

FINANCIAL HIGHLIGHTS - CONSOLIDATED

	PLN'000		EUR'000	
	6 months ended	6 months ended	6 months ended	6 months ended
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	8,904,916	11,773,240	2,032,854	2,847,836
Operating profit	688,333	836,388	157,136	202,314
Pre-tax profit	584,985	486,213	133,543	117,610
Net profit	331,800	377,238	75,745	91,250
Net profit attributable to owners of the Parent	331,813	377,244	75,748	91,252
Net loss attributable to non-controlling interests	(13)	(6)	(3)	(1)
Total comprehensive income/(loss)	304,352	161,638	69,479	39,099
Total comprehensive income attributable to owners of the Parent	304,365	161,644	69,482	39,100
Total comprehensive loss attributable to non-controlling interests	(13)	(6)	(3)	(1)
Net cash from operating activities	950,120	521,333	216,898	126,106
Net cash from investing activities	(436,468)	(809,145)	(99,639)	(195,725)
Net cash from financing activities	(279,634)	606,536	(63,836)	146,715
Total net cash flow	234,018	318,724	53,423	77,096
Basic earnings per share (PLN/EUR)	1.79	2.04	0.41	0.49
Diluted earnings per share (PLN/EUR)	1.79	2.04	0.41	0.49

	PLN'000		EUR'000	
	As at	As at	As at	As at
	Jun 30 2016	Dec 31 2015	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	19,082,750	19,169,332	4,311,999	4,498,259
Equity attributable to owners of the Parent	8,016,425	7,712,060	1,811,417	1,809,706
Non-controlling interests	125	138	28	32
Total equity	8,016,550	7,712,198	1,811,445	1,809,738

FINANCIAL HIGHLIGHTS - SEPARATE

	PLN'000		EUR'000	
	6 months ended	6 months ended	6 months ended	6 months ended
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	7,606,978	10,742,630	1,736,555	2,598,541
Operating profit	653,606	779,120	149,208	188,462
Pre-tax profit	676,955	630,900	154,538	152,609
Net profit	568,557	533,563	129,793	129,064
Total comprehensive income	541,108	317,740	123,527	76,858
Net cash from operating activities	689,081	224,867	157,306	54,393
Net cash from investing activities	(133,946)	(692,441)	(30,578)	(167,495)
Net cash from financing activities	(108,047)	623,715	(24,665)	150,871
Total net cash flow	447,088	156,141	102,063	37,769
Basic earnings per share (PLN/EUR)	3.08	2.89	0.70	0.70
Diluted earnings per share (PLN/EUR)	3.08	2.89	0.70	0.70

	PLN'000		EUR'000	
	As at	As at	As at	As at
	Jun 30 2016	Dec 31 2015	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	14,030,357	13,909,915	3,170,344	3,264,089
Equity	6,561,158	6,020,050	1,482,580	1,412,660

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

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

As at Jun 30 2016	As at Dec 31 2015
1 EUR = 4.4255 PLN	1 EUR = 4.2615 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 month in the reporting period:

6 months ended Jun 30 2016	6 months ended Jun 30 2015
1 EUR = 4.3805 PLN	1 EUR = 4.1341 PLN



THE LOTOS GROUP

2016 HALF-YEAR FINANCIAL REPORT FOR THE SIX MONTHS ENDED JUNE 30TH 2016

**WITH THE AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE
30TH 2016 AND THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30TH 2016
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS ENDORSED BY THE EUROPEAN UNION**

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I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2016, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016 (unaudited)	Jun 30 2016 (unaudited)	Jun 30 2015 (unaudited)	Jun 30 2015 (unaudited)
Revenue	8	4,968,969	8,904,916	6,641,754	11,773,240
Cost of sales	9	(3,922,754)	(7,316,277)	(5,636,199)	(10,116,634)
Gross profit		1,046,215	1,588,639	1,005,555	1,656,606
Distribution costs	9	(320,090)	(624,077)	(325,633)	(617,884)
Administrative expenses	9	(103,800)	(210,753)	(116,437)	(225,176)
Other income	10	9,821	24,201	8,356	28,774
Other expenses	11	(81,583)	(89,677)	(3,177)	(5,932)
Operating profit		550,563	688,333	568,664	836,388
Finance income	12	5,836	66,570	87,865	13,757
Finance costs	13	(157,297)	(171,222)	(60,072)	(363,008)
Share in net profit/(loss) of equity-accounted joint ventures		836	1,304	(236)	(924)
Pre-tax profit		399,938	584,985	596,221	486,213
Corporate income tax	14.1	(174,108)	(253,185)	(117,602)	(108,975)
Net profit		225,830	331,800	478,619	377,238
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit/(loss):</i>					
Exchange differences on translating foreign operations		4,261	1	3,405	223
Cash flow hedges		(200,587)	(33,888)	72,251	(266,489)
Corporate income tax relating to cash flow hedges	14.1	38,112	6,439	(13,695)	50,666
Other comprehensive income/(loss), net		(158,214)	(27,448)	61,961	(215,600)
Total comprehensive income/(loss)		67,616	304,352	540,580	161,638
Net profit/(loss) attributable to:					
Owners of the Parent		225,842	331,813	478,615	377,244
Non-controlling interests		(12)	(13)	4	(6)
		225,830	331,800	478,619	377,238
Total comprehensive income/(loss) attributable to:					
Owners of the Parent		67,628	304,365	540,576	161,644
Non-controlling interests		(12)	(13)	4	(6)
		67,616	304,352	540,580	161,638
Net profit attributable to owners of the Parent per share (PLN)					
Weighted average number of shares ('000)	15	184,873	184,873	184,873	184,873
- basic	15	1.22	1.79	2.59	2.04
- diluted	15	1.22	1.79	2.59	2.04

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2016, presented on pages 8 to 29, are an integral part of the statements.

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

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,664,592	10,568,422
Goodwill		46,688	46,688
Other intangible assets		632,638	617,731
Equity-accounted joint ventures		91,534	70,745
Deferred tax assets	14.2	768,322	924,478
Derivative financial instruments		30,433	8,697
Other non-current assets		231,565	201,008
Total non-current assets		12,465,772	12,437,769
Current assets			
Inventories		3,323,196	3,235,816
- including mandatory stocks		1,871,721	1,881,494
Trade receivables		1,944,293	1,550,900
Current tax assets		5,457	11,953
Derivative financial instruments		26,127	208,482
Other current assets		722,803	856,336
Cash and cash equivalents	19	585,848	859,699
Total current assets		6,607,724	6,723,186
Non-current assets (or disposal groups) held for sale		9,254	8,377
Total assets		19,082,750	19,169,332
EQUITY AND LIABILITIES			
Equity			
Share capital		184,873	184,873
Share premium		2,228,310	2,228,310
Cash flow hedging reserve		(728,337)	(700,888)
Retained earnings		6,260,297	5,928,484
Translation differences		71,282	71,281
Equity attributable to owners of the Parent		8,016,425	7,712,060
Non-controlling interests		125	138
Total equity		8,016,550	7,712,198
Non-current liabilities			
Borrowings, other debt instruments and finance lease liabilities	20	4,216,583	4,454,460
Derivative financial instruments		66,343	54,306
Deferred tax liabilities	14.2	38,415	47,626
Employee benefit obligations		188,221	182,252
Other liabilities and provisions		1,243,618	1,292,571
Total non-current liabilities		5,753,180	6,031,215
Current liabilities			
Borrowings, other debt instruments and finance lease liabilities	20	1,900,472	2,544,848
Derivative financial instruments		79,382	110,845
Trade payables		1,580,028	1,232,510
Current tax payables		6,660	11,770
Employee benefit obligations		100,528	122,201
Other liabilities and provisions		1,645,950	1,403,745
Total current liabilities		5,313,020	5,425,919
Total liabilities		11,066,200	11,457,134
Total equity and liabilities		19,082,750	19,169,332

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THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

(prepared using the indirect method)

PLN '000	Note	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Cash flows from operating activities			
Net profit		331,800	377,238
Adjustments:		646,152	172,393
Income tax expense	14.1	253,185	108,975
Share in net profit/(loss) of equity-accounted joint ventures		(1,304)	924
Depreciation and amortisation	8; 9	522,191	364,342
Foreign exchange (gains)/losses		(81,497)	146,502
Interest and dividends		87,257	80,440
(Gain)/loss from investing activities		2,774	1,885
Impairment losses on property, plant and equipment and other intangible assets	11	70,051	1,526
Settlement and valuation of derivative financial instruments	13	39,960	58,225
(Increase) in trade receivables		(365,217)	(205,010)
(Increase) in other assets		(105,454)	(7,155)
(Increase) in inventories		(102,575)	(619,962)
Increase in trade payables		320,224	254,219
Increase/(decrease) in other provisions and liabilities		22,261	(34,582)
(Decrease)/Increase in employee benefit obligations		(15,704)	22,064
Income tax paid		(27,832)	(28,298)
Net cash from operating activities		950,120	521,333
Cash flows from investing activities			
Dividends received – equity-accounted joint ventures		-	827
Dividends received from other entities		-	907
Interest received		5,371	9,282
Sale of property, plant and equipment and other intangible assets		18,727	10,295
Sale of organised part of business		-	2,300
Purchase of property, plant and equipment and other intangible assets		(597,166)	(283,170)
Cash contributions – equity-accounted joint ventures	2	(19,612)	(652)
Cash earmarked for the EFRA Project	19	272,207	(533,991)
Security deposit		(25,268)	(14,731)
Funds for future costs of decommissioning of oil and gas extraction facilities		(72,104)	-
Deposit securing the performance of an engineering, procurement and management services contract for the purposes of the offshore production unit on B-8 field		(12,951)	(2,874)
Option premium expense		-	(4,907)
Settlement of derivative financial instruments		(5,672)	7,569
Net cash from investing activities		(436,468)	(809,145)
Cash flows from financing activities			
Proceeds from bank borrowings	20.1	177,545	402,810
Proceeds from non-bank borrowings	20.2	1,155	-
Proceeds from issue of Series D shares in Grupa LOTOS S.A.	19	-	981,551
Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control		-	(21)
Repayment of bank borrowings	20.1	(496,846)	(544,780)
Repayment of non-bank borrowings	20.2	(5,592)	(5,323)
Interest paid		(100,078)	(91,847)
Decrease in finance lease liabilities		(13,919)	(8,855)
Settlement of derivative financial instruments		158,101	(126,999)
Net cash from financing activities		(279,634)	606,536
Total net cash flow		234,018	318,724
Effect of exchange rate fluctuations on cash held		(1,542)	1,078
Change in net cash		232,476	319,802
Cash at beginning of period		278,070	(166,687)
Cash at end of period	19	510,546	153,115

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2016, presented on pages 8 to 29, are an integral part of the statements.

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THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
PLN '000								
Jan 1 2016 (audited)	184,873	2,228,310	(700,888)	5,928,484	71,281	7,712,060	138	7,712,198
<i>Net profit/(loss)</i>	-	-	-	331,813	-	331,813	(13)	331,800
<i>Other comprehensive income/(loss), net</i>	-	-	(27,449)	-	1	(27,448)	-	(27,448)
Total comprehensive income/(loss)	-	-	(27,449)	331,813	1	304,365	(13)	304,352
Jun 30 2016 (unaudited)	184,873	2,228,310	(728,337)	6,260,297	71,282	8,016,425	125	8,016,550
Jan 1 2015 (audited)	184,873	2,229,626	(412,535)	6,190,989	65,335	8,258,288	175	8,258,463
<i>Net profit/(loss)</i>	-	-	-	377,244	-	377,244	(6)	377,238
<i>Other comprehensive income/(loss), net</i>	-	-	(215,823)	-	223	(215,600)	-	(215,600)
Total comprehensive income/(loss)	-	-	(215,823)	377,244	223	161,644	(6)	161,638
Cost of issue of Series D shares	-	(1,316)	-	-	-	(1,316)	-	(1,316)
Other	-	-	-	(24)	-	(24)	-	(24)
Jun 30 2015 (unaudited)	184,873	2,228,310	(628,358)	6,568,209	65,558	8,418,592	169	8,418,761

The Notes to the interim condensed consolidated financial statements for the six months ended June 30th 2016, presented on pages 8 to 29, are an integral part of the statements.

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

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016
Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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 manufacturing 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

The LOTOS Group comprises Grupa LOTOS S.A. (the Parent) and a number of production, service and trading companies which are direct or indirect subsidiaries of Grupa LOTOS S.A.

