

FINANCIAL HIGHLIGHTS - CONSOLIDATED

	PLN'000		EUR'000	
	3 months ended	3 months ended	3 months ended	3 months ended
	Mar 31 2016	Mar 31 2015	Mar 31 2016	Mar 31 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3,935,947	5,131,486	903,590	1,236,830
Operating profit	137,770	267,724	31,628	64,529
Pre-tax profit/(loss)	185,047	(110,008)	42,482	(26,515)
Net profit/(loss)	105,970	(101,381)	24,328	(24,436)
Net profit/(loss) attributable to owners of the Parent	105,971	(101,371)	24,328	(24,434)
Net loss attributable to non-controlling interests	(1)	(10)	(0.23)	(2)
Total comprehensive income/(loss)	236,736	(378,942)	54,348	(91,336)
Total comprehensive income/(loss) attributable to owners of the Parent	236,737	(378,932)	54,348	(91,334)
Total comprehensive loss attributable to non-controlling interests	(1)	(10)	(0.23)	(2)
Net cash from operating activities	319,176	321,416	73,274	77,470
Net cash from investing activities	(191,272)	(643,438)	(43,911)	(155,086)
Net cash from financing activities	(199,175)	818,606	(45,725)	197,307
Total net cash flow	(71,271)	496,584	(16,362)	119,691
Basic earnings /(loss) per share (PLN/EUR)	0.57	(0.55)	0.13	(0.13)
Diluted earnings /(loss) per share (PLN/EUR)	0.57	(0.55)	0.13	(0.13)

	PLN'000		EUR'000	
	As at	As at	As at	As at
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	18,539,706	19,169,332	4,343,479	4,498,259
Equity attributable to owners of the Parent	7,948,797	7,712,060	1,862,243	1,809,706
Non-controlling interests	137	138	32	32
Total equity	7,948,934	7,712,198	1,862,275	1,809,738

FINANCIAL HIGHLIGHTS - SEPARATE

	PLN'000		EUR'000	
	3 months ended	3 months ended	3 months ended	3 months ended
	Mar 31 2016	Mar 31 2015	Mar 31 2016	Mar 31 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3,339,925	4,661,920	766,759	1,123,652
Operating profit	175,310	306,137	40,247	73,788
Pre-tax profit	196,825	14,051	45,186	3,387
Net profit	158,363	11,065	36,356	2,667
Total comprehensive income/(loss)	293,389	(263,314)	67,354	(63,466)
Net cash from operating activities	258,355	312,318	59,312	75,277
Net cash from investing activities	(107,626)	(611,750)	(24,708)	(147,449)
Net cash from financing activities	(125,967)	769,254	(28,919)	185,412
Total net cash flow	24,762	469,822	5,685	113,240
Basic earnings/(loss) per share (PLN/EUR)	0.86	0.06	0.20	0.01
Diluted earnings/(loss) per share (PLN/EUR)	0.86	0.06	0.20	0.01

	PLN'000		EUR'000	
	As at	As at	As at	As at
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	13,380,363	13,909,915	3,134,749	3,264,089
Equity	6,313,439	6,020,050	1,479,111	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 Mar 31 2016	As at Dec 31 2015
1 EUR = 4.2684 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:

3 months ended Mar 31 2016	3 months ended Mar 31 2015
1 EUR = 4.3559 PLN	1 EUR = 4.1489 PLN



THE LOTOS GROUP

QUARTERLY FINANCIAL REPORT FOR THE FIRST QUARTER OF 2016

**WITH THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED MARCH 31ST 2016, PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE
EUROPEAN UNION**

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31ST 2016, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION.....	3
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I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31ST 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 three months ended March 31st 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000	Note	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Revenue	8	3,935,947	5,131,486
Cost of sales	9	(3,393,523)	(4,480,435)
Gross profit		542,424	651,051
Distribution costs	9	(303,987)	(292,251)
Administrative expenses	9	(106,953)	(108,739)
Other income	10	14,824	22,906
Other expenses	11	(8,538)	(5,243)
EBIT		137,770	267,724
Finance income	12	111,995	6,145
Finance costs	13	(65,186)	(383,189)
Share in net profit/(loss) of equity-accounted joint ventures		468	(688)
Pre-tax profit/(loss)		185,047	(110,008)
Corporate income tax	14.1	(79,077)	8,627
Net profit/(loss)		105,970	(101,381)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit/(loss):</i>			
Exchange differences on translating foreign operations		(4,260)	(3,182)
Cash flow hedges		166,699	(338,740)
Corporate income tax relating to cash flow hedges	14.1	(31,673)	64,361
Other comprehensive income/(loss), net		130,766	(277,561)
Total comprehensive income/(loss)		236,736	(378,942)
Net profit/(loss) attributable to:			
Owners of the Parent		105,971	(101,371)
Non-controlling interests		(1)	(10)
		105,970	(101,381)
Total comprehensive income/(loss) attributable to:			
Owners of the Parent		236,737	(378,932)
Non-controlling interests		(1)	(10)
		236,736	(378,942)
Net profit/(loss) attributable to owners of the Parent per share (PLN)			
Weighted average number of shares ('000)	15	184,873	184,873
- basic	15	0.57	(0.55)
- diluted	15	0.57	(0.55)

The Notes to the interim condensed consolidated financial statements for the three months ended March 31st 2016, presented on pages 8 to 33, are an integral part of the financial statements.

