

**THE LOTOS GROUP  
FINANCIAL HIGHLIGHTS**

**FINANCIAL HIGHLIGHTS - CONSOLIDATED**

	PLNm		EURm	
	3 months ended	3 months ended	3 months ended	3 months ended
	Mar 31 2018	Mar 31 2017	Mar 31 2018	Mar 31 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	6,324.7	5,447.3	1,513.7	1,270.0
Operating profit	447.8	576.5	107.2	134.4
Pre-tax profit	499.1	625.3	119.4	145.8
Net profit	320.8	410.9	76.8	95.8
Net profit attributable to owners of the Parent	320.8	410.9	76.8	95.8
Net profit/(loss) attributable to non-controlling interests	-	-	-	-
Total comprehensive loss	366.9	616.1	87.8	143.7
Total comprehensive loss attributable to owners of the Parent	366.9	616.1	87.8	143.7
Total comprehensive profit/(loss) attributable to non-controlling interests	-	-	-	-
Net cash from operating activities	(136.2)	145.5	(32.6)	33.9
Net cash from investing activities	(184.4)	(447.5)	(44.1)	(104.3)
Net cash from financing activities	(233.9)	259.4	(56.0)	60.5
Total net cash flow	(554.5)	(42.6)	(132.7)	(9.9)
Basic earnings per share (PLN/EUR)	1.73	2.22	0.41	0.52
Diluted earnings per share (PLN/EUR)	1.73	2.22	0.41	0.52

	PLNm		EURm	
	As at	As at	As at	As at
	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	21,244.9	21,171.2	5,048.1	5,075.9
Equity attributable to owners of the Parent	11,079.3	10,712.4	2,632.6	2,568.4
Non-controlling interests	0.1	0.1	0.0	0.0
Total equity	11,079.4	10,712.5	2,632.6	2,568.4

**FINANCIAL HIGHLIGHTS - SEPARATE**

	PLNm		EURm	
	3 months ended	3 months ended	3 months ended	3 months ended
	Mar 31 2018	Mar 31 2017	Mar 31 2018	Mar 31 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5,645.6	4,750.0	1,351.1	1,107.5
Operating profit	240.8	348.6	57.6	81.3
Pre-tax profit	269.1	435.7	64.4	101.6
Net profit	218.5	353.7	52.3	82.5
Total comprehensive profit	263.3	546.0	63.0	127.3
Net cash from operating activities	(341.0)	(123.4)	(81.6)	(28.8)
Net cash from investing activities	(83.5)	3.1	(20.0)	0.7
Net cash from financing activities	(80.5)	(165.7)	(19.3)	(38.6)
Total net cash flow	(505.0)	(286.0)	(120.9)	(66.7)
Basic earnings per share (PLN/EUR)	1.18	1.91	0.28	0.45
Diluted earnings per share (PLN/EUR)	1.18	1.91	0.28	0.45

	PLNm		EURm	
	As at	As at	As at	As at
	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017
	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	15,844.2	15,779.3	3,764.8	3,783.2
Equity	9,155.6	8,892.3	2,175.5	2,132.0

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 2018	As at Dec 31 2017
1 EUR = 4.2085 PLN	1 EUR = 4.1709 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 2018	3 months ended Mar 31 2017
1 EUR = 4.1784 PLN	1 EUR = 4.2891 PLN