The Group also holds 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	Description of business	The Group's ownership interest		
			Jun 30 2016	Dec 31 2015	Jun 30 2015
Parent					
<i>Downstream segment</i>					
• Grupa LOTOS S.A.	Gdańsk	Manufacturing and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct fully-consolidated subsidiaries					
<i>Upstream segment</i>					
• LOTOS Petrobaltic S.A. (parent of another group: LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99%	99.99%	99.99%
<i>Downstream segment</i>					
• 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 Sp. z o.o.	Gdańsk	Manufacturing and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%	100.00%
• LOTOS Asfalt Sp. z o.o.	Gdańsk	Manufacturing 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 testing	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)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%	100.00%
• LOTOS Infrastruktura S.A. (parent of another group: LOTOS Infrastruktura Group)	Jasło	Storage and distribution of fuels; renting and management of own or leased real estate	100.00%	100.00%	100.00%
<i>Other</i>					
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	100.00%
Non-consolidated direct subsidiaries ⁽¹⁾					
• Infrastruktura Kolejowa Sp. z o.o.	Gdańsk	Dormant	100.00%	100.00%	100.00%
• LOTOS Foundation	Gdańsk	Socially beneficial activity within the scope of public tasks defined in the Act on Public Benefit and Volunteer Work. The Foundation does not conduct any business activity.	100.00%	100.00%	100.00%

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the six months ended June 30th 2016
Notes to the financial statements

Name	Registered office	Description of business	The Group's ownership interest		
			Jun 30 2016	Dec 31 2015	Jun 30 2015
Indirect fully-consolidated subsidiaries					
Downstream segment					
<i>LOTOS Infrastruktura Group</i>					
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%	100.00%
<i>LOTOS Terminale Group</i>					
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%	100.00%
Upstream segment					
<i>LOTOS Petrobaltic Group</i>					
• LOTOS Exploration and Production Norge AS	Norway, Stavanger	Oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil and gas exploration and production	99.99%	99.99%	99.99%
• Aphrodite Offshore Services N.V.	Curaçao	Sea transport services (dormant)	99.99%	99.99%	99.99%
• B8 Sp. z o.o.	Gdańsk	Support activities for extraction and quarrying operations	99.99%	99.99%	99.99%
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Exploration for and production of crude oil and natural gas	99.99%	99.99%	99.99%
• 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%	99.99%	99.99%
• 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%	99.99%	99.99%
• SPV Baltic Sp. z o.o.	Gdańsk	Provision of sea transport and related services	99.99%	99.99%	99.99%
• Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	99.99%	99.99%	99.99%
• Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group Group)	Nicosia, Cyprus	Management of own assets	99.99%	99.99%	99.99%
• Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• 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%	99.99%	99.99%
• UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	99.99%	99.99%	99.99%
• UAB Manifodas	Lithuania, Gargždai	Crude oil exploration and production	99.99%	99.99%	99.99%
Other					
<i>LOTOS Petrobaltic Group</i>					
• Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99%	99.99%	99.99%

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Name	Registered office	Description of business	The Group's ownership interest		
			Jun 30 2016	Dec 31 2015	Jun 30 2015
Equity-accounted joint ventures					
• LOTOS - Air BP Polska Sp. z o.o. ⁽²⁾	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%	50.00%
<i>LOTOS Petrobaltic Group</i>					
• Baltic Gas Sp. z o.o. ⁽³⁾	Gdańsk	Oil and gas production (support activities for oil and gas production)	49.99%	49.99%	49.99%
• Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽³⁾	Gdańsk	Crude oil and gas production	45.67%	43.96%	44.54%
<i>AB LOTOS Geonafta Group</i>					
• UAB Minijos Nafta ⁽⁴⁾	Lithuania, Gargždai	Crude oil exploration and production	49.99%	49.99%	49.99%

⁽¹⁾ The companies were excluded from consolidation (IFRS 10 *Consolidated Financial Statements*) due to immateriality of the amounts disclosed in their financial statements as at June 30th 2016.

⁽²⁾ Joint venture agreement between Grupa LOTOS S.A. and BP Europe SE on joint operations consisting in supply of aviation fuel through LOTOS - Air BP Polska Sp. z o.o.

⁽³⁾ Agreement on cooperation between LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. providing for development of and production from gas and condensate reserves from the B-4 and B-6 fields in the Baltic Sea, performed through special purpose vehicles Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. and Baltic Gas Sp. z o.o. (general partner). Within the meaning of IFRS 11, Baltic Gas Sp. z o.o. i wspólnicy sp.k. and Baltic Gas Sp. z o.o. are the Group's equity-accounted joint ventures. In H1 2016, Cal Energy Resources Poland Sp. z o.o. and LOTOS Petrobaltic S.A. made cash contributions to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. of PLN 18,508 thousand and PLN 19,574 thousand, respectively; as a result, the Group's ownership interest in the company changed. Furthermore, in Q2 2016, the shareholders acquired new shares in the increased (by PLN 76 thousand) share capital of Baltic Gas Sp. z o.o. The expenditure of PLN 19,612 thousand, representing the cash contributions made by LOTOS Petrobaltic S.A. to these companies, was disclosed in the consolidated statement of cash flows under *Cash contributions – equity-accounted joint ventures*.

⁽⁴⁾ Joint venture set up for the purpose of oil exploration and production in Lithuania, operated in the form of UAB Minijos Nafta.

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, restructuring or discontinuation of business

Since the end of the previous financial year, i.e. December 31st 2015 (see Note 2 to the consolidated financial statements for 2015) there have been no material changes in the structure of the Group.

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 EU-endorsed International Accounting Standard No. 34 ("IFRS 34").

These interim condensed consolidated financial statements present the financial position of the Group as at June 30th 2016 and December 31st 2015, results of the Group's operations for the six months ended June 30th 2016 and June 30th 2015, and cash flows for the six months ended June 30th 2016 and June 30th 2015.

These interim financial statements should be read in conjunction with the audited *Consolidated Financial Statements of the LOTOS Group for 2015*, issued on March 3rd 2016 (the "consolidated financial statements for 2015").

The data as at June 30th 2016 and for the six months then ended, and the comparative financial data for the six months ended June 30th 2015, contained in these interim consolidated financial statements, has been reviewed by an independent auditor. The financial data for the three months ended June 30th 2016 and the comparative financial data for the three months ended June 30th 2015, contained in these interim condensed consolidated financial statements, has not been reviewed by an independent auditor. The financial information as at December 31st 2015 was audited. The auditor's opinion on the consolidated financial statements for 2015 was issued on March 2nd 2016.

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

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

4.1 Accounting policies

The accounting policies and calculation methods applied in the preparation of these interim condensed consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for 2015 (see Note 7 to the consolidated financial statements for 2015), and no changes to comparative data or error corrections were made.

4.2 New standards and interpretations which are in issue but 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* (issued on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version; effective for annual periods beginning on or after January 1st 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on May 28th 2014), including amendments to IFRS 15 *Effective Date of IFRS 15*, issued on September 11th 2015 – effective for annual periods beginning on or after January 1st 2018;
- IFRS 16 *Leases* (issued on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (issued on December 18th 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* (issued on September 11th 2014) – work on approval of the amendments has been postponed by the EU for an indefinite term; thus, the effective date of the amendments has been postponed by the IASB for an indefinite term;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on January 19th 2016) – effective for annual periods beginning on or after January 1st 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on January 29th 2016) – effective for annual periods beginning on or after January 1st 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 2: *Share-based Payment* (issued on June 20th 2016) – effective for annual periods beginning on or after January 1st 2018.

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-rate quoted for:	Jun 30 2016 ⁽¹⁾	Dec 31 2015 ⁽²⁾
USD	3.9803	3.9011
EUR	4.4255	4.2615
NOK	0.4749	0.4431

⁽¹⁾ NBP's mid-rates table, effective for June 30th 2016.

⁽²⁾ NBP's mid-rates table, effective for December 31st 2015.

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NBP's average mid-exchange rate in the reporting period	6 months ended	6 months ended
	Jun 30 2016 ⁽¹⁾	Jun 30 2015 ⁽²⁾
USD	3.9360	3.7269
EUR	4.3805	4.1341
NOK	0.4676	0.4790

⁽¹⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2016.

⁽²⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2015.

5. Seasonality and cyclicity of business in the reporting period

There was no seasonality or cyclicity of the Group's business 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 in reporting items subsequent to the last full-year reporting period, i.e. 2015, 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, please note that:

- As the Norwegian Oil Taxation Office (the "OTO") questioned the correctness of classifying part of finance costs incurred by LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") in 2013–2014 as tax deductible expenses, the company, considering the risk of a dispute with the taxation authority, made an assessment as at June 30th 2016 of its ability to realise the deferred tax assets on account of tax losses carried forward, which led to a downward revision of their amount in H1 2016 by PLN 53.2m (NOK 113.7m). As at the date of issue of these financial statements, the proceedings were pending (see also Note 23.1).
- As at June 30th 2016, the Group recognised a PLN 10.7m (NOK 22.9m) write-off of the total expenditure on intangible assets related to exploration for hydrocarbons in the PL643 licence area in Norway, following the decision to discontinue the exploration programme and return the licence to the Ministry of Crude Oil and Energy (see Note 11).
- Due to the expiry of the exploration and appraisal licence covering the Gaz Południe area in the Baltic Sea, and having tested the related expenditure for impairment, the Group recognised a PLN 64.8m impairment loss on the investment, including a PLN 55.1m write-off on B-21 exploratory and appraisal wells (see Notes 11 and 17).

Changes in material reporting items and factors affecting the Group's financial performance in the reporting period are presented in Section 2.1 of the Directors' Report on the LOTOS Group's operations in H1 2016 and in the Management's Discussion and Analysis for Q2 2016.

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

The Group recorded no material changes of estimated amounts reported in prior periods, where such changes would have a material effect on the current interim period.

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8. Business segments

	Upstream segment		Downstream segment		Other ⁽¹⁾		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2016	6 months ended Jun 30 2016
PLN '000	(unaudited)									
Revenue:	319,709	610,992	4,757,282	8,488,216	2,737	6,754	(110,759)	(201,046)	4,968,969	8,904,916
<i>Intersegment sales</i>	98,343	175,616	11,060	22,574	1,356	2,856	(110,759)	(201,046)	-	-
<i>External sales</i>	221,366	435,376	4,746,222	8,465,642	1,381	3,898	-	-	4,968,969	8,904,916
Operating profit/(loss) (EBIT)	(24,326)	(16,807)	584,247	706,329	(1,464)	(2,120)	(7,894)	931	550,563	688,333
Depreciation and amortisation	138,452	280,621	119,978	239,161	1,685	3,279	(435)	(870)	259,680	522,191
Operating profit/(loss) before depreciation and amortisation (EBITDA)	114,126	263,814	704,225	945,490	221	1,159	(8,329)	61	810,243	1,210,524

	Upstream segment	Downstream segment	Other ⁽¹⁾	Consolidation adjustments	Consolidated
PLN '000	Jun 30 2016 (unaudited)				
Total assets	4,378,984	16,155,031	98,289	(1,549,554)	19,082,750
<i>including:</i>					
- assets related to exploration for and evaluation of crude oil and natural gas resources	419,366	-	-	-	419,366
- development and production assets	2,301,724	-	-	-	2,301,724

⁽¹⁾ Includes LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

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	Upstream segment		Downstream segment		Other ⁽¹⁾		Consolidation adjustments		Consolidated	
	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2015	6 months ended Jun 30 2015
PLN '000	(unaudited)									
Revenue:	193,571	379,426	6,545,617	11,574,813	4,044	8,221	(101,478)	(189,220)	6,641,754	11,773,240
<i>Intersegment sales</i>	90,287	166,691	8,805	18,179	2,386	4,350	(101,478)	(189,220)	-	-
<i>External sales</i>	103,284	212,735	6,536,812	11,556,634	1,658	3,871	-	-	6,641,754	11,773,240
Operating profit/(loss) (EBIT)	33,488	45,801	547,578	750,652	(447)	(943)	(11,955)	40,878	568,664	836,388
Depreciation and amortisation	69,125	131,935	115,951	229,724	1,839	3,522	(420)	(839)	186,495	364,342
Operating profit/(loss) before depreciation and amortisation (EBITDA)	102,613	177,736	663,529	980,376	1,392	2,579	(12,375)	40,039	755,159	1,200,730

	Upstream segment	Downstream segment	Other ⁽¹⁾	Consolidation adjustments	Consolidated
PLN '000	Dec 31 2015 (audited)				
Total assets	4,382,325	16,099,172	101,004	(1,413,169)	19,169,332
<i>including:</i>					
- exploration and evaluation assets	462,126	-	-	-	462,126
- development and production assets	2,316,381	-	-	-	2,316,381

⁽¹⁾ Includes LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

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9. Expenses by nature

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortisation	259,680	522,191	186,495	364,342
Raw materials and consumables used ⁽¹⁾	3,347,379	6,173,689	4,756,315	8,858,519
Services	369,429	711,504	374,764	678,862
Taxes and charges	102,428	221,074	102,217	204,262
Employee benefits expense	170,353	355,584	169,557	352,367
Other expenses by nature	68,218	127,363	33,044	99,588
Merchandise and materials sold	123,698	269,807	508,781	637,686
Total expenses by nature	4,441,185	8,381,212	6,131,173	11,195,626
Change in products and adjustments to cost of sales	(94,541)	(230,105)	(52,904)	(235,932)
Total	4,346,644	8,151,107	6,078,269	10,959,694
including:				
Cost of sales	3,922,754	7,316,277	5,636,199	10,116,634
Distribution costs	320,090	624,077	325,633	617,884
Administrative expenses	103,800	210,753	116,437	225,176

⁽¹⁾ Including foreign exchange gains related to operating activities in the three and six months ended June 30th 2016, in the amounts of PLN 7,436 thousand and PLN 9,732 thousand (for the three and six months ended June 30th 2015: PLN 37,534 thousand of foreign exchange gains and PLN 5,803 thousand of foreign exchange losses). Exchange gains and losses on operating activities are recognised in cost of sales.

