



**Supplementary information
to the consolidated financial results
of the LOTOS Group
for 3Q 2016**

This is the translated version of a document originally issued in Polish

Supplementary information

Supplementary information required under the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009

Pursuant to Par. 87 and Par. 83.1 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, as amended (Dz. U. of 2009, No. 33, item 259, as amended), the Management Board of Grupa LOTOS S.A. (the Company) hereby releases the following information:

I. Shareholders holding 5% or more of total voting rights at the General Meeting of Grupa LOTOS S.A. as at this report issue date

In accordance with [Current Report No. 11/2013 of April 29th 2013](#), as at the date of issue of the previous interim report (for H1 2016, issued on August 11th 2016), the only shareholder (apart from the State Treasury) holding more than 5% of total voting rights at the Company's General Meeting is Nationale Nederlanden Otwarty Fundusz Emerytalny (NN OFE).

On October 20th 2016, as a result of acquisition of Grupa LOTOS shares in transactions executed on the Warsaw Stock Exchange, the open-end pension fund PZU Otwarty Fundusz Emerytalny increased its shareholding in the Company and exceeded the threshold of 5% of total voting rights at the Grupa LOTOS General Meeting.

Before the transaction, the Fund held 9,185,132 (nine million, one hundred and eighty-five thousand, one hundred and thirty-two) Company shares, representing 4.97% of the Company's share capital, and conferring the right to 9,185,132 (nine million, one hundred and eighty-five thousand, one hundred and thirty-two) votes at the Company's General Meeting, or 4.97% of total voting rights.

As at October 25th 2016, 9,285,132 (nine million, two hundred and eighty-five thousand, one hundred and thirty-two) Company shares, representing 5.02% of the Company's share capital and conferring the right to 9,285,132 (nine million, two hundred and eighty-five thousand, one hundred and thirty-two) votes at the Company's General Meeting, were registered in the Fund's securities account ([Current Report No. 42/2016](#)).

Table 5 Shareholders of Grupa LOTOS S.A. as at the date of the Q3 2016 report

Shareholder	Number of shares/voting rights equivalent to par value of shares	Share of total voting rights equivalent to percentage of share capital held
State Treasury	98,329,515	53.19%
NN OFE ^{(1) (2)}	10,584,287	5.73%
PZU Otwarty Fundusz Emerytalny	9,285,132	5.02%
Other	66,674,428	36.06%
Total	184,873,362	100.00%

⁽¹⁾ Based on the annual structure of investment funds' asset as at December 31st 2015. Source: Polish Press Agency.

⁽²⁾ Company estimates based on data published by NN OFE as at December 31st 2015. Source: Polish Press Agency. The number of shares registered by NN OFE at the Annual General Meeting of Grupa LOTOS S.A. held on June 28th 2016 was 9,000,000, representing 4.87% of the Company's share capital ([Current Report No. 30/2016 K.](#))

II. Changes in the number of Company shares or rights to Company shares held by the management and supervisory staff, in accordance with the information available to the Company

To the best of the Company's knowledge and based on the representations of October 25th 2016 made for the purpose of the Q3 2016 report, Management Board and Supervisory Board members did not hold any Company shares or rights to Company shares as at the date of issue of this report.

III. Material court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value equal to or exceeding 10% of the Company's equity, other risks of Grupa LOTOS S.A. or its subsidiaries, and material settlements under court proceedings

There are no pending court, arbitration or administrative proceedings concerning liabilities or claims with a unit or aggregate value for the LOTOS Group companies equal to or exceeding 10% of the Company's equity. Material court, arbitration or administrative proceedings and other risks concerning Grupa LOTOS S.A. or its subsidiaries, and material settlements under court proceedings are described in Note 23.1 to the interim financial statements.

IV. Information on loan sureties or guarantees issued by Grupa LOTOS S.A. or its subsidiaries, or all guarantees issued jointly to one entity or its subsidiary, where the aggregate value of such sureties or guarantees represents 10% or more of the Company's equity

Between July 1st and September 30th 2016, Grupa LOTOS S.A. and its subsidiaries issued no loan sureties within the Group or guarantees to any other entity or its subsidiary, where the value of the sureties or guarantees in relation to the LOTOS Group companies would represent 10% or more of Grupa LOTOS S.A.'s equity. Material contingent liabilities are described in Note 23.2 to the interim condensed consolidated financial statements.