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the three months ended March 31st 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000	Note	Mar 31 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,641,855	10,568,422
Goodwill		46,688	46,688
Other intangible assets		623,608	617,731
Equity-accounted joint ventures		83,275	70,745
Deferred tax assets	14.2	857,903	924,478
Derivative financial instruments		24,224	8,697
Other non-current assets		161,617	201,008
Total non-current assets		12,439,170	12,437,769
Current assets			
Inventories		2,884,870	3,235,816
- including mandatory stocks		1,721,428	1,881,494
Trade receivables		1,538,910	1,550,900
Current tax assets		15,051	11,953
Derivative financial instruments		156,492	208,482
Other current assets		856,611	856,336
Cash and cash equivalents	19	640,026	859,699
Total current assets		6,091,960	6,723,186
Non-current assets (or disposal groups) held for sale		8,576	8,377
Total assets		18,539,706	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		(565,862)	(700,888)
Retained earnings		6,034,455	5,928,484
Translation differences		67,021	71,281
Equity attributable to owners of the Parent		7,948,797	7,712,060
Non-controlling interests		137	138
Total equity		7,948,934	7,712,198
Non-current liabilities			
Borrowings, other debt instruments and finance lease liabilities	20	4,157,849	4,454,460
Derivative financial instruments		54,451	54,306
Deferred tax liabilities	14.2	39,633	47,626
Employee benefit obligations		184,165	182,252
Other liabilities and provisions		1,192,867	1,292,571
Total non-current liabilities		5,628,965	6,031,215
Current liabilities			
Borrowings, other debt instruments and finance lease liabilities	20	2,290,549	2,544,848
Derivative financial instruments		75,797	110,845
Trade payables		1,001,429	1,232,510
Current tax payables		5,965	11,770
Employee benefit obligations		141,434	122,201
Other liabilities and provisions		1,446,633	1,403,745
Total current liabilities		4,961,807	5,425,919
Total liabilities		10,590,772	11,457,134
Total equity and liabilities		18,539,706	19,169,332

The Notes to the interim condensed consolidated financial statements for the three months ended March 31st 2016, presented on pages 8 to 33, are an integral part of the financial statements.

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

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the three months ended March 31st 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

(prepared using the indirect method)

PLN '000	Note	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Cash flows from operating activities			
Net profit/(loss)		105,970	(101,381)
Adjustments:		234,047	442,474
Income tax expense	14.1	79,077	(8,627)
Share in net profit/(loss) of equity-accounted joint ventures		(468)	688
Depreciation/amortisation	8; 9	262,511	177,847
Foreign exchange (gains)/losses		(79,233)	192,185
Interest and dividends		56,267	37,028
(Gain)/loss from investing activities		(2,285)	(3,803)
Settlement and valuation of financial instruments	12; 13	(33,098)	94,525
Decrease/(increase) in trade receivables		38,878	(37,468)
(Increase) in other assets		(89,186)	(10,792)
Decrease/(increase) in inventories		333,151	(68,870)
(Decrease)/increase in trade payables		(257,128)	9,033
(Decrease)/increase in other provisions and liabilities		(95,585)	59,962
Increase in employee benefit obligations		21,146	766
Income tax paid		(20,841)	(19,677)
Net cash from operating activities		319,176	321,416
Cash flows from investing activities			
Interest received		2,806	5,971
Sale of property, plant and equipment and other intangible assets		14,038	6,680
Purchase of property, plant and equipment and other intangible assets		(352,916)	(121,859)
Cash contributions – equity-accounted joint ventures	2	(12,021)	(206)
Cash earmarked for the EFRA project	19	194,095	(529,482)
Security deposit		(24,400)	(11,468)
Sale of organised part of business		-	2,300
Settlement of derivative financial instruments		77	4,626
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)	-
Net cash from investing activities		(191,272)	(643,438)
Cash flows from financing activities			
Proceeds from borrowings	20.1	94,759	224,221
Proceeds from issue of Series D shares in Grupa LOTOS S.A.	19	-	981,738
Repayment of bank borrowings	20.1	(238,464)	(232,674)
Repayment of non-bank borrowings	20.2	(2,779)	(2,643)
Interest paid		(49,967)	(45,455)
Decrease in finance lease liabilities		(6,877)	(4,382)
Settlement of derivative financial instruments		4,153	(102,199)
Net cash from financing activities		(199,175)	818,606
Total net cash flow		(71,271)	496,584
Effect of exchange rate fluctuations on cash held		(8,965)	(3,059)
Change in net cash		(80,236)	493,525
Cash at beginning of period		278,070	(166,687)
Cash at end of period	19	197,834	326,838

The Notes to the interim condensed consolidated financial statements for the three months ended March 31st 2016, presented on pages 8 to 33, are an integral part of the financial statements.

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

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the three months ended March 31st 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</i>	-	-	-	105,971	-	105,971	(1)	105,970
<i>Other comprehensive income/(loss), net</i>	-	-	135,026	-	(4,260)	130,766	-	130,766
Total comprehensive income/(loss)	-	-	135,026	105,971	(4,260)	236,737	(1)	236,736
Mar 31 2016 (unaudited)	184,873	2,228,310	(565,862)	6,034,455	67,021	7,948,797	137	7,948,934
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 loss</i>	-	-	-	(101,371)	-	(101,371)	(10)	(101,381)
<i>Other comprehensive loss, net</i>	-	-	(274,379)	-	(3,182)	(277,561)	-	(277,561)
Total comprehensive loss	-	-	(274,379)	(101,371)	(3,182)	(378,932)	(10)	(378,942)
Cost of issue of Series D shares	-	(847)	-	-	-	(847)	-	(847)
Other	-	-	-	(24)	-	(24)	-	(24)
Mar 31 2015 (unaudited)	184,873	2,228,779	(686,914)	6,089,594	62,153	7,878,485	165	7,878,650

The Notes to the interim condensed consolidated financial statements for the three months ended March 31st 2016, presented on pages 8 to 33, are an integral part of the financial statements.

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the three months ended March 31st 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 production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas deposits and oil and gas production. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Composition of the LOTOS Group

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	Principal business activity	The Group's ownership interest		
			Mar 31 2016	Dec 31 2015	Mar 31 2015
Parent					
<i>Downstream segment</i>					
• Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct fully-consolidated subsidiaries					
<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 S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%	100.00%
• LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%	100.00%
• LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%	100.00%
• LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%	100.00%
• LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory 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%	-

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Notes to the financial statements

Name	Registered office	Principal business activity	The Group's ownership interest		
			Mar 31 2016	Dec 31 2015	Mar 31 2015
Indirect fully-consolidated subsidiaries					
<i>Downstream segment</i>					
<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%
<i>Upstream segment</i>					
<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 Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	99.99%	99.99%	99.99%
<i>Other</i>					
<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%

THE LOTOS GROUP
Interim Condensed Consolidated Financial Statements
for the three months ended March 31st 2016
Notes to the financial statements

Name	Registered office	Principal business activity	The Group's ownership interest		
			Mar 31 2016	Dec 31 2015	Mar 31 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	45.36%	43.96%	52.67%
<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 because the figures reported in their financial statements as at March 31st 2016 were immaterial to fulfilling the obligation provided for in IFRS 10 *Consolidated Financial Statements*.