10. Other income

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on sale of non-financial non-current assets	2,615	14,700 ⁽¹⁾	-	4,732
Grants	466	916	457	6,436
Provisions	-	-	2,233	3,558
Reversal of impairment losses on receivables	-	12	3,413	2,319
Compensation	2,849	3,793	1,507	2,798
Gain on sale of organised part of business	-	-	-	1,030
Gain on disposal of assets held for sale	1,313	1,313	-	-
Reimbursed excise duty ⁽²⁾	1,083	1,086	681	6,371
Other	1,495	2,381	65	1,530
Total	9,821	24,201	8,356	28,774

⁽¹⁾ Including PLN 13,785 thousand on sale of certificates of origin for electricity from cogeneration (six months ended June 30th 2015: PLN 7,578 thousand). Cash proceeds from these transactions are presented in the statement of cash flows under *Sale of property, plant and equipment and intangible assets*.

⁽²⁾ Refund of excise duty unduly paid in earlier periods and deductions due to consumption of components or additives used in manufacture of finished products for which the excise duty had been settled at earlier stages of the trading process.

The Group offsets similar transaction items in accordance with 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.

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11. Other expenses

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss on sale of non-financial non-current assets	-	-	1,394	-
Loss on discontinued project related to hydrocarbon exploration in PL643 licence area in Norway	10,742	10,742	-	-
Impairment losses on receivables	444	-	-	-
Impairment loss on property, plant and equipment and other intangible assets, including:	65,577	70,051	32	1,526
- impairment loss on property, plant and equipment related to Gaz Południe area in the Baltic Sea, including B-21 field	64,849	64,849	-	-
- impairment loss on assets associated with Auksoras field in Lithuania	30	5,308	-	-
- other	698	(106)	32	1,526
Provisions	1,581	1,581	-	-
Fines and compensation	355	465	410	717
Damage to property caused in ordinary course of business	124	772	413	747
Membership fees	2	685	69	812
Cost brought forward	62	567	-	606
Charitable donations	2,272	3,012	330	531
Other	424	1,802	529	993
Total	81,583	89,677	3,177	5,932

The Group offsets similar transaction items in accordance with 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	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dividends received	2,435	2,435	1,120	1,120
Interest:	3,387	7,359	6,481	12,626
- on trade receivables	329	1,367	1,067	1,920
- on cash	140	198	63	209
- on deposits	2,807	5,683	4,290	9,299
- other	111	111	1,061	1,198
Exchange differences:	-	56,762	45,310	-
- on bank borrowings	-	3,247	31,874	-
- on translation of intra-Group borrowings ⁽¹⁾	-	47,257	12,465	-
- on realised foreign-currency transactions in bank accounts	-	(406)	611	-
- on notes, including intra-Group notes ⁽¹⁾	-	15,583	6,906	-
- on cash	-	(6,560)	19	-
- on cash blocked in bank accounts	-	1,606	(6,314)	-
- on investment commitments	-	(1,615)	(1,401)	-
- on other financial assets and liabilities	-	(2,350)	1,150	-
Revaluation of financial assets:	-	-	34,943	-
- valuation of derivative financial instruments	-	-	56,799	-
- settlement of derivative financial instruments	-	-	(21,856)	-
Other	14	14	11	11
Total	5,836	66,570	87,865	13,757

⁽¹⁾ In accordance with IAS 21 *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 in accordance with 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.

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13. Finance costs

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest:		57,536	117,024	50,662	100,815
- on bank borrowings		37,340	76,289	39,042	76,219
- on non-bank borrowings		1,681	3,409	2,047	4,162
- on notes		1,033	2,033	942	1,843
- on finance lease liabilities		5,126	10,406	1,613	3,782
- on factoring arrangements		73	411	1,077	2,812
- discount related to provisions for oil and natural gas production facilities and for land reclamation, and other provisions	21	10,901	21,451	4,437	8,840
- cost of discount on employee benefit obligations		1,307	2,614	1,273	2,550
- other		75	411	231	607
Exchange differences:		18,163	-	-	187,672
- on bank borrowings		50,516	-	-	90,025
- on translation of intra-Group borrowings ⁽¹⁾		(25,965)	-	-	(8,087)
- on realised foreign-currency transactions in bank accounts		(4,021)	-	-	97,123
- on notes, including intra-Group notes ⁽¹⁾		(1,078)	-	-	13,731
- on cash		(3,693)	-	-	4,238
- on cash blocked in bank accounts		(2,082)	-	-	(8,917)
- on investment commitments		1,868	-	-	(1,638)
- on other financial assets and liabilities		2,618	-	-	1,197
Revaluation of financial assets:		73,058	39,960	(1,357)	58,225
- valuation of derivative financial instruments		220,366	191,303	(1,357)	(61,204)
- settlement of derivative financial instruments		(147,308)	(151,343)	-	119,429
Bank fees		5,154	8,784	7,659	11,933
Bank guarantees		1,878	3,415	3,079	4,309
Other		1,508	2,039	29	54
Total		157,297	171,222	60,072	363,008

⁽¹⁾ In accordance with IAS 21 *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 in accordance with 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.

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14. Income tax

14.1 Tax expense

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax	17,060	29,023	16,584	28,529
Deferred tax	157,048	224,162	101,018	80,446
Total income tax charged to net profit or loss	174,108	253,185	117,602	108,975
Tax expense recognised in other comprehensive income/(loss) (net), including:				
- cash flow hedging	(38,112)	(6,439)	13,695	(50,666)
	(38,112)	(6,439)	13,695	(50,666)

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	Statement of financial position		Change
	Jun 30 2016	Dec 31 2015	
	(unaudited)	(audited)	
Deferred tax assets	768,322	924,478	(156,156)
Deferred tax liabilities	(38,415)	(47,626)	9,211
Net deferred tax assets/(liabilities)	729,907	876,852	(146,945)
Exchange differences on translating deferred tax of foreign operations			(46,082)
Deferred tax disclosed under other comprehensive income/(loss), net			(6,439)
Effect of accounting for the acquisition price of the Sleipner assets ⁽¹⁾			(24,696)
Deferred tax expense recognised in net profit or loss			(224,162)

⁽¹⁾ In accordance with the agreement on acquisition of the Sleipner assets from ExxonMobil Exploration and Production Norway AS, made on October 30th 2015 (see Note 13.1.3 to the consolidated financial statements for 2015), within three months after the acquisition date the parties revised the accounting for the transaction, as a result of which on April 4th 2016 the Group paid USD 4.76m to ExxonMobil Exploration and Production Norway AS. The revision had no effect on the Group's 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.

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

	Dec 31 2015	Deferred tax disclosed under net profit or loss	Deferred tax disclosed under other comprehensive income/(loss), net	Exchange differences on translating deferred tax of foreign operations	Other differences	Jun 30 2016
PLN '000	(audited)					(unaudited)
Deferred tax assets						
Employee benefit obligations	54,871	(22,640)	-	(209)	-	32,022
Inventory write-downs	50,912	(49,836)	-	6	-	1,082
Impairment losses on property, plant and equipment and other intangible assets	297,553	13,006	-	24,696	-	335,255
Negative fair value of derivative financial instruments	25,594	(114)	-	-	-	25,480
Exchange differences on revaluation of foreign-currency denominated items	1,228	949	-	(30)	-	2,147
Impairment losses on receivables	16,893	(65)	-	-	-	16,828
Finance lease liabilities	39,373	(3,066)	-	-	-	36,307
Provisions for/Assets related to decommissioning of oil and gas facilities and land reclamation	268,972	95,325	-	19,006	-	383,303
Unrealised margin assets	3,479	1,562	-	-	-	5,041
Tax losses carried forward	781,746	(268,541)	-	26,531	24,696	564,432
Other provisions	11,676	642	-	-	-	12,318
Cash flow hedge accounting	164,407	-	6,439	-	-	170,846
Other	20,685	(1,154)	-	93	-	19,624
Total	1,737,389	(233,932)	6,439	70,093	24,696	1,604,685
Deferred tax liabilities						
Difference between current tax base and carrying amount of property, plant and equipment and other intangible assets	724,707	(22,647)	-	22,572	-	724,632
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	952	41,813	-	721	-	43,486
Positive fair value of derivative financial instruments	37,921	(31,281)	-	-	-	6,640
Tax liabilities associated with acquired exploration and production licences in Lithuania	18,828	(879)	-	716	-	18,665
Accrued interest	67,576	3,713	-	2	-	71,291
Other	10,553	(489)	-	-	-	10,064
Total	860,537	(9,770)	-	24,011	-	874,778
Net deferred tax assets/(liabilities)	876,852	(224,162)	6,439	46,082	24,696	729,907

Taxable temporary differences are expected to expire in 2016–2083.

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15. Earnings per share

	3 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2016 (unaudited)	3 months ended Jun 30 2015 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Net profit attributable to owners of the Parent (PLN '000) (A)	225,842	331,813	478,615	377,244
Weighted average number of shares ('000) (B)	184,873	184,873	184,873	184,873
Earnings per share (PLN) (A/B)	1.22	1.79	2.59	2.04

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

In the six months ended June 30th 2016 and June 30th 2015, diluted earnings per share were equal to basic earnings per share as the Company carries no instruments with a dilutive effect.

16. Dividends

As at June 30th 2016 and December 31st 2015, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends. The restrictions followed from the credit facility agreement executed on June 27th 2008 for the financing of the 10+ Programme, which provides that amount of dividend is conditional upon fulfilment of specific requirements, including generation of a sufficient cash surplus and achievement of financial ratios at prescribed levels.

On June 28th 2016, the General Meeting of Grupa LOTOS S.A. passed a resolution on coverage of the Company's net loss for 2015. In accordance with the resolution, the 2015 net loss of PLN 37,102 thousand will be offset against future profits.