The LOTOS Group

## FINANCIAL REPORT FOR THE FIRST QUARTER OF 2018

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**I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31ST 2018 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 2018  
(PLNm)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Revenue	8	6,324.7	5,447.3
Cost of sales	9	(5,464.3)	(4,485.0)
<b>Gross profit</b>		<b>860.4</b>	<b>962.3</b>
Distribution costs	9	(305.5)	(285.0)
Administrative expenses	9	(106.4)	(109.0)
Other income	10	4.6	13.7
Other expenses	11	(5.3)	(5.5)
<b>Operating profit</b>		<b>447.8</b>	<b>576.5</b>
Finance income	12	95.8	107.0
Finance costs	13	(44.1)	(58.5)
Share in net profit/(loss) of equity-accounted joint ventures		(0.4)	0.3
<b>Profit before tax</b>		<b>499.1</b>	<b>625.3</b>
Corporate income tax	14.1	(178.3)	(214.4)
<b>Net profit</b>		<b>320.8</b>	<b>410.9</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		1.2	12.9
Cash flow hedges		55.4	237.4
Corporate income tax relating to cash flow hedges	14.1	(10.5)	(45.1)
<b>Other comprehensive income/(loss), net</b>		<b>46.1</b>	<b>205.2</b>
<b>Total comprehensive income/(loss)</b>		<b>366.9</b>	<b>616.1</b>
<b>Net profit attributable to:</b>			
Owners of the Parent		320.8	410.9
		<b>320.8</b>	<b>410.9</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Parent		366.9	616.1
		<b>366.9</b>	<b>616.1</b>
<b>Net profit attributable to owners of the Parent per share (PLN)</b>			
Weighted average number of shares (million)	15	184.9	184.9
- basic	15	1.73	2.22
- diluted	15	1.73	2.22

The Notes to the interim condensed consolidated financial statements, presented on pages 8 to 20, 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 three months ended March 31st 2018  
(PLNm)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Note	Mar 31 2018 (unaudited)	Dec 31 2017 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment of the Downstream segment	8,751.3	8,761.5
Intangible assets of the Downstream segment	164.3	163.2
Property, plant and equipment of the Upstream segment	2,443.2	2,404.2
Intangible assets of the Upstream segment	314.0	304.8
Equity-accounted joint ventures	106.3	106.5
Deferred tax assets	14.2 387.7	415.4
Derivative financial instruments	10.4	2.7
Other non-current assets	309.3	303.8
<b>Total non-current assets</b>	<b>12,486.5</b>	<b>12,462.1</b>
<b>Current assets</b>		
Inventories	4,006.1	3,559.6
- including emergency stocks	2,515.0	2,098.7
Trade receivables	2,767.2	2,677.0
Current tax assets	5.1	1.3
Derivative financial instruments	82.4	161.8
Other current assets	427.2	388.7
Cash and cash equivalents	19 1,470.4	1,920.7
<b>Total current assets</b>	<b>8,758.4</b>	<b>8,709.1</b>
<b>Total assets</b>	<b>21,244.9</b>	<b>21,171.2</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	184.9	184.9
Share premium	2,228.3	2,228.3
Cash flow hedging reserve	(180.3)	(225.2)
Retained earnings	8,753.0	8,432.2
Translation reserve	93.4	92.2
<b>Equity attributable to owners of the Parent</b>	<b>11,079.3</b>	<b>10,712.4</b>
Non-controlling interests	0.1	0.1
<b>Total equity</b>	<b>11,079.4</b>	<b>10,712.5</b>
<b>Non-current liabilities</b>		
Borrowings, other debt instruments and finance lease liabilities	20 2,724.5	2,738.3
Derivative financial instruments	0.4	6.7
Deferred tax liabilities	14.2 299.1	277.7
Employee benefit obligations	171.6	169.3
Other liabilities and provisions	1,101.8	1,072.4
<b>Total non-current liabilities</b>	<b>4,297.4</b>	<b>4,264.4</b>
<b>Current liabilities</b>		
Borrowings, other debt instruments and finance lease liabilities	20 1,478.5	1,687.6
Derivative financial instruments	56.8	72.7
Trade payables	2,084.8	2,201.7
Current tax payables	243.1	210.0
Employee benefit obligations	123.7	145.3
Other liabilities and provisions	1,881.2	1,877.0
<b>Total current liabilities</b>	<b>5,868.1</b>	<b>6,194.3</b>
<b>Total liabilities</b>	<b>10,165.5</b>	<b>10,458.7</b>
<b>Total equity and liabilities</b>	<b>21,244.9</b>	<b>21,171.2</b>

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**THE LOTOS GROUP**  
**Interim condensed consolidated financial statements**  
**for the three months ended March 31st 2018**  
**(PLNm)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(prepared using the indirect method)