⁽²⁾ Joint venture agreement between Grupa LOTOS S.A. and BP Europe SE on joint operations related to 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. with respect to development and production of 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). For IFRS purposes, 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 (IFRS 11). In Q1 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 10,551 thousand and PLN 12,021 thousand, respectively, which changed the Group's ownership interest in the company. The expenditure representing the cash contribution made by LOTOS Petrobaltic S.A. 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 operations 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 any businesses

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

4. Basis of preparation and presentation

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

These interim condensed consolidated financial statements present the financial position of the Group as at March 31st 2016 and December 31st 2015, the Group's results of operations for the three months ended March 31st 2016 and March 31st 2015, and cash flows for the three months ended March 31st 2016 and March 31st 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 March 31st 2016 and for the three months then ended contained in these interim condensed consolidated financial statements have been reviewed by an independent auditor. The comparative financial data for the three months ended March 31st 2015 have also been reviewed by an 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.

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

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

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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 used 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 (effective for annual periods beginning on or after January 1st 2016);
- IFRS 15 *Revenue from Contracts with Customers*, issued on May 28th 2014 (effective for annual periods beginning on or after January 1st 2017);
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*, issued on June 30th 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 (effective for annual periods beginning on or after January 1st 2016);
- 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 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).

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:	Mar 31 2016 ⁽¹⁾	Dec 31 2015 ⁽²⁾
USD	3.7590	3.9011
EUR	4.2684	4.2615
NOK	0.4532	0.4431

⁽¹⁾ NBP's mid-rates table, effective for March 31st 2016.

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

NBP's average exchange rate for the reporting period	3 months ended Mar 31 2016 ⁽¹⁾	3 months ended Mar 31 2015 ⁽²⁾
USD	3.9416	3.7436
EUR	4.3559	4.1489
NOK	0.4607	0.4772

⁽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–March 31st 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–March 31st 2015.

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5. Seasonality and cyclicity of operations in the reporting period

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

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

All significant changes to reporting items subsequent to the last 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.

Changes in material reporting items and factors with a bearing on the Group's financial performance in the reporting period are presented in Sections 5–7 of the Management's Discussion and Analysis of Q1 2016 consolidated financial performance. A brief summary of the performance of the Group's business segments is presented in Sections 2-4 of that document.

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

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

8. Business segments

	Upstream segment	Downstream segment	Other ⁽¹⁾	Consolidation adjustments	Consolidated
3 months ended Mar 31 2016					
(unaudited)					
PLN '000					
Revenue:	291,283	3,730,934	4,017	(90,287)	3,935,947
Intersegment sales	77,273	11,514	1,500	(90,287)	-
External sales	214,010	3,719,420	2,517	-	3,935,947
Operating profit/(loss) (EBIT)	7,519	122,082	(656)	8,825	137,770
Depreciation/amortisation	142,169	119,183	1,594	(435)	262,511
Operating profit/(loss) before amortisation and depreciation (EBITDA)	149,688	241,265	938	8,390	400,281
Mar 31 2016					
(unaudited)					
PLN '000					
Total assets	4,417,854	15,492,230	100,225	(1,470,603)	18,539,706
<i>including:</i>					
- exploration and evaluation assets	472,915	-	-	-	472,915
- development and production assets	2,297,507	-	-	-	2,297,507

⁽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 ⁽²⁾	Consolidation adjustments	Consolidated
3 months ended Mar 31 2015					
(unaudited)					
PLN '000					
Revenue:	185,855	5,029,196	4,177	(87,742)	5,131,486
Intersegment sales	76,404	9,374	1,964	(87,742)	-
External sales	109,451	5,019,822	2,213	-	5,131,486
Operating profit/(loss) (EBIT)	12,313	203,074	(496)	52,833	267,724
Depreciation/amortisation	62,810	113,773	1,683	(419)	177,847
Operating profit/(loss) before amortisation and depreciation (EBITDA)	75,123	316,847	1,187	52,414	445,571
Dec 31 2015					
(audited)					
PLN '000					
Total assets	4,382,325	16,099,172	101,004	(1,413,169)	19,169,332
including:					
- 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.

⁽²⁾ Includes LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation), LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

9. Expenses by nature

		3 months ended Mar 31 2016	3 months ended Mar 31 2015
PLN '000	Note	(unaudited)	(unaudited)
Depreciation/amortisation	8	262,511	177,847
Raw materials and consumables used ⁽¹⁾		2,826,310	4,102,204
Services		342,075	304,098
Taxes and charges		118,646	102,045
Employee benefits expense		185,231	182,810
Other expenses by nature		59,145	66,544
Merchandise and materials sold		146,109	128,905
Total expenses by nature		3,940,027	5,064,453
Change in products and adjustments to cost of sales		(135,564)	(183,028)
Total		3,804,463	4,881,425
including:			
Cost of sales		3,393,523	4,480,435
Distribution costs		303,987	292,251
Administrative expenses		106,953	108,739

⁽¹⁾ Including PLN 2,296 thousand of foreign exchange gains from operating activities, recognised as cost of sales (three months ended March 31st 2015: PLN 43,337 thousand of foreign exchange losses).

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10. Other income

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Profit from sale of certificates of origin for electricity from cogeneration	11,858	5,055
Gain on disposal of non-financial non-current assets	227	1,071
Grants	450	5,979
Reversal of provisions for retired refinery installations	-	1,325
Reversal of impairment losses on receivables	456	-
Compensation	944	1,291
Gain on sale of organised part of business	-	1,030
Reimbursed excise duty	3	5,690
Other	886	1,465
Total	14,824	22,906

The Group offsets similar transaction types 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.