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17. Impairment losses

PLN '000	Assets related to exploration for, development and production of crude oil and natural gas resources		Refining and other assets		Inventories		Receivables		Total	
	3 months ended Jun 30									
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
At beginning of period (unaudited)	1,914,673	1,877,983	79,293	69,448	29,695	42,195	170,879	177,745	2,194,540	2,167,371
<i>Recognised</i>	64,821 ⁽¹⁾	6	-	46	2,385	642	1,305	1,648	68,511	2,342
<i>Exchange differences on translating foreign operations</i>	86,962	30,110	1,034	-	10	(1)	-	1	88,006	30,110
<i>Used / Reversed</i>	-	(2)	(193)	(1,352)	(25,932) ⁽²⁾	(39,618) ⁽³⁾	(1,797)	(6,130)	(27,922)	(47,102)
At end of period (unaudited)	2,066,456	1,908,097	80,134	68,142	6,158	3,218	170,387	173,264	2,323,135	2,152,721

PLN '000	Assets related to exploration for, development and production of crude oil and natural gas resources		Refining and other assets		Inventories		Receivables		Total	
	6 months ended Jun 30									
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
At beginning of period (audited)	1,872,250	1,894,248	82,541	69,619	267,695	453,409	171,640	177,694	2,394,126	2,594,970
<i>Recognised</i>	70,125 ⁽¹⁾	1,524	-	46	2,764	1,018	1,966	4,583	74,855	7,171
<i>Exchange differences on translating foreign operations</i>	124,081	12,327	905	-	34	(2)	-	-	125,020	12,325
<i>Used / Reversed</i>	-	(2)	(3,312)	(1,523)	(264,335) ⁽²⁾	(451,207) ⁽³⁾	(3,219)	(9,013)	(270,866)	(461,745)
At end of period (unaudited)	2,066,456	1,908,097	80,134	68,142	6,158	3,218	170,387	173,264	2,323,135	2,152,721

⁽¹⁾ Including the PLN 5,308 thousand write-off on expenditure on the Auksoras field in Lithuania, recognised in Q1 2016, and the PLN 64,818 thousand write-off on expenditure related to the Gaz Południe licence in the Baltic Sea, including the B-21 field, recognised in Q2 2016. The write-offs were presented in the consolidated statement of comprehensive income under *Other expenses*.

⁽²⁾ In the six months ended June 30th 2016, a reversal of write-downs on inventories of crude oil and refining products was made for a total of PLN 262,680 thousand (recognised in 2015, see Note 19.1 to the consolidated financial statements for 2015), of which PLN 237,062 thousand was reversed in Q1 2016 and PLN 25,618 thousand in Q2 2016.

⁽³⁾ In the six months ended June 30th 2015, a reversal of write-downs on inventories of crude oil and refining products was made for a total of PLN 450,891 thousand (recognised in 2014, see Note 19.1 to the consolidated financial statements for 2014), of which PLN 411,518 thousand was reversed in Q1 2015 and PLN 39,373 thousand in Q2 2015.

- Changes in impairment losses on property, plant and equipment and intangible assets are recognised under other income or other expenses.
- The effect of revaluation of inventories is taken to cost of sales. In accordance with IAS 2, inventories are measured at the lower of cost or cost less write-downs to net realisable value.
- The amounts resulting from recognition or reversal of impairment losses on receivables are presented under other income or other expenses (the principal portion) and under finance income or finance costs (the default interest portion).

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

PLN '000	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Acquisition of assets related to exploration for, development and production of crude oil and natural gas resources	173,520	161,236
Acquisition of refining and other assets	438,424	161,302
Total	611,944	322,538

In the six months ended June 30th 2016 and in the comparative period, the Group's expenditure on assets related to exploration for crude oil and natural gas resources was made chiefly on the B-8 field in the Baltic Sea. In H1 2016, the Group also incurred capital expenditure on production from the Heimdal and Sleipner fields in Norway. Capital expenditure incurred by the Group on refining assets and other property, plant and equipment, both in H1 2016 and in the comparative period, related to the EFRA Project, construction of the Hydrogen Recovery Unit, and expansion of the service station chain.

As at June 30th 2016, the Group's future contractual commitments for expenditure on property, plant and equipment and intangible assets not disclosed in the statement of financial position amounted to PLN 1,688,325 thousand and were chiefly related to the construction of the Delayed Coking Unit (DCU) (the EFRA Project), construction of a Hydrogen Recovery Unit (HRU) at the Refinery, and expansion of the service station chain (December 31st 2015: PLN 1,773,814 thousand).

In the six months ended June 30th 2016 and June 30th 2015, the Group did not sell any material item of its property, plant and equipment or intangible assets.

19. Cash and cash equivalents

PLN '000	Jun 30 2016 (unaudited)	Jun 30 2015 (unaudited)
Cash at bank	583,400	702,087
Cash in hand	611	526
Other cash	1,837	1,295
Total cash and cash equivalents in the statement of financial position	585,848	703,908
Overdraft facilities	(75,302)	(550,793)
Total cash and cash equivalents in the statement of cash flows	510,546	153,115

In the consolidated statement of cash flows for the six months ended June 30th 2015, the Group presented proceeds from the issue of Series D shares for a total amount of PLN 981.6m (net of issue costs) as part of its financing activities. The Company uses the issue proceeds to pursue the objectives specified in the Prospectus approved by the Polish Financial Supervision Authority on November 7th 2014 (the "Prospectus"), including the construction of a delayed coking unit with auxiliary infrastructure (the "EFRA Project") and development of the B-4 and B-6 gas fields by LOTOS Petrobaltic S.A. in collaboration with CalEnergy Resources Poland Sp. z o.o. (see 'Use of proceeds from the offering' in the Prospectus).

In accordance with the agreement for assistance in the form of non-public aid, signed with the Minister of State Treasury, a part of the proceeds from the issue of Series D shares acquired by the State Treasury, assigned exclusively to the financing of the EFRA Project, was deposited in a separate bank account, as presented in the consolidated statement of cash flows for the six months ended June 30th 2015 in Cash earmarked for the EFRA project under cash flows from investing activities in the amount of PLN 534m.

In the six months ended June 30th 2016, PLN 272.2m disclosed in the consolidated statement of cash flows comprised cash allocated for the financing of current expenditure on the EFRA Project, while the portion of the cash earmarked for this project that remained unused as at June 30th 2016, in the amount of PLN 165.3m, deposited in a separate bank account, is disclosed under Other current assets in the statement of financial position.

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20. Borrowings, other debt instruments and finance lease liabilities

PLN '000	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
Bank borrowings:	5,610,057	6,481,034
- investment credit facilities	4,576,599	4,744,306
- working capital facilities	319,899	883,818
- inventory refinancing and financing facilities	1,197,587	1,170,728
- funds in bank deposits securing repayment of interest and principal instalments	(484,028)	(317,818)
Non-bank borrowings	87,779	92,146
Notes	222,558	218,100
Finance lease liabilities	196,661	208,028
Total	6,117,055	6,999,308
<i>including:</i>		
non-current	4,216,583	4,454,460
current	1,900,472	2,544,848

20.1 Bank borrowings

Material credit facility agreements

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

As at June 30th 2016, PLN 3,946.0m (USD 991.4m) was outstanding under an investment facility contracted by the Parent to finance the 10+ Programme. As at December 31st 2015, the amount was PLN 4,074.8m (USD 1,044.5m).

The Parent also uses a credit facility for the refinancing and financing of its inventory. As at June 30th 2016, the nominal amount drawn under the facility was PLN 1,194.1m (USD 300m). As at December 31st 2015, the amount was PLN 1,170.3m (USD 300m).

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

As at June 30th 2016, liabilities under bank borrowings incurred by companies of the LOTOS Petrobaltic Group totalled PLN 518.4m. The amount outstanding as at December 31st 2015 was PLN 577.9m.

Changes in credit agreements

On May 10th 2016, the amount of the investment credit facility granted to LOTOS Asphalt Sp. z o.o. by a syndicate of financial institutions under the agreement of June 30th 2015 was reduced. As a result, the total amount available under the facility decreased from USD 432m to USD 382m. The reduction was requested by LOTOS Asphalt Sp. z o.o. in line with its rights under the agreement. The other terms of the agreement remained unchanged.

As at June 30th 2016, the amount outstanding under the investment facility was PLN 40.7m (USD 11.1m).

Proceeds from and repayment of bank borrowings

In the six months ended June 30th 2016, proceeds from bank borrowings contracted by the Group were PLN 177.5m and included credit facilities contracted by LOTOS Asphalt Sp. z o.o. (PLN 83m) and AB LOTOS Geonafta (PLN 94.5m). In the same period, repayments of bank borrowings were PLN 496.8m and mainly included repayments under investment facilities of the Parent (PLN 208.1m), credit facilities of LOTOS Asphalt Sp. z o.o. (PLN 106m) and AB LOTOS Geonafta (PLN 98.6m) (chiefly to refinance its existing debt), and credit facilities of LOTOS Exploration and Production Norge AS (PLN 59.5m). These amounts are presented in the statement of cash flows from financing activities under Proceeds from bank borrowings and Repayment of bank borrowings, respectively.

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In the six months ended June 30th 2016 and June 30th 2015, none of the Group companies defaulted on their credit facilities. As at June 30th 2015, AB LOTOS Geonafra was in breach of one of its debt covenants, which had no effect on the Group's liquidity or the presentation of these interim condensed consolidated financial statements (short-term credit facility).

20.2 Non-bank borrowings

Material loan agreements

The Group's liabilities under loans include mainly liabilities under a loan agreement made by SPV Baltic Sp. z o.o. (an upstream company of the LOTOS Petrobaltic Group) in January 2014 with Agencja Rozwoju Przemysłu S.A. to finance purchase of a drilling platform.

As at June 30th 2016, the amount outstanding under the agreement was PLN 79.0m. The amount outstanding as at December 31st 2015 was PLN 83.6m.

New loan agreements executed in the reporting period

On May 17th 2016, RCEkoenergia Sp. z o.o. executed a PLN 1.2m loan agreement with the Provincial Fund for Environmental Protection and Water Management of Katowice to co-finance modernisation of the dust removal unit at the CHP plant in Czechowice-Dziedzice. The loan matures on December 31st 2019 and bears interest based on the rediscount rate. It is secured with a statement on submission to enforcement, as well as the assignment of claims from bank accounts and under heat sales contracts.

As at June 30th 2016, the amount outstanding under the agreement was PLN 1.2m.

Proceeds from and repayment of loans

In the six months ended June 30th 2016, proceeds from loans contracted by the Group totalled PLN 1.2m and included the loan advanced to RCEkoenergia Sp. z o.o., whereas loan repayments in the same period amounted to PLN 5.6m and were primarily related to the loan advanced in Q1 2014 by Agencja Rozwoju Przemysłu S.A. to SPV Baltic Sp. z o.o. 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 six months ended June 30th 2016 and June 30th 2015, none of the Group companies defaulted on borrowings or breached any material covenants under borrowing agreements.

20.3 Notes

Pursuant to the note issue programme agreement of October 29th 2013 with Bank Pekao S.A., LOTOS Petrobaltic S.A. may issue medium-term USD-denominated notes for up to the equivalent of PLN 200m. In the six months ended June 30th 2016 and June 30th 2015, LOTOS Petrobaltic S.A. did not issue or redeem any notes. As at June 30th 2016, an amount of PLN 222.6m (December 31st 2015: PLN 218.1m) was outstanding under notes issued in 2013.

As LOTOS Petrobaltic S.A. was in breach of on one of its covenants under the Note Programme Agreement, non-current liabilities under the notes, totalling PLN 182.7m, were reclassified to current liabilities. As at June 30th 2016 and by the date of issue of these financial statements, the liabilities were not declared due and payable by the bank.

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21. Provisions

PLN '000	Note	Provisions for decommissioning and reclamation costs				Total	Other provisions	Total
		Provision for oil and gas extraction facilities			Provisions for retired refining and other units			
		Poland	Norway	Lithuania				
Jan 1 2016 (audited)		191,837	986,439	14,133	25,770	1,218,179	194,165	1,412,344
<i>Recognised</i>		-	-	-	-	-	9,463	9,463
<i>Remeasurement of decommissioning costs</i>		-	3,647	-	-	3,647	(5,638)	(1,991)
<i>Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)</i>	13	-	19,965	406	41	20,412	1,039	21,451
<i>Interest on Oil and Gas Facility Decommissioning Fund</i>		137	-	-	-	137	-	137
<i>Exchange differences on translating foreign operations</i>		-	70,959	548	-	71,507	11,115	82,622
<i>Used</i>		-	(13,070) ⁽¹⁾	-	(33)	(13,103)	(2,520)	(15,623)
<i>Reversed</i>		-	-	-	(986)	(986)	(85)	(1,071)
Jun 30 2016 (unaudited)		191,974	1,067,940	15,087	24,792	1,299,793	207,539	1,507,332
<i>including:</i>								
<i>non-current</i>		191,974	966,383	15,087	23,270	1,196,714	28,534	1,225,248
<i>current</i>		-	101,557	-	1,522	103,079	179,005	282,084

Provisions for decommissioning and reclamation costs:

Provision for the Polish oil and gas extraction facilities – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licences areas, and the Oil and Gas Extraction Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas facilities, in accordance with the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002.