	Note	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit</b>		<b>320,8</b>	<b>410,9</b>
<b>Adjustments:</b>		<b>(380,4)</b>	<b>(203,7)</b>
Income tax	14.1	178.3	214.4
Share in net profit/(loss) of equity-accounted joint ventures		0.4	(0.3)
Depreciation and amortisation	8; 9	183.1	226.6
Foreign exchange (gains)/losses		(53.5)	33.4
Interest and dividends		32.1	40.8
(Gain)/loss from investing activities		1.6	4.3
Settlement and measurement of financial instruments	12	(9.3)	(95.4)
(Increase)/Decrease in trade receivables		(90.2)	276.5
(Increase) in other assets		(65.9)	(74.0)
(Increase) in inventories		(445.1)	(280.7)
(Decrease) in trade payables		(116.9)	(587.2)
Increase in other liabilities and provisions		24.3	62.2
(Decrease) in employee benefit obligations		(19.3)	(24.3)
Income tax paid		(76.6)	(61.7)
<b>Net cash from operating activities</b>		<b>(136.2)</b>	<b>145.5</b>
<b>Cash flows from investing activities</b>			
Interest received		1.1	2.7
Sale of property, plant and equipment and intangible assets		0.4	2.4
Purchase of property, plant and equipment and intangible assets		(210.1)	(450.6)
Cash contributions – equity-accounted joint ventures		-	(0.2)
Security deposit (margin)		23.3	(0.3)
Settlement of derivative financial instruments		0.9	(0.9)
Other cash used in investing activities		-	(0.6)
<b>Net cash from investing activities</b>		<b>(184.4)</b>	<b>(447.5)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	20	109.7	307.2
Issue of notes		-	296.1
Repayment of bank borrowings	20	(229.7)	(205.1)
Repayment of non-bank borrowings	20	(3.2)	(3.1)
Redemption of notes	20	(113.8)	(48.8)
Interest paid		(44.6)	(50.1)
Decrease in finance lease liabilities		(9.8)	(8.7)
Settlement of derivative financial instruments		57.5	(28.1)
<b>Net cash from financing activities</b>		<b>(233.9)</b>	<b>259.4</b>
<b>Total net cash flow</b>			
		<b>(554.5)</b>	<b>(42.6)</b>
Effect of exchange rate fluctuations on cash held		0.3	(1.5)
<b>Change in net cash</b>		<b>(554.2)</b>	<b>(44.1)</b>
<b>Cash at beginning of period</b>		<b>1,920.6</b>	<b>730.8</b>
<b>Cash at end of period</b>	19	<b>1,366.4</b>	<b>686.7</b>

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**THE LOTOS GROUP**  
Interim condensed consolidated financial statements  
for the three months ended March 31st 2018  
(PLNm)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

		Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
	Note								
<b>January 1 2018 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(225.2)</b>	<b>8,432.2</b>	<b>92.2</b>	<b>10,712.4</b>	<b>0.1</b>	<b>10,712.5</b>
Net profit	15	-	-	-	320.8	-	320.8	-	320.8
Other comprehensive income/(loss), net		-	-	44.9	-	1.2	46.1	-	46.1
Total comprehensive income/(loss)		-	-	44.9	320.8	1.2	366.9	-	366.9
<b>March 31 2018 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(180.3)</b>	<b>8,753.0</b>	<b>93.4</b>	<b>11,079.3</b>	<b>0.1</b>	<b>11,079.4</b>
<b>January 1 2017 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(812.8)</b>	<b>6,945.4</b>	<b>65.0</b>	<b>8,610.8</b>	<b>0.1</b>	<b>8,610.9</b>
Net profit	15	-	-	-	410.9	-	410.9	-	410.9
Other comprehensive income/(loss), net		-	-	192.3	-	12.9	205.2	-	205.2
Total comprehensive income/(loss)		-	-	192.3	410.9	12.9	616.1	-	616.1
<b>March 31 2017 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(620.5)</b>	<b>7,356.3</b>	<b>77.9</b>	<b>9,226.9</b>	<b>0.1</b>	<b>9,227.0</b>

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**THE LOTOS GROUP**  
**Interim condensed consolidated financial statements**  
**for the three months ended March 31st 2018**  
**Notes to the financial statements**

(PLNm)

**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 Grupa LOTOS S.A.'s 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 Group**

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

In addition, the Group holds interests in equity-accounted joint ventures.