11. Other expenses

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Impairment losses on receivables	-	1,094
Impairment loss on property, plant and equipment and other intangible assets	4,474 ⁽¹⁾	1,494
Fines and compensation	110	307
Property damage incurred during ordinary course of business	648	334
Membership fees	683	743
Cost brought forward	505	606
Charitable donations	740	201
Other	1,378	464
Total	8,538	5,243

⁽¹⁾ The loss includes a PLN 5,278 thousand write-off of expenditure on the Auksoras field in Lithuania, recognised in Q1 2016 (see Note 17).

The Group offsets similar transaction types 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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12. Finance income

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Interest:	3,972	6,145
- on trade receivables	1,038	853
- on finance lease receivables	-	2
- on cash	58	146
- on deposits	2,876	5,009
- other	-	135
Exchange differences:	74,925	-
- on bank borrowings	53,763	-
- on translation of intra-Group borrowings ⁽¹⁾	21,292	-
- on realised foreign-currency transactions in bank accounts	(4,427)	-
- on notes, including intra-Group notes ⁽¹⁾	14,505	-
- on cash	(10,253)	-
- on cash blocked in bank accounts	(476)	-
- on investment commitments	253	-
- on other financial assets and liabilities	268	-
Revaluation of financial assets:	33,098	-
- valuation of derivative financial instruments	29,063	-
- settlement of derivative financial instruments	4,035	-
Total	111,995	6,145

⁽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 types 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 Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Interest:		59,488	50,153
- on bank borrowings		38,949	37,177
- on non-bank borrowings		1,728	2,115
- on notes		1,000	901
- on trade payables		17	43
- on finance lease liabilities		5,280	2,169
- on factoring arrangements		338	1,735
- on other financial liabilities		247	-
- discount related to provisions for oil and natural gas production facilities and for land reclamation, and other provisions	21	10,550	4,403
- cost of discount on employee benefits obligations		1,307	1,277
- other		72	333
Exchange differences:		-	232,982
- on bank borrowings		-	121,899
- on translation of intra-Group borrowings ⁽¹⁾		-	4,378
- on realised foreign-currency transactions in bank accounts		-	97,734
- on notes, including intra-Group notes ⁽¹⁾		-	20,637
- on cash		-	4,257
- on cash blocked in bank accounts		-	(15,231)
- on investment commitments		-	(3,039)
- on other financial assets and liabilities		-	2,347
Revaluation of financial assets:		-	94,525
- valuation of derivative financial instruments		-	(3,048)
- settlement of derivative financial instruments		-	97,573
Bank fees		3,630	4,274
Bank guarantees		1,537	1,230
Other		531	25
Total		65,186	383,189

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

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14. Income tax

14.1 Tax expense

PLN '000	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	(unaudited)	(unaudited)
Current tax	11,963	11,945
Deferred tax	67,114	(20,572)
Total income tax charged to net profit or loss	79,077	(8,627)
Tax expense recognised in other comprehensive income/(loss) (net), including:		
- cash flow hedging	31,673	(64,361)
	31,673	(64,361)

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
	Mar 31 2016	Dec 31 2015	
	(unaudited)	(audited)	
Deferred tax assets	857,903	924,478	(66,575)
Deferred tax liabilities	(39,633)	(47,626)	7,993
Net deferred tax assets/(liabilities)	818,270	876,852	(58,582)
Exchange differences on translating deferred tax of foreign operations			(15,873)
Deferred tax disclosed under other comprehensive income/(loss), net			31,673
Effect of accounting for the acquisition price of the Sleipner assets ⁽¹⁾			(24,332)
Deferred tax expense recognised in net profit or loss			(67,114)

⁽¹⁾ In accordance with the agreement providing for the 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 comprise the following items:

	Dec 31 2015	Deferred tax charged to net profit or loss	Deferred tax disclosed under other comprehensive income/(loss)	Exchange differences on translating deferred tax of foreign operations	Other differences	Mar 31 2016
PLN '000	(audited)					(unaudited)
Deferred tax assets						
Employee benefit obligations	54,871	3,904	-	53	-	58,828
Inventory write-downs	50,912	(45,225)	-	4	-	5,691
Impairment losses on property, plant and equipment and other intangible assets	297,553	1,052	-	7,834	-	306,439
Negative fair value of derivative financial instruments	25,594	(1,148)	-	-	-	24,446
Exchange differences on revaluation of foreign-currency denominated items	1,228	(169)	-	(14)	-	1,045
Impairment losses on receivables	16,893	(25)	-	-	-	16,868
Finance lease liabilities	39,373	(1,515)	-	-	-	37,858
Provisions for/Assets related to decommissioning of oil and gas facilities and land reclamation	268,972	48,711	-	4,769	-	322,452
Unrealised margin assets	3,479	(1,179)	-	-	-	2,300
Tax losses carried forward	781,746	(82,668)	-	10,063	24,332	733,473
Other provisions	11,676	1,035	-	(1)	-	12,710
Cash flow hedge accounting	164,407	-	(31,673)	-	-	132,734
Other	20,685	(1,726)	-	(10)	-	18,949
Total	1,737,389	(78,953)	(31,673)	22,698	24,332	1,673,793
Deferred tax liabilities						
Difference between the current tax base and carrying amount of property, plant and equipment and other intangible assets	724,707	(5,007)	-	6,953	-	726,653
Positive fair value of derivative financial instruments	37,921	(17,432)	-	-	-	20,489
Tax liabilities associated with the acquired exploration and production licences in Lithuania	18,828	(450)	-	40	-	18,418
Accrued interest	67,576	455	-	-	-	68,031
Other	11,505	10,595	-	(168)	-	21,932
Total	860,537	(11,839)	-	6,825	-	855,523
Net deferred tax assets/(liabilities)	876,852	(67,114)	(31,673)	15,873	24,332	818,270

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

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15. Earnings/(loss) per share

	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Net profit/(loss) attributable to owners of the Parent (PLN '000) (A)	105,971	(101,371)
Weighted average number of shares ('000) (B)	184,873	184,873
Earnings/(loss) per share (PLN) (A/B)	0.57	(0.55)

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

In the three months ended March 31st 2016 and March 31st 2015, diluted earnings/(loss) per share was equal to basic earnings/(loss) per share as the Group carries no instruments with a dilutive effect.