Provision for the Norwegian oil and gas extraction facilities – a provision for future costs of decommissioning of the oil extraction facilities in the YME field (including provision for future cost of MOPU removal), and the oil and gas extraction facilities in the Heimdal and Sleipner fields.

Provision for the Lithuanian oil and gas extraction facilities – a provision for future costs of decommissioning of the Lithuanian oil extraction facilities.

Provisions for retired refining units and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by Energobaltic Sp. z o.o. (a company of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

⁽¹⁾ The amount mainly includes PLN 9,286 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 (the MOPU owner) reached in March 2013 (for details, see Note 35.1 to the consolidated financial statements for 2015).

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PLN '000	Note	Provisions for decommissioning and reclamation costs				Total	Other provisions	Total
		Provision for oil and gas extraction facilities			Provisions for retired refining and other units			
		Poland	Norway	Lithuania				
Jan 1 2015 (audited)		183,579	497,194	14,302	30,504	725,579	52,849	778,428
<i>Recognised</i>		-	4,825	-	-	4,825	127	4,952
<i>Remeasurement of decommissioning costs</i>		-	1,765	-	24	1,789	-	1,789
<i>Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)</i>	13	-	8,187	347	56	8,590	250	8,840
<i>Interest on Oil and Gas Facility Decommissioning Fund</i>		294	-	-	-	294	-	294
<i>Exchange differences on translating foreign operations</i>		-	4,366	(222)	-	4,144	1,721	5,865
<i>Used</i>		-	(67,873) ⁽¹⁾	-	(321)	(68,194)	(610)	(68,804)
<i>Reversed</i>		(2,750)	-	-	(2,111)	(4,861)	(1,073)	(5,934)
Jun 30 2015 (unaudited)		181,123	448,464	14,427	28,152	672,166	53,264	725,430
<i>including:</i>								
<i>non-current</i>		181,123	396,799	14,427	26,861	619,210	28,485	647,695
<i>current</i>		-	51,665	-	1,291	52,956	24,779	77,735

Provisions for decommissioning and reclamation costs:

Provision for the Polish oil and gas extraction facilities – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licences areas, and the Oil and Gas Extraction Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas facilities, in accordance with the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002.

Provision for the Norwegian oil and gas extraction facilities – a provision for future costs of decommissioning of the oil extraction facilities in the YME field, and the gas extraction facilities in the Heimdal fields.

Provision for the Lithuanian oil and gas extraction facilities – a provision for future costs of decommissioning of the Lithuanian oil extraction facilities.

Provisions for retired refining units and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by Energobaltic Sp. z o.o. (a company of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

⁽¹⁾ The amount mainly includes PLN 60,044 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 (the MOPU owner) reached in March 2013 (for details, see Note 35.1 to the consolidated financial statements for 2015).

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

In the six months ended June 30th 2016, 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 7.22 to the 2015 consolidated financial statements), made no transfers of financial instruments between fair value hierarchy levels (see Note 31.2 to the 2015 consolidated financial statements), and did not reclassify any of its financial instruments. As at June 30th 2016 and December 31st 2015, the Group held financial derivatives classified under fair value hierarchy Level 2.

Carrying amount of derivative financial instruments as at June 30th 2016 and December 31st 2015 is presented in the table below.

Fair value hierarchy

	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
PLN '000	Level 2	
Financial assets		
Commodity swap	34,948	198,591
Commodity options	884	363
Currency forward and spot contracts	19,622	14,082
Interest rate swap (IRS)	-	992
Currency swap	1,106	3,151
Total	56,560	217,179
Financial liabilities		
Commodity swap	46,915	58,055
Currency forward and spot contracts	5,720	909
Interest rate swap (IRS)	84,827	72,263
Currency swap	8,263	33,924
Total	145,725	165,151

As at June 30th 2016 and December 31st 2015, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

23. Contingent liabilities and assets

23.1 Material court, arbitration or administrative proceedings and other risks of the Parent or its subsidiaries, and material settlements under court proceedings

There were no significant changes with respect to pending material court, arbitration, or administrative proceedings or with respect to other risks of the Company or its subsidiaries in the period between the end of the previous financial year, that is December 31st 2015, and the date of issue of these interim financial statements. For information on pending material proceedings, see Note 35.1 to the consolidated financial statements for 2015. In addition, please note that:

Tax settlements

Tax settlements of the Parent

In 2015, the Company's VAT settlements for 2010–2011 were subject to two inspections by tax inspection authorities. On June 23rd 2015, the Company received post-inspection reports and challenged some of the findings contained in the reports. On September 30th 2015, the Company received two decisions issued by the Director of the Tax Audit Office in Bydgoszcz, in which the Tax Audit Office assessed the VAT payable by the Company for the period from January to December 2010 and from January to December 2011, identifying VAT arrears of PLN 48.4m for 2010 and PLN 112.5m for 2011. In these decisions, the Director of the Tax Audit Office stated that certain transactions with two of the Company's trade partners involved fraudulent tax practices, arguing that the Company failed to exercise due care in executing transactions with those trade partners and that it should at least have been aware that the transactions were connected to and resulted from a tax fraud committed at an earlier stage, which precluded the Company's right to deduct VAT. Having reviewed the decisions, the Company dismissed the allegations of the Director of the Tax Audit Office as entirely groundless and on October 14th 2015 filed an appeal with the Director of the Tax Chamber in Gdańsk. The Director of the Tax Chamber in Gdańsk upheld the decisions of the Director of the Tax Audit Office in Bydgoszcz, whereas the complaint lodged by the Company in the first half of 2016 with the Provincial Administrative Court was dismissed.

As at the date of issue of these financial statements, both decisions of the Director of the Tax Audit Office in Bydgoszcz in which it assessed the VAT payable by the Company for individual months of 2010 and 2011 remain upheld. The Company has the right to lodge cassation complaints with the Supreme Administrative Court of Warsaw. The Company will decide whether it will lodge the cassation complaints after it analyses the grounds to the relevant rulings.

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Tax settlements of LOTOS Exploration and Production Norge AS

In the six months ended June 30th 2016, the income tax settlements of LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") for 2013–2014 were investigated by the Norwegian Oil Taxation Office (the "OTO"). On June 1st 2016, LOTOS E&P Norge AS received a notice of May 31st 2016 requesting the company to provide explanations. In the notice, the OTO questioned recognition of some of the finance costs incurred by LOTOS E&P Norge AS in 2013–2014 as tax deductible expenses due to the company's thin capitalisation in that period. Having reviewed the authority's decision, LOTOS E&P Norge AS concluded that the points made therein were not fully justified and will respond to the notice by September 30th 2016. Considering the risk of a dispute with the taxation authority and the company's financial position in the period 2013–2014, to which the OTO refers, as well as the fact that the company applies the same approach to the period 2015–2016, LOTOS E&P Norge AS, taking into account the adverse impact of thin capitalisation, made an assessment as at June 30th 2016 of its ability to realise deferred tax assets on account of tax losses carried forward, which led to a downward revision of their amount in H1 2016 by PLN 53.2m (NOK 113.7m). As at the date of issue of these financial statements, the proceedings were pending.

In the six months ended June 30th 2016, there were no material settlements under court proceedings other than those presented above.

23.2 Other contingent liabilities

In the period between the end of the previous financial year, i.e. December 31st 2015, and the date of issue of these interim financial statements, there were no changes in the Company's or its subsidiaries' other material contingent liabilities (see Note 35.2 to the consolidated financial statements for 2015).

The Group presents information on its off-balance sheet future investment commitments in Note 18.

24. Related parties

24.1 Transactions with related entities in which the Group holds equity interests

In the periods of three and six months ended June 30th 2016 the Group entered into material transactions with LOTOS - Air BP Polska Sp. z o.o., which totalled PLN 45,088 thousand and PLN 75,956 thousand, respectively (in the periods of three and six months ended June 30th 2015: PLN 55,044 thousand and PLN 94,063 thousand, respectively). As at June 30th 2016, the balance of outstanding receivables under these transactions was PLN 17,049 thousand (December 31st 2015: PLN 12,219 thousand). The transactions with LOTOS - Air BP Polska Sp. z o.o. involved chiefly sale of aviation fuel.

24.2 Entity having control of the Group

As at June 30th 2016 and December 31st 2015, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the six months ended June 30th 2016 and June 30th 2015, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

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

In the six months ended June 30th 2016 and June 30th 2015, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. The transactions 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, transport services, electricity, natural gas and other fuels.

	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
PLN '000	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale	51,249	120,486	129,974	191,614
Purchases	233,935	484,895	625,310	995,537

	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
Receivables	26,520	27,859
Liabilities	164,644	130,356

Furthermore, as at June 30th 2016, the Group disclosed PLN 78,953 thousand (December 31st 2015: PLN 83,648 thousand) in liabilities under a loan from a party related to it through the State Treasury for the purchase of a drilling platform (see Note 20.2).

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24.3 Executive remuneration

Remuneration paid to members of the Company's Management and Supervisory Boards

PLN '000	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Management Board		
Short-term employee benefits (salaries)	686	541
Management Board – subsidiaries ⁽¹⁾		
Short-term employee benefits (salaries)	1,630	1,774
Supervisory Board		
Short-term employee benefits (salaries)	158	126
Total	2,474	2,441

⁽¹⁾ Remuneration paid to members of the Company's Management Board for serving on corporate bodies of direct and indirect subsidiaries.

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 member which would be advanced, made, issued or concluded otherwise than on an arm's length basis or which would have a material bearing on these financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the six months ended June 30th 2016 and June 30th 2015, 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 other members of key management staff

PLN '000	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Short-term employee benefits (salaries), including:	19,075	12,673
- annual bonus paid	6,953 ⁽¹⁾	3,272 ⁽²⁾
- length-of-service award paid	364	-

⁽¹⁾ Remuneration paid in 2016 on account of annual bonus for 2015.

⁽²⁾ Remuneration paid in 2015 on account of annual bonus for 2014.

In the six months ended June 30th 2016 and June 30th 2015, the Group did not provide any loans or similar benefits to members of its key management staff.

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

In the six months ended June 30th 2016, the Group executed transactions with parties related to it through members of the Management Board and Supervisory Board. The transactions were executed on an arm's length basis and related to the Group's day-to-day operations, including mainly purchase of civil liability and property insurance policies for a total amount of PLN 8,686 thousand. As at June 30th 2016, the value of outstanding transactions with parties related to the Group through members of the Management Board and Supervisory Board was PLN 8,203 thousand.

In the comparative period, the Group did not execute any material transactions with parties related to it through members of the Supervisory Board.

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2016, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		4,267,053	7,606,978	6,080,710	10,742,630
Cost of sales	7	(3,551,653)	(6,486,340)	(5,354,553)	(9,492,753)
Gross profit		715,400	1,120,638	726,157	1,249,877
Distribution costs	7	(188,713)	(380,499)	(203,783)	(391,326)
Administrative expenses	7	(50,746)	(99,543)	(57,279)	(109,098)
Other income	8	5,119	17,512	10,320	31,677
Other expenses		(2,764)	(4,502)	(2,432)	(2,010)
Operating profit		478,296	653,606	472,983	779,120
Finance income	9	116,501	123,934	179,821	133,368
Finance costs	10	(114,667)	(100,585)	(35,955)	(281,588)
Pre-tax profit		480,130	676,955	616,849	630,900
Corporate income tax	11.1	(69,936)	(108,398)	(94,351)	(97,337)
Net profit		410,194	568,557	522,498	533,563
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss:</i>					
Cash flow hedges		(200,587)	(33,888)	72,251	(266,489)
Corporate income tax relating to cash flow hedges	11.1	38,112	6,439	(13,695)	50,666
Other comprehensive income/(loss), net		(162,475)	(27,449)	58,556	(215,823)
Total comprehensive income		247,719	541,108	581,054	317,740

Earnings per share (PLN)

Weighted average number of shares ('000)	12	184,873	184,873	184,873	184,873
- basic	12	2.22	3.08	2.83	2.89
- diluted	12	2.22	3.08	2.83	2.89

The Notes to the interim condensed separate financial statements for the six months ended June 30th 2016, presented on pages 35 to 47, are an integral part of the statements.