V. Information material for the assessment of the personnel, assets, financial standing and financial result of the Group, and their changes, and for the assessment of Grupa LOTOS S.A.'s ability to fulfil its obligations

Apart from the information contained in the interim condensed consolidated financial statements and this Management's Discussion and Analysis, there is no other information material for the assessment of the personnel, assets, financial standing and financial result of the Group, and their changes, or for the assessment of the Group's ability to fulfil its obligations.

VI. Management Board's position regarding the feasibility of meeting forecasts published earlier for a given year in the light of the results presented in this quarterly report in relation to the forecast results

Grupa LOTOS S.A.'s Management Board did not publish any forecasts concerning the Company's financial performance in 2016.

VII. Factors with a bearing on the Group's results in the next quarter or in a longer term, according to Grupa LOTOS S.A.

Key factors which, in the Company's opinion, may affect performance in Q4 2016 include:

- Macroeconomic environment; in particular, prices of crude oil and petroleum products and the USD/PLN exchange rate, which has a bearing on the Group's financial performance as the prices of crude oil and of some products are quoted in the US dollar and Grupa LOTOS S.A. has US dollar-denominated debt,
- Changes in the supply of and demand for petroleum products in Poland and in Europe; the demand for diesel oil is expected to rise in the long run, while the demand for motor gasolines is expected to weaken; these trends are reflected in the strategy implemented by the LOTOS Group,

- Continuation of projects in the downstream segment (EFRA Project) and projects in the upstream segment (development of the B8 field),
- Optimisation measures in the downstream segment to maximise the refining margin of Grupa LOTOS S.A.,
- Further consolidation of the LOTOS Group's market position, with special emphasis on the improvement of profitability in the retail segment.

VIII. Material developments post-balance sheet date

a. Changes to the financing of the B8 project

On October 19th 2016, B8 Spółka z ograniczoną odpowiedzialnością Baltic Spółka komandytowo-akcyjna (the "B8 SPV"), Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("PFR") and Bank Gospodarstwa Krajowego ("BGK") entered into the following agreements on the financing of the development of the B8 oil field on the Baltic Sea:

- Senior Note Programme Agreement,
- Subordinated Note Programme Agreement,
- Accounts Agreement,
- Powers of Attorney over the Issuer's Accounts,
- Investment Agreement,
- Bank Guarantee Facility Agreement.

Under the Senior Note Programme Agreement, the B8 SPV will issue notes to finance further development of the B8 field, including the purchase of Project-related assets from LOTOS Petrobaltic, as well as the VAT liabilities. BGK will subscribe for the notes issued by the B8 SPV on the terms specified in the agreement. Under the Subordinated Note Programme Agreement, the B8 SPV will issue notes to finance further development of the B8 field, including the purchase of Project-related assets from LOTOS Petrobaltic S.A. PFR will subscribe for the notes issued by the B8 SPV on the terms specified in the agreement. The relations between senior and subordinate creditors and the seniority of claims against the B8 SPV are regulated by the Intercreditor Agreement.

To finance the remaining expenditure on the project, the B8 SPV will obtain USD 42.5m under the Senior Note Programme Agreement with BGK and PLN 160m under the Subordinated Note Programme Agreement with PFR. Furthermore, pursuant to the Senior Note Issue Programme Agreement, the B8 SPV will be able to issue notes to cover its VAT liabilities up the amount of PLN 90m. The notes subscribed for by the bank are to be redeemed by March 31st 2018, while those subscribed for by PFR – by December 31st 2022.

On October 21st 2016, B8 Spółka z ograniczoną odpowiedzialnością Baltic Spółka komandytowo-akcyjna (the "B8 SPV"), Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("PFR") and Bank Gospodarstwa Krajowego ("BGK") signed the following Security Documents:

- Agreement on civil-law, registered and financial pledges over shares (Investor),
- Agreement on civil-law, registered and financial pledges over shares (General partner),
- Agreement on registered pledges over assets,
- Agreement on civil-law, registered and financial pledges over accounts,
- Agreement on registered pledges over receivables under agreements,
- Agreement on registered pledges over the EPMS agreement,
- Agreement on civil-law, registered and financial pledges over shares,

- Agreement on registered pledges over receivables (Investor),
- Agreement on registered pledges over General Partner's interest,
- Agreement on creation of mortgages over the Petrobaltic platform,
- Notice of registered pledges over receivables,
- Application to court for registration of pledge,
- Powers of attorney.