16. Dividends

As at March 31st 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 the dividend amount is conditional upon fulfilment of specific requirements, including generation of a sufficient cash surplus and achievement of financial ratios at prescribed levels.

On April 20th 2016, the Management Board of Grupa LOTOS S.A. passed a resolution on proposed coverage of Grupa LOTOS S.A.'s net loss for 2015. The Company's Management Board proposed to offset the Company's net loss for 2015, of PLN 37,102 thousand, against future years' profits.

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17. Impairment losses

	Assets related to exploration for, development and production of crude oil and natural gas resources		Refinery and other assets		Inventories		Receivables		Total	
	3 months ended Mar 31									
	PLN '000	2016	2015	2016	2015	2016	2015	2016	2015	2016
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>	5,304 ⁽¹⁾	1,518	-	-	379	376	661	2,935	6,344	4,829
<i>Exchange differences on translating foreign operations</i>	37,119	(17,783)	(129)	-	24	(1)	-	(1)	37,014	(17,785)
<i>Used / Reversed</i>	-	-	(3,119)	(171)	(238,403) ⁽²⁾	(411,589) ⁽³⁾	(1,422)	(2,883)	(242,944)	(414,643)
At end 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

⁽¹⁾ Including the PLN 5,278 thousand write-off of expenditure on the Auksoras field in Lithuania. The writ-off was included in other expenses in the consolidated statement of comprehensive income.

⁽²⁾ Including the PLN 237,273 thousand reversal of a write-down of crude oil and refining product inventories (recognised in 2015, see Note 19.1 to the consolidated financial statements for 2015).

⁽³⁾ Including the PLN 411,518 thousand reversal of a write-down of crude oil and refining product inventories (recognised in 2014, see Note 19.1 to the consolidated financial statements for 2014).

In accordance with IAS 2, inventories are measured at the lower of cost or cost less write-downs to net realisable value.

Changes in impairment losses on property, plant and equipment and intangible assets are recognised under other income or expenses. The effect of revaluation of inventories is taken to cost of sales. The amounts resulting from recognition or reversal of impairment losses on receivables are presented under other income or expenses (the principal portion) and under finance income or costs (the default interest portion).

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

PLN '000	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	(unaudited)	(unaudited)
Acquisition of assets related to exploration for, development and production of crude oil and natural gas resources	98,070	21,905
Acquisition of refining and other assets	225,649	75,661
Total	323,719	97,566

In the three months ended March 31st 2016, the Group incurred capital expenditure on oil and gas production assets, mainly related to production from the B-8 field and the Heimdal and Sleipner fields, as well as capital expenditure on refining and other assets, mainly related to the EFRA Project, construction of the Hydrogen Recovery Unit, and extension of the service station chain.

As at March 31st 2016, the Group's contractual commitments not disclosed in the statement of financial position, concerning future expenditure on property, plant and equipment and intangible assets, amounted to PLN 1,718,247 thousand and related mainly to the EFRA Project, construction of the Hydrogen Recovery Unit (HRU) and the HCB Vacuum Distillation Unit (HVDU) at the Refinery, as well as extension and upgrade of the service station chain (December 31st 2015: PLN 1,773,814 thousand).

In the three months ended March 31st 2016, net proceeds from sale of property, plant and equipment and intangible assets recognised in the consolidated statement of comprehensive income was PLN 224 thousand. In the three months ended March 31st 2015, net proceeds from sale of property, plant and equipment and intangible assets recognised in the consolidated statement of comprehensive income was PLN 2,782 thousand. The sold assets comprised mainly refining assets associated with a retired crude oil distillation facility (DRW-100) in Czechowice-Dziedzice and organised parts of businesses located in Jasło and Czechowice-Dziedzice, providing technical testing and analysis services.

19. Cash and cash equivalents

PLN '000	Mar 31 2016	Mar 31 2015
	(unaudited)	(unaudited)
Cash at bank	636,205	723,207 ⁽¹⁾
Cash in hand	595	504
Other cash	3,226	2,001
Total cash and cash equivalents in the statement of financial position	640,026	725,712
Overdraft facilities	(442,192)	(398,874)
Total cash and cash equivalents in the statement of cash flows	197,834	326,838

⁽¹⁾ Including PLN 467,457 thousand of cash from the issue of Series D shares in Grupa LOTOS S.A. (see Note 18 to the consolidated financial statements for 2015). Net of issue costs incurred in the three months ended March 31st 2015, total proceeds from the issue of Series D shares totalled PLN 981.7m and are presented in the consolidated statement of cash flows under *Proceeds from issue of Series D shares in Grupa LOTOS S.A.* 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 the 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 three months ended March 31st 2015 in *Cash earmarked for the EFRA project* under cash flows from investing activities and in the statement of financial position as at March 31st 2015 under *Other current assets*, in the amount of PLN 529.5m.

In the three months ended March 31st 2016, PLN 194m 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 March 31st 2016, in the amount of PLN 239.3m, 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	Mar 31 2016 (unaudited)	Dec 31 2015 (audited)
Bank borrowings:	5,947,464	6,481,034
- investment credit facilities	4,468,125	4,744,306
- working capital facilities	714,807	883,818
- inventory refinancing and financing facilities	1,130,987	1,170,728
- funds in bank deposits securing repayment of interest and principal instalments	(366,455)	(317,818)
Non-bank borrowings	89,402	92,146
Notes	210,157	218,100
Finance lease liabilities	201,375	208,028
Total	6,448,398	6,999,308
<i>including:</i>		
non-current	4,157,849	4,454,460
current	2,290,549	2,544,848

20.1 Bank borrowings

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

As at March 31st 2016, the nominal amount outstanding under the investment facility contracted by the Parent to finance the 10+ Programme was PLN 3,828.0m (USD 1,018.3m). 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 March 31st 2016, the nominal amount drawn under the facility was PLN 1,127.7m (USD 300m). As at December 31st 2015, it was PLN 1,170.3m (USD 300m).