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

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SEPARATE STATEMENT OF FINANCIAL POSITION

PLN '000	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		6,072,939	6,114,824
Intangible assets		107,667	110,732
Shares		1,670,541	1,670,541
Deferred tax assets	11.2	113,811	216,348
Derivative financial instruments		25,696	681
Other non-current assets		270,325	244,205
Total non-current assets		8,260,979	8,357,331
Current assets			
Inventories		3,102,522	2,902,793
- including mandatory stocks		1,881,174	1,824,511
Trade receivables		1,516,531	1,308,973
Derivative financial instruments		13,378	206,893
Other current assets		707,913	604,592
Cash and cash equivalents	16	429,034	529,333
Total current assets		5,769,378	5,552,584
Total assets		14,030,357	13,909,915
EQUITY AND LIABILITIES			
Equity			
Share capital		184,873	184,873
Share premium		2,228,310	2,228,310
Cash flow hedging reserve		(728,337)	(700,888)
Retained earnings		4,876,312	4,307,755
Total equity		6,561,158	6,020,050
Non-current liabilities			
Bank borrowings	17	3,367,474	3,501,680
Derivative financial instruments		34,593	54,136
Employee benefit obligations		70,068	66,975
Other liabilities and provisions		594	580
Total non-current liabilities		3,472,729	3,623,371
Current liabilities			
Bank borrowings	17	1,282,899	1,960,205
Derivative financial instruments		75,408	110,845
Trade payables		1,490,568	1,112,285
Employee benefit obligations		34,149	44,011
Other liabilities and provisions		1,113,446	1,039,148
Total current liabilities		3,996,470	4,266,494
Total liabilities		7,469,199	7,889,865
Total equity and liabilities		14,030,357	13,909,915

The Notes to the interim condensed separate financial statements for the six months ended June 30th 2016, presented on pages 35 to 47, are an integral part of the statements.

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SEPARATE STATEMENT OF CASH FLOWS

(prepared using the indirect method)

PLN '000	Note	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Cash flows from operating activities			
Net profit		568,557	533,563
Adjustments:		118,981	(308,696)
Income tax expense	11.1	108,398	97,337
Depreciation and amortisation	7	170,375	173,115
Foreign exchange (gains)/losses		69,015	105,998
Interest and dividends		(62,478)	(73,798)
(Gain)/loss from investing activities		(13,687)	(10,841)
Settlement and valuation of derivative financial instruments	10	12,101	58,179
(Increase) in trade receivables		(207,558)	(160,785)
(Increase) in other assets		(41,818)	(33,120)
(Increase) in inventories		(206,356)	(727,947)
Increase in trade payables		378,283	140,601
(Decrease)/Increase in other provisions and liabilities		(80,525)	114,729
(Decrease)/Increase in employee benefit obligations		(6,769)	7,836
Income tax refund		1,543	-
Net cash from operating activities		689,081	224,867
Cash flows from investing activities			
Dividends received		24,281	40,686
Interest received		6,321	10,463
Sale of organised part of business to LOTOS Terminale S.A.	15	-	51,000
Sale of property, plant and equipment and intangible assets		12,894	15,498
Refund of additional contributions to LOTOS Kolej Sp. z o.o.'s equity	21.1	-	4,281
Repayment of loans advanced to LOTOS Gaz S.A. w likwidacji (in liquidation)	21.1	-	523
Purchase of property, plant and equipment and intangible assets		(132,139)	(99,413)
Option premium expense		-	(4,907)
Loans advanced to LOTOS Petrobaltic S.A.	21.1	(66,000)	-
Cash earmarked for the EFRA Project	16	51,651	(533,991)
Security deposit		(25,268)	(14,731)
Cash pool expenses		(14)	(166,080)
Settlement of derivative financial instruments		(5,672)	4,246
Other investment cash outflows		-	(16)
Net cash from investing activities		(133,946)	(692,441)
Cash flows from financing activities			
Proceeds from issue of Series D shares	16	-	981,551
Proceeds from bank borrowings		-	45,590
Repayment of bank borrowings	17	(208,107)	(224,269)
Interest paid		(58,236)	(52,213)
Settlement of derivative financial instruments		158,296	(126,944)
Net cash from financing activities		(108,047)	623,715
Total net cash flow		447,088	156,141
Effect of exchange rate fluctuations on cash held		1,463	(1,680)
Change in net cash		448,551	154,461
Cash at beginning of period		(31,136)	(188,568)
Cash at end of period	16	417,415	(34,107)

The Notes to the interim condensed separate financial statements for the six months ended June 30th 2016, presented on pages 35 to 47, are an integral part of the statements.

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SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
PLN '000					
Jan 1 2016 (audited)	184,873	2,228,310	(700,888)	4,307,755	6,020,050
<i>Net profit</i>	-	-	-	568,557	568,557
<i>Other comprehensive loss, net</i>	-	-	(27,449)	-	(27,449)
Total comprehensive income/(loss)	-	-	(27,449)	568,557	541,108
Jun 30 2016 (unaudited)	184,873	2,228,310	(728,337)	4,876,312	6,561,158
Jan 1 2015 (audited)	184,873	2,229,626	(412,535)	4,344,812	6,346,776
<i>Net profit</i>	-	-	-	533,563	533,563
<i>Other comprehensive loss, net</i>	-	-	(215,823)	-	(215,823)
Total comprehensive income/(loss)	-	-	(215,823)	533,563	317,740
Cost of issue of Series D shares	-	(1,316)	-	-	(1,316)
Jun 30 2015 (unaudited)	184,873	2,228,310	(628,358)	4,878,375	6,663,200

The Notes to the interim condensed separate financial statements for the six months ended June 30th 2016, presented on pages 35 to 47, are an integral part of the statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

2. Basis of preparation and presentation

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

These interim condensed separate financial statements present the financial position of the Company as at June 30th 2016 and December 31st 2015, the Company's results of operations for the six months ended June 30th 2016 and June 30th 2015, and cash flows for the six months ended June 30th 2016 and June 30th 2015.

These interim financial statements should be read in conjunction with the *audited financial statements of Grupa LOTOS S.A. for 2015*, issued on March 3rd 2016 (the "financial statements for 2015").

The data as at June 30th 2016 and for the six months then ended contained in these interim separate condensed financial statements has been reviewed by an independent auditor. The comparative financial data for the six months ended June 30th 2015 has also been reviewed by an auditor. The financial data for the three months ended June 30th 2016 and the comparative financial data for the three months ended June 30th 2015, contained in these interim condensed separate financial statements, has not been reviewed by an independent auditor. The financial information as at December 31st 2015 was audited. The auditor issued the opinion on the financial statements for 2015 on March 2nd 2016.

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

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

2.1 Accounting policies

The accounting policies and calculation methods applied in the preparation of these interim condensed separate financial statements are the same as those applied in the preparation of the financial statements for 2015 (see Note 7 to the financial statements for 2015), and no changes to comparative data or error corrections were made.

2.2 New standards and interpretations which are in issue but 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* (issued on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version; effective for annual periods beginning on or after January 1st 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on May 28th 2014), including amendments to IFRS 15 *Effective Date of IFRS 15*, issued on September 11th 2015 – effective for annual periods beginning on or after January 1st 2018;
- IFRS 16 *Leases* (issued on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (issued on December 18th 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* (issued on September 11th 2014) – work on approval of the amendments has been postponed by the EU for an indefinite term; thus, the effective date of the amendments has been postponed by the IASB for an indefinite term;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on January 19th 2016) – effective for annual periods beginning on or after January 1st 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on January 29th 2016) – effective for annual periods beginning on or after January 1st 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018;

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- Amendments to IFRS 2 *Share-based Payment* (issued on June 20th 2016) – effective for annual periods beginning on or after January 1st 2018.

The Company has not elected to early adopt any of the standards, interpretations, or amendments which have not yet become effective. The Company's Management Board is analysing and assessing the effect of the new standards and interpretations on the accounting policies applied by the Company and on the Company's future financial statements.

2.3 Exchange rates

The following exchange rates, determined on the basis of the exchange rates quoted by the National Bank of Poland (the "NBP"), have been used for the purpose of the valuation of items of the statement of financial position:

NBP's mid-rate quoted for:	Jun 30 2016 ⁽¹⁾	Dec 31 2015 ⁽²⁾
USD	3.9803	3.9011
EUR	4.4255	4.2615
NOK	0.4749	0.4431

⁽¹⁾ NBP's mid-rates table, effective for June 30th 2016.

⁽²⁾ NBP's mid-rates table, effective for December 31st 2015.

NBP's average mid-exchange rate in the reporting period	6 months ended Jun 30 2016 ⁽¹⁾	6 months ended Jun 30 2015 ⁽²⁾
USD	3.9360	3.7269
EUR	4.3805	4.1341
NOK	0.4676	0.4790

⁽¹⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2016.

⁽²⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–June 30th 2015.

3. Seasonality and cyclicity of business in the reporting period

There was no seasonality or cyclicity in the Company's business in the reporting period.

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

All significant changes in reporting items subsequent to the last full-year reporting period, i.e. 2015, presented in the key sections of the financial statements were supplemented with additional information presented in the relevant notes to the financial statements.

5. Changes of estimated amounts reported in prior interim periods of the current financial year or changes in estimated amounts reported in prior financial years, where such changes have a material effect on the current interim period

There were no material changes to estimates that would have an effect on these interim financial statements. For a detailed discussion of material assumptions, estimates and judgements made in the preparation of the Company's financial statements, see Note 5 to the financial statements for 2015.

6. Business segments

The individual companies have been allocated to the identified business segments of the LOTOS Group and the results of operating segments for the periods of three and six months ended June 30th 2016 are presented in Note 8 to the interim condensed consolidated financial statements for the six months ended June 30th 2016. Grupa LOTOS S.A. is classified in the downstream segment.

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7. Expenses by nature

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortisation	85,332	170,375	86,985	173,115
Raw materials and consumables used ⁽¹⁾	3,371,269	6,207,886	4,779,427	8,946,480
Services	242,170	482,740	262,456	492,894
Taxes and charges	81,253	168,287	77,706	159,739
Employee benefits expense	51,362	107,838	52,031	107,054
Other expenses by nature	22,062	38,692	22,924	46,447
Merchandise and materials sold	(13,175) ⁽²⁾	13,614	379,050	399,793
Total expenses by nature	3,840,273	7,189,432	5,660,579	10,325,522
Change in products and adjustments to cost of sales	(49,161)	(223,050)	(44,964)	(332,345)
Total	3,791,112	6,966,382	5,615,615	9,993,177
including:				
Cost of sales	3,551,653	6,486,340	5,354,553	9,492,753
Distribution costs	188,713	380,499	203,783	391,326
Administrative expenses	50,746	99,543	57,279	109,098

⁽¹⁾ Including foreign exchange gains related to operating activities in the three and six months ended June 30th 2016, in the amounts of PLN 6,876 thousand and PLN 9,181 thousand (for the three and six months ended June 30th 2015: PLN 37,366 thousand of foreign exchange gains and PLN 6,878 thousand of foreign exchange losses). Exchange gains and losses on operating activities are recognised in cost of sales.

⁽²⁾ Including PLN 25,618 thousand reversal of a write-down on inventories in Q2 2016 (see Note 14).

8. Other income

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on sale of non-financial non-current assets ⁽¹⁾		1,898	13,742	-	8,905
Grants		200	384	181	5,866
Compensation		624	687	261	601
Gain on sale of organised part of business	15	-	-	4,195	4,195
Risk management service ⁽²⁾		-	-	4,885	4,885
Reimbursed excise duty ⁽³⁾		1,083	1,086	681	6,371
Reversal of provision for deficit in CO ₂ emission allowances		1,059	1,059	-	-
Reversal of other provisions		-	-	-	583
Other		255	554	117	271
Total		5,119	17,512	10,320	31,677

⁽¹⁾ In the six months ended June 30th 2016, the item included profit of PLN 13,785 thousand on sale of certificates of origin for electricity from cogeneration (six months ended June 30th 2015: PLN 7,578 thousand). Also, in the six months ended June 30th 2015, the Company recognised a PLN 5,928 thousand gain on sale of land designated for the location of the Delayed Coking Unit (DCU) with auxiliary infrastructure (the EFRA Project) to LOTOS Asphalt Sp. z o.o. (a wholly-owned subsidiary of Grupa LOTOS S.A.), see Note 15. Cash proceeds from these transactions are presented in the statement of cash flows under *Sale of property, plant and equipment and intangible assets*.

⁽²⁾ Income from intermediating in transactions hedging the risk related to prices of raw materials used to manufacture bitumens.

⁽³⁾ Refund of excise duty unduly paid in earlier periods and deductions due to consumption of components or additives used in manufacture of finished products for which the excise duty had been settled at earlier stages of the trading process.