Additionally, on October 19th 2016, the B8 SPV, PFR (formerly Polskie Inwestycje Rozwojowe), BGK and BANK POLSKA KASA OPIEKI S.A. ("Pekao") executed agreements on termination of the Senior Note Programme Agreement for financing of the development of the B8 field up to USD 210m and PLN 80m, the Subordinated Note Issue Programme Agreement of up to PLN 430.6m, and the Intercreditor Agreement, executed on August 25th 2014 (for more information, see [Current Report No. 17/2014](#) of August 25th 2014).

b. Amendments to the agreement for refinancing and financing of Grupa LOTOS S.A.'s inventories

On October 21st 2016, Grupa LOTOS S.A. and a syndicate of six banks, currently comprising:

- BANK POLSKA KASA OPIEKI S.A. of Warsaw,
- MBANK S.A. of Warsaw,
- ING BANK ŚLĄSKI S.A. of Katowice,
- SOCIETE GENERALE of Paris,
- BANK HANDLOWY W WARSZAWIE S.A. of Warsaw,
- BANK ZACHODNI WBK S.A. of Wrocław, and

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A. (SPÓŁKA AKCYJNA) of Luxembourg, ODDZIAŁ W POLSCE (POLISH BRANCH), signed an amendment to the credit facility agreement for refinancing and financing of Grupa LOTOS S.A.'s inventories of October 10th 2012 ([Current Report No. 32/2012](#) of October 10th 2012 and [Current Report No. 35/2012](#) of October 31st 2012), as amended ([Current Report No. 27/2013](#) of November 7th 2013, [Current Report No. 28/2013](#) of November 28th 2013, [Current Report No. 24/2014](#) of October 29th 2014, and [Current Report No. 33/2015](#) of November 18th 2015).

The agreement provides for a revolving credit facility of USD 400m (PLN 1,592bn, as translated at the mid-rate quoted by the National Bank of Poland for October 21st 2016). The amendment was signed pursuant to the provisions of the credit facility agreement which stipulate that the lending period may be extended by 12-month periods, with the facility amount of up to USD 400m.

Under the amendment, as of December 20th 2016: (i) the lending period will be extended until December 20th 2017, (ii) the facility amount will be reduced from USD 400m to USD 345m, and (iii) the commercial financing terms will be adjusted to the current market environment.

The terms and conditions of the amendment do not differ materially from the terms and conditions commonly applied in agreements of such type. The amendment contains no conditions precedent to its entry into force and does not provide for any contractual penalties.

The other terms and conditions of the credit facility agreement of October 10th 2012 were not amended.

The Company's Management Board further reports that under documents related to the amendment referred to above, as of December 20th 2016 ING BANK ŚLĄSKI S.A. and BANK ZACHODNI WBK S.A. will cease to be party to the credit

facility agreement and INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A. (SPÓŁKA AKCYJNA) ODDZIAŁ W POLSCE (POLISH BRANCH) will become a new financing party.

IX Transaction or a series of transactions concluded by the Company with related parties where the transactions were not concluded at arm's length

In the reporting period Grupa LOTOS S.A. did not enter into any related-party transactions on non-arm's length terms.

X Changes in organisation of the LOTOS Group

Following the approval, by Resolution No. 140/IX/2016 of the Supervisory Board of Grupa LOTOS S.A. of September 20th 2016, of the Rules of Procedure for the Management Board of Grupa LOTOS S.A., on September 22nd 2016 the following changes were made to assignment of the Company's subsidiaries to individual operating segments:

1) The exploration & production segment, managed by Vice President of the Management Board, Chief Exploration and Production Officer, comprises:

- LOTOS Petrobaltic and its subsidiaries,

2) The marketing segment, managed by Vice President of the Management Board, Chief Exploration and Production Officer, comprises:

- LOTOS Oil,

- LOTOS Paliwa,

- LOTOS Asfalt,

3) The production segment, managed by Vice President for Corporate Affairs, comprises:

- LOTOS Infrastruktura and its subsidiary,

- LOTOS Kolej,

- LOTOS Serwis,

- LOTOS Terminale and its subsidiaries,

4) The corporate segment, managed by Vice President for Corporate Affairs, comprises:

- LOTOS Straż,

- LOTOS Ochrona,

5) The strategy and development segment, managed by Vice President of the Management Board – Chief Strategy and Development Officer, comprises:

- LOTOS Lab,

6) The finance segment, managed by Vice President of the Management Board, Chief Financial Officer, comprises:

- Infrastruktura Kolejowa,

- LOTOS Gaz w likwidacji (in liquidation) and associated companies.