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

As at March 31st 2016, liabilities under bank borrowings incurred by companies of the LOTOS Petrobaltic Group totalled PLN 532.1m. The amount outstanding as at December 31st 2015 was PLN 577.9m.

The Parent may also finance its working capital requirements of up to PLN 400m with funds available under credit facilities from PKO BP S.A. (a PLN 300m credit facility agreement of June 26th 2009, as amended) and Pekao S.A. (a PLN 100m credit facility agreement of May 16th 2012, as amended). As at March 31st 2016 and December 31st 2015, the Company carried no liabilities under these facilities.

Proceeds from and repayment of bank borrowings

In the three months ended March 31st 2016, proceeds from bank borrowings contracted by the Group were PLN 94.8m and related to credit facilities contracted by LOTOS Asphalt Sp. z o.o. (PLN 46.4m) and AB LOTOS Geonafta (PLN 48.4m). In the same period, repayments of bank borrowings were PLN 238.5m and mainly included repayments under investment facilities of the Parent (PLN 101.9m), credit facilities of LOTOS Asphalt Sp. z o.o. (PLN 51m) and AB LOTOS Geonafta (PLN 47.5m) (chiefly to refinance its existing debt), and credit facilities of LOTOS Exploration and Production Norge AS (PLN 25.7m). These amounts are presented in the statement of cash flows from financing activities under [Proceeds from bank borrowings](#) and [Repayment of bank borrowings](#), respectively.

In the three months ended March 31st 2016 and March 31st 2015, none of the Group companies defaulted on credit facilities or breached any material covenants under credit facility agreements.

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20.2 Non-bank borrowings

The Group's liabilities under loans relate mainly to 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 the purchase of a drilling platform.

As at March 31st 2016, the amount outstanding under the agreement was PLN 81.3m. The amount outstanding as at December 31st 2015 was PLN 83.6m (see Note 24.2.1).

Proceeds from and repayment of loans

The Group did not contract any loans in the three months ended March 31st 2016, whereas loan repayments in the same period amounted to PLN 2.8m and were primarily related to the loan advanced in Q1 2014 by Agencja Rozwoju Przemysłu S.A. to SPV Baltic Sp. z o.o. This amount is disclosed in the statement of cash flows from financing activities, under *Repayment of non-bank borrowings*.

In the three months ended March 31st 2016 and March 31st 2015, none of the Group companies defaulted on non-bank borrowings or breached any material covenants under agreements on non-bank borrowings.

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 three months ended March 31st 2016 and in 2015, LOTOS Petrobaltic S.A. did not issue or redeem any notes. As at March 31st 2016, PLN 210,2m (December 31st 2015: PLN 218,1m) was outstanding under notes issued in 2013.

As LOTOS Petrobaltic S.A. defaulted on one of its covenants under the Note Programme Agreement, non-current liabilities under the notes, totalling PLN 172.5m, were reclassified to current liabilities. As at March 31st 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 & gas extraction facilities			Provisions for retired refinery and other installations			
		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>		-	-	-	-	-	7,509	7,509
<i>Remeasurement of decommissioning costs</i>		-	-	-	-	-	(7,591)	(7,591)
<i>Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)</i>	13	-	9,838	200	23	10,061	489	10,550
<i>Interest on Oil and Gas Facility Decommissioning Fund</i>		75	-	-	-	75	-	75
<i>Exchange differences on translating foreign operations</i>		-	22,386	19	-	22,405	3,668	26,073
<i>Used</i>		-	(3,738)	-	(35)	(3,773)	(1,136)	(4,909)
Mar 31 2016 (unaudited)		191,912	1,014,925	14,352	25,758	1,246,947	197,104	1,444,051
<i>including:</i>								
<i>non-current</i>		191,912	912,552	14,352	24,165	1,142,981	26,602	1,169,583
<i>current</i>		-	102,373	-	1,593	103,966	170,502	274,468

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 refinery installations 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 a subsidiary Energobaltic Sp. z o.o. (of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

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PLN '000	Note	Provisions for decommissioning and reclamation costs				Other provisions		Total
		Provision for oil & gas extraction facilities			Provisions for retired refinery and other installations	Total	Total	
		Poland	Norway	Lithuania				
Jan 1 2015 (audited)		183,579	497,194	14,302	30,504	725,579	52,849	778,428
<i>Recognised</i>		-	-	-	-	-	10	10
<i>Remeasurement of decommissioning costs</i>		-	1,758	-	-	1,758	-	1,758
<i>Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)</i>	13	-	4,078	171	30	4,279	124	4,403
<i>Interest on Oil and Gas Facility Decommissioning Fund</i>		157	-	-	-	157	-	157
<i>Exchange differences on translating foreign operations</i>		-	(3,051)	(583)	-	(3,634)	2,100	(1,534)
<i>Used</i>		-	(40,870) ⁽¹⁾	-	(77)	(40,947)	(284)	(41,231)
<i>Reversed</i>		(2,750)	-	-	(1,325)	(4,075)	-	(4,075)
Mar 31 2015 (unaudited)		180,986	459,109	13,890	29,132	683,117	54,799	737,916
<i>including:</i>								
<i>non-current</i>		180,986	386,632	13,890	26,811	608,319	28,738	637,057
<i>current</i>		-	72,477	-	2,321	74,798	26,061	100,859

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 refinery installations 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 a subsidiary Energobaltic Sp. z o.o. (of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

⁽¹⁾ The amount mainly includes PLN 38,384 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 a description of the agreement, 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 three months ended March 31st 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 March 31st 2016 and December 31st 2015, the Group held financial derivatives classified under fair value hierarchy Level 2.