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

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9. Finance income

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016 (unaudited)	Jun 30 2016 (unaudited)	Jun 30 2015 (unaudited)	Jun 30 2015 (unaudited)
Dividend received:		112,061	115,857	122,236	122,236
- from related entities	21.1	109,626	113,422	121,116	121,116
- from other entities		2,435	2,435	1,120	1,120
Interest:		3,966	7,128	5,638	11,132
- on trade receivables		42	102	41	99
- on cash		1	8	-	1
- on deposits		2,514	4,482	4,040	8,863
- on loans advanced	21.1	342	525	217	217
- on trade payables		33	33	-	-
- on cash pool	21.1	955	1,899	587	1,168
- to the state budget		79	79	753	784
Exchange differences:		-	-	15,089	-
- on bank borrowings		-	-	12,567	-
- on realised foreign-currency transactions in bank accounts		-	-	(2,598)	-
- on cash		-	-	5,001	-
- on other financial assets and liabilities		-	-	119	-
Revaluation of financial assets:		-	-	36,858	-
- valuation of derivative financial instruments		-	-	58,157	-
- settlement of derivative financial instruments		-	-	(21,822)	-
- other		-	-	523	-
Commission fees on conditional loan	21.1	474	949	-	-
Total		116,501	123,934	179,821	133,368

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

10. Finance costs

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016 (unaudited)	Jun 30 2016 (unaudited)	Jun 30 2015 (unaudited)	Jun 30 2015 (unaudited)
Interest:	28,992	59,244	29,831	60,766
- on bank borrowings	28,449	57,937	28,492	57,584
- on factoring arrangements	55	273	885	2,273
- cost of discount on employee benefit obligations	485	971	454	908
- other	3	63	-	1
Exchange differences:	40,582	17,595	-	152,468
- on foreign-currency denominated bank borrowings	44,142	16,995	-	53,913
- on realised foreign-currency transactions in bank accounts	(3,738)	1,071	-	97,613
- on cash	(1,134)	(1,463)	-	1,680
- on other financial assets and liabilities	1,312	992	-	(738)
Revaluation of financial assets:	38,068	12,101	-	57,656
- valuation of derivative financial instruments	185,622	163,639	-	(64,519)
- settlement of derivative financial instruments	(147,554)	(151,538)	-	122,698
- other	-	-	-	(523)
Bank fees	3,202	6,285	3,045	6,204
Bank guarantees	1,878	3,415	3,079	4,309
Other	1,945	1,945	-	185
Total	114,667	100,585	35,955	281,588

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

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11. Income tax

11.1 Tax expense

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax	(578)	(578)	213	213
Deferred tax	70,514	108,976	94,138	97,124
Total income tax charged to net profit or loss	69,936	108,398	94,351	97,337
Tax expense recognised in other comprehensive income/(loss) (net), including:	(38,112)	(6,439)	13,695	(50,666)
- cash flow hedging	(38,112)	(6,439)	13,695	(50,666)

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

11.2 Deferred income tax

PLN '000	Note	Statement of financial position		Statement of comprehensive income for the six months ended Jun 30 2016
		Jun 30 2016	Dec 31 2015	Jun 30 2016
		(unaudited)	(audited)	(unaudited)
Deferred tax assets				
Employee benefit obligations		18,483	20,202	(1,719)
Inventory write-downs		817	66,989	(66,172)
Impairment losses on receivables		9,662	9,647	15
Impairment losses on property, plant and equipment and intangible assets		4,266	4,266	-
Negative fair value of derivative financial instruments		19,557	25,592	(6,035)
Tax loss carried forward		283,104	379,893	(96,789)
Cash flow hedges		170,846	164,407	6,439
Other		5,626	4,540	1,086
Total		512,361	675,536	(163,175)
Deferred tax liabilities				
Difference between current tax value and carrying amount of property, plant and equipment and intangible assets		391,639	421,297	(29,658)
Positive fair value of derivative financial instruments		6,640	37,732	(31,092)
Other		271	159	112
Total		398,550	459,188	(60,638)
Deferred tax expense recognised in:				(102,537)
- net profit or loss				(108,976)
- other comprehensive income/(loss), net	11.1			6,439
Net deferred tax assets/(liabilities)		113,811	216,348	

Taxable temporary differences are expected to expire in 2016–2083.

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12. Earnings per share

	3 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2016 (unaudited)	3 months ended Jun 30 2015 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Net profit (PLN '000) (A)	410,194	568,557	522,498	533,563
Weighted average number of shares ('000) (B)	184,873	184,873	184,873	184,873
Earnings per share (PLN) (A/B)	2.22	3.08	2.83	2.89

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

In the three and six months ended June 30th 2016 and June 30th 2015, diluted earnings per share were equal to basic earnings per share as the Company carries no instruments with a dilutive effect.

13. Dividends

As at June 30th 2016 and December 31st 2015, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends. The restrictions followed from the credit facility agreement executed on June 27th 2008 for the financing of the 10+ Programme, which provides that amount of dividend is conditional upon fulfilment of specific requirements, including generation of a sufficient cash surplus and achievement of financial ratios at prescribed levels.

On June 28th 2016, the General Meeting of Grupa LOTOS S.A. passed a resolution on coverage of the Company's net loss for 2015. In accordance with the resolution, the 2015 net loss of PLN 37,102 thousand will be offset against future profits.

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14. Impairment losses

PLN '000	Property, plant and equipment and intangible assets		Inventories		Receivables		Total	
	3 months ended Jun 30							
	2016	2015	2016	2015	2016	2015	2016	2015
At beginning of period (unaudited)	22,450	22,450	28,192	51,778	80,342	80,286	130,984	154,514
<i>Recognised</i>	-	-	1,728	-	128	34	1,856	34
<i>Used / Reversed</i>	-	-	(25,618) ⁽¹⁾	(50,402) ⁽²⁾	83	(19)	(25,535)	(50,421)
At end of period (unaudited)	22,450	22,450	4,302	1,376	80,553	80,301	107,305	104,127

PLN '000	Property, plant and equipment and intangible assets		Inventories		Receivables		Total	
	6 months ended Jun 30							
	2016	2015	2016	2015	2016	2015	2016	2015
At beginning of period (audited)	22,450	22,450	352,575	616,314	80,486	80,153	455,511	718,917
<i>Recognised</i>	-	-	1,728	-	149	459	1,877	459
<i>Used / Reversed</i>	-	-	(350,001) ⁽¹⁾	(614,938) ⁽²⁾	(82)	(311)	(350,083)	(615,249)
At end of period (unaudited)	22,450	22,450	4,302	1,376	80,553	80,301	107,305	104,127

⁽¹⁾ In the six months ended June 30th 2016, a reversal of write-downs on inventories of crude oil and refining products was made for a total of PLN 349,995 thousand (recognised in 2015, see Note 18.1 to the financial statements for 2015), of which PLN 324,377 thousand was reversed in Q1 2016 and PLN 25,618 thousand in Q2 2016.

⁽²⁾ In the six months ended June 30th 2015, a reversal of a write-down on inventories of crude oil and refining products was made for a total of PLN 614,912 thousand (recognised in 2014, see Note 18.1 to the financial statements for 2014), of which PLN 564,536 thousand was reversed in Q1 2015 and PLN 50,376 thousand in Q2 2015.

- 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. In accordance with IAS 2, inventories are measured at the lower of cost or cost less write-downs to net realisable value.
- The amounts resulting from recognition or reversal of impairment losses on receivables are presented under Other income or Other expenses (the principal portion) and under Finance income or Finance costs (the default interest portion).

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

PLN '000	6 months ended Jun 30 2016 (unaudited)	6 months ended Jun 30 2015 (unaudited)
Purchase of property, plant and equipment and intangible assets	123,886	95,511

In the six months ended June 30th 2016, Grupa LOTOS S.A. incurred capital expenditure primarily on the construction of a Delayed Coking Unit (the EFRA Project) and construction of a Hydrogen Recovery Unit (HRU). In the comparative period, the Company incurred capital expenditure mainly on construction of the Hydrogen Recovery Unit (HRU) and purchase of infrastructure related to a railway siding and tanker fleet.

As at June 30th 2016, the Company's future contractual commitments for expenditure on property, plant and equipment and intangible assets not disclosed in the statement of financial position amounted to PLN 224,976 thousand and were chiefly related to the construction of the Delayed Coking Unit (DCU) (the EFRA Project) and construction of a Hydrogen Recovery Unit (HRU) at the Refinery (December 31st 2015: PLN 255,080 thousand).

In the six months ended June 30th 2016, the Group did not sell any material item of its property, plant and equipment or intangible assets. In the comparative period, Grupa LOTOS S.A. sold land designated for the location of the Delayed Coking Unit (DCU) with auxiliary infrastructure (the EFRA Project) to LOTOS Asphalt Sp. z o.o. (a wholly-owned subsidiary of Grupa LOTOS S.A.) for PLN 7,914 thousand (see Note 21.1). Cash proceeds from the sale are presented in the statement of cash flows under *Sale of property, plant and equipment and intangible assets*. The PLN 5,928 thousand gain on the transaction is disclosed in the statement of comprehensive income under *Other income* (see Note 8).

Also, in the six months ended June 30th 2015 Grupa LOTOS S.A. sold a fuel depot in Poznań to LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.) for a total of PLN 51,000 thousand (see Note 21.1). The transaction was executed as part of the logistics optimisation project at the LOTOS Group under the '2013-2015 Efficiency and Growth Programme'. Proceeds from the sale were presented in the statement of cash flows under *Sale of organised part of business to LOTOS Terminale S.A.* The PLN 4,195 thousand gain on the transaction is disclosed in the statement of comprehensive income under *Other income* (see Note 8).

16. Cash and cash equivalents

PLN '000	Jun 30 2016 (unaudited)	Jun 30 2015 (unaudited)
Cash at bank	429,005	505,094
Cash in hand	29	51
Total cash and cash equivalents in the statement of financial position	429,034	505,145
Overdraft facilities	(11,619)	(539,252)
Total cash and cash equivalents in the statement of cash flows	417,415	(34,107)

In the statement of cash flows for the six months ended June 30th 2015, Grupa LOTOS S.A. reported proceeds from the issue of Series D shares in a total amount of PLN 981.6m (net of issue costs) as part of its financing activities. The Company uses the issue proceeds to pursue the objectives specified in the Prospectus approved by the Polish Financial Supervision Authority on November 7th 2014 (the "Prospectus"), including the construction of a delayed coking unit with auxiliary infrastructure (the "EFRA Project") and development of the B-4 and B-6 gas fields by LOTOS Petrobaltic S.A. in collaboration with CalEnergy Resources Poland Sp. z o.o. (see 'Use of proceeds from the offering' in the Prospectus).

In accordance with the agreement for assistance in the form of non-public aid, signed with the Minister of State Treasury, a part of the proceeds from the issue of Series D shares acquired by the State Treasury, assigned exclusively to the financing of the EFRA Project, was deposited in a separate bank account, as presented in the statement of cash flows for the six months ended June 30th 2015 in *Cash earmarked for the EFRA project* under cash flows from investing activities in the amount of PLN 534m.

In the six months ended June 30th 2016, PLN 51.7m disclosed in the statement of cash flows comprised cash allocated for the financing of current expenditure on the EFRA project, while the portion of the cash earmarked for this project that remained unused as at June 30th 2016, in the amount of PLN 17.7m, deposited in a separate bank account, is disclosed under *Other current assets* in the statement of financial position.

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17. Bank borrowings

PLN '000	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
Inventory financing and refinancing facility	1,197,587	1,170,728
Investment facilities	3,925,195	4,048,506
Working-capital facilities	11,619	560,469
Funds in bank deposits securing payment of interest and principal	(484,028)	(317,818)
Total	4,650,373	5,461,885
<i>including:</i>		
<i>non-current</i>	3,367,474	3,501,680
<i>current</i>	1,282,899	1,960,205

Material credit facility agreements of the Company

As at June 30th 2016, PLN 3,946.0m (USD 991.4m) was outstanding under an investment facility contracted by the Company to finance the 10+ Programme. As at December 31st 2015, the amount was PLN 4,074.8m (USD 1,044.5m).

The Company also uses a credit facility for the refinancing and financing of its inventory. As at June 30th 2016, the amount drawn under the facility was PLN 1,194.1m (USD 300m). As at December 31st 2015, the amount was PLN 1,170.3m (USD 300m).

