Current assets		
Inventories	4,691,503	5,544,460
- including mandatory stocks	*3,362,389*	*4,247,822*
Trade receivables	1,851,790	1,584,750
Current tax assets	502	10,296
Derivative financial instruments	8,786	73,956
Other current assets	187,262	84,580
Cash and cash equivalents	291,089	224,031
Total current assets	**7,030,932**	**7,522,073**
Assets held for sale	47,483	-
Total assets	**15,012,222**	**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	(220,738)	61,019
Retained earnings	5,485,030	5,633,355
Total equity	**6,705,513**	**7,135,595**
Non-current liabilities		
Bank borrowings	3,521,404	3,538,779
Derivative financial instruments	44,499	52,876
Deferred tax liabilities	71,644	206,817
Employee benefit obligations	53,300	53,300
Total non-current liabilities	**3,690,847**	**3,851,772**
Current liabilities		
Bank borrowings	1,390,674	1,327,536
Derivative financial instruments	60,010	28,297
Trade payables	2,195,284	2,436,614
Employee benefit obligations	29,601	33,582
Other liabilities and provisions	940,293	746,016
Total current liabilities	**4,615,862**	**4,572,045**
Total liabilities	**8,306,709**	**8,423,817**
Total equity and liabilities	**15,012,222**	**15,559,412**

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

PLN '000	9 months ended Sep 30 2014 (unaudited)	9 months ended Sep 30 2013 (unaudited)
Cash flows from operating activities		
Net profit/(loss)	**(148,325)**	**16,401**
Adjustments:	**707,997**	**794,327**
Income tax expense	*(68,990)*	*(57,711)*
Amortisation and depreciation	*264,690*	*294,663*
Foreign exchange (gains)/losses	*77,057*	*11,082*
Interest and dividends	*(85,380)*	*(183,335)*
(Gain)/Loss from investing activities	*403*	*1,096*
Settlement and valuation of derivative financial instruments	*78,520*	*(31,440)*
(Increase) in trade receivables	*(267,040)*	*(464,613)*
(Increase)/Decrease in other assets	*(33,241)*	*187,035*
Decrease in inventories	*852,957*	*699,272*
(Decrease) in trade payables	*(241,330)*	*(44,641)*
Increase in other liabilities and provisions	*134,332*	*393,030*
(Decrease) in employee benefit obligations	*(3,981)*	*(10,111)*
Corporate income tax paid	(890)	(6,233)
Net cash from operating activities	**558,782**	**804,495**
Cash flows from investing activities		
Dividends received	121,768	269,051
Interest received	4,222	4,425
Sale of property, plant and equipment and intangible assets	13,898	25
Purchase of property, plant and equipment and intangible assets	(108,046)	(135,999)
Capital increase at related entities (LOTOS Tank Sp. z o.o.)	-	(6,945)
Loans advanced to related parties	(100,080)	(30,000)
Security deposit (margin)	(521)	(3,058)
Cash pool expenses	(52,964)	(90,640)
Settlement of derivative financial instruments	1,627	2,005
Net cash from investing activities	**(120,096)**	**8,864**
Cash flows from financing activities		
Proceeds from borrowings	155,988	188,190
Repayment of borrowings	(330,562)	(392,899)
Interest paid	(68,712)	(88,296)
Settlement of derivative financial instruments	6,038	25,196
Net cash from financing activities	**(237,248)**	**(267,809)**
Total net cash flow	**201,438**	**545,550**
Effect of exchange rate fluctuations on cash held	405	3,257
Change in net cash	**201,843**	**548,807**
Cash at beginning of the period	**(220,237)**	**(406,359)**
Cash at end of period	**(18,394)**	**142,448**

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 loss	-	-	-	*(148,325)*	*(148,325)*
Other comprehensive income (net)	-	-	*(281,757)*	-	*(281,757)*
Total comprehensive income	-	-	(281,757)	(148,325)	(430,082)
Sep 30 2014 (unaudited)	**129,873**	**1,311,348**	**(220,738)**	**5,485,030**	**6,705,513**
Jan 1 2013 (audited)	**129,873**	**1,311,348**	**(36,801)**	**5,647,933**	**7,052,353**
Net profit	-	-	-	*16,401*	*16,401*
Other comprehensive income (net)	-	-	*(24,110)*	-	*(24,110)*
Total comprehensive income	-	-	(24,110)	16,401	(7,709)
Sep 30 2013 (unaudited)	**129,873**	**1,311,348**	**(60,911)**	**5,664,334**	**7,044,644**

APPROVAL OF QUARTERLY FINANCIAL REPORT

This quarterly financial report was approved for issue by the Management Board on October 28th 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

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