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

Fair value hierarchy

	Mar 31 2016	Dec 31 2015
	(unaudited)	(audited)
PLN '000	Level 2	
Financial assets		
Commodity swap	107,839	198,591
Commodity options	288	363
Currency forward and spot contracts	54,954	14,082
Interest rate swap (IRS)	-	992
Currency swap	17,635	3,151
Total	180,716	217,179
Financial liabilities		
Commodity swap	56,713	58,055
Currency forward and spot contracts	4,626	909
Interest rate swap (IRS)	68,046	72,263
Currency swap	863	33,924
Total	130,248	165,151

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 material proceedings which are still pending, see Note 35.1 to the consolidated financial statements for 2015. In addition the Group notes that:

Proceedings brought by PETROECCO JV Sp. z o.o. seeking compensation for losses incurred as a result of monopolistic practices

In Q1 2016, PETROECCO JV Sp. z o.o. filed a cassation appeal against the ruling of the court of second instance, again favourable to the Company. The Supreme Court refused to examine the cassation complaint filed by PETROECCO JV Sp. z o.o. As at the date of approval of these financial statements, the case is closed. Grupa LOTOS S.A. did not create any provision for potential liabilities in connection with these proceedings.

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Tax settlements

In 2015, the Company's VAT settlements for 2010–2011 were subject to two inspections carried out by tax inspection authorities. On June 23rd 2015, the Company received reports on the inspection of its tax ledgers as part of the proceedings. The Company submitted reservations concerning the reports. On September 30th 2015, the Company received two decisions issued by the Director of the Tax Audit Office in Bydgoszcz, in which it 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 from making any VAT deductions. 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 appealed them to the Director of the Tax Chamber in Gdańsk. Director or the Tax Chamber in Gdańsk upheld the decision of the Director of the Tax Audit Office in Bydgoszcz where it referred to the period January–December 2010. The Company lodged a complaint against the decision of the Director of the Tax Chamber in Gdańsk with the Provincial Administrative Court of Gdańsk.

On March 4th 2016, the Company was served the decision issued on February 29th 2016 by the Director of the Tax Chamber in Gdańsk, upholding the decision issued by the Director of the Tax Audit Office on September 28th 2015 where the latter decision referred to the assessment of the VAT payable for 2011.

On April 1st 2016, the Company lodged a complaint with the Provincial Administrative Court of Gdańsk against the decision of the Director of the Tax Chamber in Gdańsk, dated February 29th 2016, upholding the decision issued by the Director of the Tax Audit Office on September 28th 2015 where the latter decision referred to the assessment of VAT payable for 2011.

In the three months ended March 31st 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, that is 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 shares

In the periods of three months ended March 31st 2016 and March 31st 2015, the Group entered into material transactions with LOTOS-Air BP Polska Sp. z o.o. The transactions involved mostly sale of aviation fuel. In the three months ended March 31st 2016, the total value of these transactions reached PLN 30,868 thousand (three months ended March 31st 2015: PLN 39,091 thousand). As at March 31st 2016, the balance of outstanding receivables under these transactions was PLN 10,258 thousand (December 31st 2015: PLN 12,219 thousand).

24.2 Entity having control of the Group

As at March 31st 2016 and December 31st 2015, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the three months ended March 31st 2016 and March 31st 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, joint control or significant influence

In the three months ended March 31st 2016 and March 31st 2015, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the Group's day-to-day business and involved mainly sale of fuels, sale and purchase of storage services, purchase of transport services, energy, natural gas and other fuels.

PLN '000	3 months ended	3 months ended
	Mar 31 2016	Mar 31 2015
	(unaudited)	(unaudited)
Sale	69,237	61,640
Purchases	250,960	370,227

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PLN '000	Mar 31 2016 (unaudited)	Dec 31 2015 (audited)
Receivables	53,919	27,859
Liabilities	101,325	130,356

Furthermore, as at March 31st 2016, the Group disclosed PLN 81,317 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).

24.3 Remuneration of the Group's executive staff

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

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Management Board		
Short-term employee benefits (salaries and wages)	369	320
Management Board – subsidiaries ⁽¹⁾		
Short-term employee benefits (salaries and wages)	941	901
Supervisory Board ⁽²⁾		
Short-term employee benefits (salaries and wages)	77	60
Total	1,387	1,281

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

⁽²⁾ The amount reflects changes in the composition of the Company's Supervisory Board.

The Group did not enter into any material transactions with any Management Board or Supervisory Board members, did not advance any loans, make any advance payments, issue any guarantees to or conclude any other agreements with any Management Board or Supervisory Board members which would be advanced, made, issued or concluded otherwise than on an arm's length basis or which would have a material bearing on these consolidated financial statements. Based on representations submitted by members of the Company's Management and Supervisory Boards, in the three months ended March 31st 2016 and March 31st 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	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Short-term employee benefits (salaries), including:	5,972	6,947
- annual bonus paid	-	3,061 ⁽¹⁾
- length-of-service award paid	124	-

⁽¹⁾ Remuneration paid in 2015 on account of annual bonus for 2014.

In the three months ended March 31st 2016 and March 31st 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 three months ended March 31st 2016 and March 31st 2015, the Group did not execute any material transactions with parties related to it through members of the Management Board of Grupa LOTOS S.A.