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

Proceeds from and repayment of bank borrowings

In the six months ended June 30th 2016 the Company did not contract any loans, whereas repayments of bank borrowings were PLN 208.1m and mainly included repayments of investment facilities. This amount is disclosed in the statement of cash flows from financing activities, under [Repayment of bank borrowings](#).

In the six months ended June 30th 2016 and June 30th 2015, the Company did not default on credit facilities or breached any material covenants under credit facility agreements.

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

In the six months ended June 30th 2016 and June 30th 2015, no debt or equity securities were issued, redeemed or repaid.

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

In the six months ended June 30th 2016, the Company made no changes in the method of fair value measurement applied to financial instruments measured at fair value (the method is described in more detail in Note 7.19 to the 2015 financial statements), made no transfers of financial instruments between fair value hierarchy levels (see Note 28.2 to the 2015 financial statements), and did not reclassify any of its financial instruments. As at June 30th 2016 and December 31st 2015, the Company held financial derivatives classified under fair value hierarchy Level 2.

Carrying amount of derivative financial instruments as at June 30th 2016 and December 31st 2015 is presented in the table below.

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Fair value hierarchy

PLN '000	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
	Level 2	
Financial assets		
Commodity swap	34,948	198,591
Commodity options	884	363
Currency forward and spot contracts	2,143	5,469
Currency swap	1,099	3,151
Total	39,074	207,574
Financial liabilities		
Commodity swap	46,915	58,055
Currency forward and spot contracts	1,746	903
Interest rate swap (IRS)	53,077	72,099
Currency swap	8,263	33,924
Total	110,001	164,981

As at June 30th 2016 and December 31st 2015, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

20. Contingent liabilities and assets

20.1 Material court, arbitration or administrative proceedings and other risks of the Company, and material settlements under court proceedings

There were no significant changes with respect to pending material court, arbitration, or administrative proceedings or with respect to other risks of the Company in the period between the end of the previous financial year, i.e. December 31st 2015, and the date of issue of these interim financial statements. For information on pending material proceedings, see Note 32.1 to the financial statements for 2015. In addition, please note that:

Tax settlements

In 2015, the Company's VAT settlements for 2010–2011 were subject to two inspections by tax inspection authorities. On June 23rd 2015, the Company received post-inspection reports and challenged some of the findings contained in the reports. On September 30th 2015, the Company received two decisions issued by the Director of the Tax Audit Office in Bydgoszcz, in which the Tax Audit Office assessed the VAT payable by the Company for the period from January to December 2010 and from January to December 2011, identifying VAT arrears of PLN 48.4m for 2010 and PLN 112.5m for 2011. In these decisions, the Director of the Tax Audit Office stated that certain transactions with two of the Company's trade partners involved fraudulent tax practices, arguing that the Company failed to exercise due care in executing transactions with those trade partners and that it should at least have been aware that the transactions were connected to and resulted from a tax fraud committed at an earlier stage, which precluded the Company's right to deduct VAT. Having reviewed the decisions, the Company dismissed the allegations of the Director of the Tax Audit Office as entirely groundless and on October 14th 2015 filed an appeal with the Director of the Tax Chamber in Gdańsk. The Director of the Tax Chamber in Gdańsk upheld the decisions of the Director of the Tax Audit Office in Bydgoszcz, whereas the complaint lodged by the Company in the first half of 2016 with the Provincial Administrative Court was dismissed.

As at the date of issue of these financial statements, both decisions of the Director of the Tax Audit Office in Bydgoszcz in which it assessed the VAT payable by the Company for individual months of 2010 and 2011 remain upheld. The Company has the right to lodge cassation complaints with the Supreme Administrative Court of Warsaw. The Company will decide whether it will lodge the cassation complaints after it analyses the grounds to the relevant rulings.

In the six months ended June 30th 2016, there were no material settlements under court proceedings other than those presented above.

20.2 Other contingent liabilities

In the period between the end of the previous financial year, i.e. December 31st 2015, and the date of issue of these interim financial statements, there were no changes in the Company's other material contingent liabilities (see Note 32.2 to the 2015 financial statements).

The Company presents information on its off-balance sheet future investment commitments in Note 15.

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21. Related parties

21.1 Transactions with related entities in which Grupa LOTOS S.A. holds equity interests

PLN '000	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Subsidiaries					
Sale		1,931,886	3,354,293	2,408,043	4,376,358
Sale of organised part of business	15	-	-	51,000	51,000
Sale of property, plant and equipment – the EFRA Project	15	-	-	-	7,914
Purchases		331,894	632,519	310,432	595,392
Purchase of property, plant and equipment and intangible assets		4,322	6,336	2,273	29,671
Dividends received	9	109,626	113,422	121,116	121,116
Interest income on loans advanced	9	342	525	217	217
Income on cash pool interest	9	955	1,899	587	1,168
Other interest income		4	36	15	38
Commission fees on conditional loan ⁽¹⁾	9	474	949	-	-
Joint ventures					
Sale		44,677	74,660	54,980	93,945
Purchases		43	43	-	35
LOTOS Foundation					
Sale		6	11	-	-
Donation		2,100	2,600	-	-

PLN '000	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
Subsidiaries		
Receivables, including:	963,113	673,322
- Dividends receivable	89,141	-
Contributions to equity	237,700	237,700
Cash pool	310,990	310,991
Commission fees on conditional loan ⁽¹⁾	1,930	951
Receivables under loans	66,525	-
Liabilities	204,553	162,577
Joint ventures		
Receivables	16,797	12,070
Liabilities	-	-

⁽¹⁾ Grupa LOTOS S.A. (as the lender) executed a conditional revolving loan agreement with LOTOS Asphalt Sp. z o.o., a wholly-owned subsidiary of Grupa LOTOS S.A. (as the borrower) for up to USD 53m, repayable by January 17th 2026. The loan will be used to finance the EFRA Project if LOTOS Asphalt Sp. z o.o. fails to generate sufficient own funds, and to support LOTOS Asphalt Sp. z o.o.'s liquidity.

As at June 30th 2016, assigned trade receivables from related entities were PLN 888,275 thousand (December 31st 2015: PLN 681,665 thousand).

In the six months ended June 30th 2016 and June 30th 2015, the Company did not provide any sureties for the benefit of related entities.

As at June 30th 2016 and December 31st 2015, the Company did not carry any sureties issued for the benefit of its related entities.

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In the six months ended June 30th 2016, Grupa LOTOS S.A. advanced a PLN 66,000 thousand loan to LOTOS Petrobaltic S.A. (a subsidiary of Grupa LOTOS S.A., in which the Company holds a 99.99% interest). Cash outflows under the advanced loans are presented in the statement of cash flows from investing activities under [Loans advanced to LOTOS Petrobaltic S.A.](#) Loans advanced to LOTOS Petrobaltic S.A.:

- On February 1st 2016, a loan agreement was executed for up to PLN 36m, repayable by December 31st 2016. The loan is to finance capital expenditure related to the development of the B4 and B6 gas fields. The loan is secured with a blank promissory note with a 'protest waived' clause and a promissory note declaration. The loan bears interest at 6M WIBOR plus margin.
- On May 31st 2016, a loan agreement was executed for up to PLN 54m, repayable by December 31st 2016; the term of the agreement may be extended. The loan was disbursed in three tranches. Two tranches, for a total amount of PLN 30m, were disbursed in June 2016. The third tranche of PLN 24m was disbursed on July 8th 2016. The loan is to secure liquidity of LOTOS Petrobaltic S.A. and finance further work under its key investment projects. The loan is secured with a blank promissory note with a 'protest waived' clause and a promissory note declaration. The loan bears interest at 6M WIBOR plus margin.

In the six months ended June 30th 2016, LOTOS Petrobaltic S.A. did not repay any of the loans.

In the same period of the previous year, the Company did not advance any loans to its related entities, while PLN 523 thousand was repaid by LOTOS Gaz S.A. w likwidacji (in liquidation) in principal instalments under loans advanced to it in previous years by Grupa LOTOS S.A. Proceeds from the repayments are presented in cash flows from investing activities under [Repayment of loans advanced to LOTOS Gaz S.A. w likwidacji \(in liquidation\)](#).

Also, in the six months ended June 30th 2015 LOTOS Kolej Sp. z o.o. refunded PLN 4,281 thousand of additional contributions to equity. Proceeds from the transaction are recognised in cash flows from investing activities under [Refund of additional contributions to LOTOS Kolej Sp. z o.o.'s equity](#).

21.2 Entity exercising control of the Company

As at June 30th 2016 and December 31st 2015, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the six months ended June 30th 2016 and June 30th 2015, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

21.2.1 Transactions with related entities of which the State Treasury has control or joint control or on which the State Treasury has significant influence

In the three and six months ended June 30th 2016 and June 30th 2015, Grupa LOTOS S.A. executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. The transactions were concluded at arm's length in the course of the Company's day-to-day business and involved mainly sale of fuels, purchase of storage services, transport services, energy, natural gas and other fuels.

PLN '000	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2016	Jun 30 2016	Jun 30 2015	Jun 30 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale	10,164	43,854	82,559	95,461
Purchases	195,485	410,465	571,294	909,827

PLN '000	Jun 30 2016	Dec 31 2015
	(unaudited)	(audited)
Receivables	1,547	1,442
Liabilities	84,844	111,168

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21.3 Executive remuneration

Remuneration paid to members of the Company's Management and Supervisory Boards

PLN '000	6 months ended	6 months ended
	Jun 30 2016	Jun 30 2015
	(unaudited)	(unaudited)
Management Board		
Short-term employee benefits (salaries)	686	541
Management Board – subsidiaries ⁽¹⁾		
Short-term employee benefits (salaries)	1,630	1,774
Supervisory Board		
Short-term employee benefits (salaries)	158	126
Total	2,474	2,441

⁽¹⁾ Remuneration paid to members of the Company's Management Board for serving on corporate bodies of direct and indirect subsidiaries.

The Company did not enter into any material transactions with any Management Board or Supervisory Board members, did not advance any loans, make any advance payments, issue any guarantees to or conclude any other agreements with any Management Board or Supervisory Board member which would be advanced, made, issued or concluded otherwise than on an arm's length basis or which would have a material bearing on these financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the six months ended June 30th 2016 and June 30th 2015, 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 other members of key management staff

PLN '000	6 months ended	6 months ended
	Jun 30 2016	Jun 30 2015
	(unaudited)	(unaudited)
Short-term employee benefits (salaries), including:	13,777	8,744
- annual bonus paid	5,216 ⁽¹⁾	2,616 ⁽²⁾
- length-of-service award paid	334	-

⁽¹⁾ Remuneration paid in 2016 on account of annual bonus for 2015.

⁽²⁾ Remuneration paid in 2015 on account of annual bonus for 2014.

In the six months ended June 30th 2016 and June 30th 2015, the Company did not provide any loans or similar benefits to members of its key management staff.

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

In the six months ended June 30th 2016, Grupa LOTOS S.A. executed transactions with parties related to it through members of the Management Board and Supervisory Board. The transactions were executed on an arm's length basis and related to the Company's day-to-day operations, including mainly the purchase of civil liability and property insurance policies for PLN 2,492 thousand. As at June 30th 2016, the value of outstanding transactions with parties related to Grupa LOTOS S.A. through members of the Management Board and Supervisory Board was PLN 1,671 thousand.

In the comparative period, the Company did not execute any material transactions with parties related to it through members of the Supervisory Board.

22. Material events after the reporting period

On July 8th 2016, under a loan agreement executed on May 31st 2016 between Grupa LOTOS S.A. (as the lender) and LOTOS Petrobaltic S.A. (a subsidiary of Grupa LOTOS S.A., in which the Company holds a 99.99% interest) (as the borrower) Grupa LOTOS S.A. paid the third tranche of the loan to LOTOS Petrobaltic S.A. in the amount of PLN 24m (see Note 21.1).

APPROVAL OF INTERIM FINANCIAL REPORT

This half-year financial report was approved for issue by the Management Board on August 9th 2016.

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

Robert Pietryszyn

Vice President of the Management Board,
Chief Strategy and Development Officer

Mateusz Aleksander Bonca

Vice President of the Management Board,
Chief Operating Officer

Marcin Jastrzębski

Vice President of the Management Board,
Chief Financial Officer

Mariusz Machajewski

Vice President of the Management Board,
Corporate Affairs

Przemysław Marchlewicz

Chief Accountant

Tomasz Południowski