In the three ended March 31st 2016, Grupa LOTOS S.A. executed transactions with parties related to it through members of the Supervisory Board. The transactions were executed on an arm's length basis and related to the Group's day-to-day operations, including mainly the purchase of civil liability and property insurance policies for PLN 698 thousand. As at March 31st 2016, the value of outstanding transactions with parties related to Grupa LOTOS S.A. through members of the Supervisory Board was PLN 10,192 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. QUARTERLY FINANCIAL INFORMATION OF THE PARENT
FOR THE THREE MONTHS ENDED MARCH 31ST 2016**

STATEMENT OF COMPREHENSIVE INCOME

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Revenue	3,339,925	4,661,920
Cost of sales	(2,934,687)	(4,138,200)
Gross profit	405,238	523,720
Distribution costs	(191,786)	(187,543)
Administrative expenses	(48,797)	(51,819)
Other income	12,512	23,371
Other expenses	(1,857)	(1,592)
EBIT	175,310	306,137
Finance income	56,387	5,494
Finance costs	(34,872)	(297,580)
Pre-tax profit	196,825	14,051
Corporate income tax	(38,462)	(2,986)
Net profit	158,363	11,065
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit/(loss):</i>		
Cash flow hedges	166,699	(338,740)
Corporate income tax relating to cash flow hedges	(31,673)	64,361
Other comprehensive income/(loss), net	135,026	(274,379)
Total comprehensive income/(loss)	293,389	(263,314)
Earnings per share		
Weighted average number of shares ('000)	184,873	184,873
- basic	0.86	0.06
- diluted	0.86	0.06

STATEMENT OF FINANCIAL POSITION

PLN '000	Mar 31 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	6,073,777	6,114,824
Intangible assets	109,729	110,732
Shares	1,670,541	1,670,541
Deferred tax assets	146,213	216,348
Other non-current assets	272,611	244,886
Total non-current assets	8,272,871	8,357,331
Current assets		
Inventories	2,670,134	2,902,793
- including mandatory stocks	1,720,468	1,824,511
Trade receivables	1,215,181	1,308,973
Derivative financial instruments	140,421	206,893
Other current assets	707,872	604,592
Cash and cash equivalents	373,884	529,333
Total current assets	5,107,492	5,552,584
Total assets	13,380,363	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	(565,862)	(700,888)
Retained earnings	4,466,118	4,307,755
Total equity	6,313,439	6,020,050
Non-current liabilities		
Bank borrowings	3,267,688	3,501,680
Derivative financial instruments	33,968	54,136
Employee benefit obligations	68,521	66,975
Other liabilities and provisions	580	580
Total non-current liabilities	3,370,757	3,623,371
Current liabilities		
Bank borrowings	1,682,882	1,960,205
Derivative financial instruments	75,797	110,845
Trade payables	891,766	1,112,285
Employee benefit obligations	48,823	44,011
Other liabilities and provisions	996,899	1,039,148
Total current liabilities	3,696,167	4,266,494
Total liabilities	7,066,924	7,889,865
Total equity and liabilities	13,380,363	13,909,915

STATEMENT OF CASH FLOWS

(prepared using the indirect method)

PLN '000	3 months ended Mar 31 2016 (unaudited)	3 months ended Mar 31 2015 (unaudited)
Cash flows from operating activities		
Net profit	158,363	11,065
Adjustments:	99,992	301,253
<i>Income tax expense</i>	38,462	2,986
<i>Depreciation/amortisation</i>	85,043	86,130
<i>Foreign exchange (gains)/losses</i>	(20,442)	107,775
<i>Interest and dividends</i>	23,291	22,919
<i>(Gain)/loss from investing activities</i>	(11,844)	(10,919)
<i>Settlement and valuation of derivative financial instruments</i>	(25,967)	94,515
<i>Decrease in trade receivables</i>	93,792	74,285
<i>(Increase) in other assets</i>	(20,004)	(6,272)
<i>Decrease/(increase) in inventories</i>	232,451	(143,585)
<i>(Decrease) in trade payables</i>	(220,519)	(7,847)
<i>(Decrease)/increase in other provisions and liabilities</i>	(80,629)	82,634
<i>Increase/(decrease) in employee benefit obligations</i>	6,358	(1,368)
Net cash from operating activities	258,355	312,318
Cash flows from investing activities		
Interest received	2,934	6,443
Sale of property, plant and equipment and intangible assets	11,860	12,014
Purchase of property, plant and equipment and intangible assets	(52,465)	(22,506)
Loans advanced to related parties	(36,000)	-
Cash earmarked for the EFRA project	17,719	(529,482)
Security deposit	(24,400)	(11,469)
Cash pool expenses	(27,351)	(68,053)
Settlement of derivative financial instruments	77	1,303
Net cash from investing activities	(107,626)	(611,750)
Cash flows from financing activities		
Proceeds from issue of Series D shares	-	981,738
Repayment of bank borrowings	(101,945)	(85,874)
Interest paid	(28,124)	(24,430)
Settlement of derivative financial instruments	4,102	(102,180)
Net cash from financing activities	(125,967)	769,254
Total net cash flow	24,762	469,822
Effect of exchange rate fluctuations on cash held	(1,557)	(6,682)
Change in net cash	23,205	463,140
Cash at beginning of period	(31,136)	(188,568)
Cash at end of period	(7,931)	274,572

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>	-	-	-	158,363	158,363
<i>Other comprehensive income, net</i>	-	-	135,026	-	135,026
Total comprehensive income	-	-	135,026	158,363	293,389
Mar 31 2016 (unaudited)	184,873	2,228,310	(565,862)	4,466,118	6,313,439
Jan 1 2015 (audited)	184,873	2,229,626	(412,535)	4,344,812	6,346,776
<i>Net profit</i>	-	-	-	11,065	11,065
<i>Other comprehensive loss, net</i>	-	-	(274,379)	-	(274,379)
Total comprehensive income/(loss)	-	-	(274,379)	11,065	(263,314)
Cost of issue of Series D shares	-	(847)	-	-	(847)
Mar 31 2015 (unaudited)	184,873	2,228,779	(686,914)	4,355,877	6,082,615

APPROVAL OF QUARTERLY FINANCIAL REPORT

This quarterly financial report was approved for issue by the Management Board on April 26th 2016.

Signatures of the Management Board members and the person responsible for keeping the accounting books of Grupa LOTOS S.A.

Chairman of the Supervisory Board
delegated to temporarily
serve as President of the Management Board

Robert Pietryszyn

Vice-President of the Management Board,
Chief Financial Officer

Mariusz Machajewski

Vice-President of the Management Board,
Chief Refining and Marketing Officer

Maciej Szozda

Chief Accountant

Tomasz Południewski