Information on the registered addresses and business profiles of the aforementioned entities, as well as on the Group's ownership interests in those entities, is presented below.

Name	Registered office	Description of business	The Group's ownership interest		
			Mar 31 2018	Dec 31 2017	Mar 31 2017
<b>Parent</b>					
<b>Downstream segment</b>					
• Grupa LOTOS S.A.	Gdańsk	Manufacturing and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
<b>Direct fully-consolidated subsidiaries</b>					
<b>Upstream segment</b>					
• LOTOS Upstream Sp. z o.o. (parent of another group: LOTOS Upstream Group)	Gdańsk	Activities of head offices and holdings	100.00%	100.00%	100.00%
• 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%
<b>Downstream segment</b>					
• 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. (parent of another group: LOTOS Lab Group)	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 operating of own or leased real estate	100.00%	100.00%	100.00%
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	100.00%
<b>Non-consolidated direct subsidiaries <sup>(1)</sup></b>					
• 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%

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Notes to the financial statements

(PLNm)

Name	Registered office	Description of business	The Group's ownership interest		
			Mar 31 2018	Dec 31 2017	Mar 31 2017
<b>Indirect fully-consolidated subsidiaries</b>					
<b>Downstream segment</b>					
LOTOS Lab Group					
• LOTOS Vera Sp. z o.o.	Gdańsk	Manufacture of cars	100.00%	100.00%	-
LOTOS Infrastruktura Group					
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%	100.00%
LOTOS Terminale Group					
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%	100.00%
<b>Upstream segment</b>					
LOTOS Upstream Group					
• 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	100.00%	100.00%	99.99%
• AB LOTOS Geonafra (parent of another group: AB LOTOS Geonafra Group)	Lithuania, Gargždai	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	100.00%	100.00%	99.99%
• UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	100.00%	100.00%	99.99%
• UAB Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	100.00%	100.00%	99.99%
• LOTOS Upstream UK Ltd.	Great Britain, London	Crude oil exploration and production	100.00% <sup>(2)</sup>	-	-
LOTOS Petrobaltic Group					
• Aphrodite Offshore Services N.V.	Curaçao	Dormant (the company in liquidation)	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 Company 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)	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%
• Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99%	99.99%	99.99%
<b>Equity-accounted joint ventures</b>					
<b>Downstream segment</b>					
• LOTOS - Air BP Polska Sp. z o.o. <sup>(3)</sup>	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%	50.00%
<b>Upstream segment</b>					
LOTOS Petrobaltic Group					
• Baltic Gas Sp. z o.o. <sup>(4)</sup>	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. <sup>(4)</sup>	Gdańsk	Crude oil and gas production	44.78%	44.78%	44.96%
AB LOTOS Geonafra Group					
• UAB Minijos Nafta <sup>(5)</sup>	Lithuania, Gargždai	Crude oil exploration and production	49.99%	49.99%	49.99%

<sup>(1)</sup> The companies were deconsolidated due to immateriality of the amounts disclosed in their financial statements as at March 31st 2018 from the point of view of the Group meeting the requirements specified in IFRS 10 *Consolidated Financial Statements*.

<sup>(2)</sup> A new company with share capital of GBP 15 thousand, a 100% subsidiary of LOTOS Upstream Sp. z o.o.

<sup>(3)</sup> 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.

<sup>(4)</sup> Agreement between LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. on cooperation in the 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.

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<sup>(5)</sup> Joint venture set up for the purpose of oil exploration and production in Lithuania, operated in the form of UAB Minijos Nafta.

In addition, in the first quarter of 2018, LOTOS Upstream UK Ltd. was established (upstream segment, company of the LOTOS Upstream Group, a wholly-owned subsidiary of LOTOS Upstream Sp. z o.o.). Its share capital is GBP 15 thousand and its registered office is in London, UK. As at March 31st 2018, the company was being organised.

**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 2017 (see Note 2 to the consolidated financial statements for 2017), 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 March 31st 2018 and December 31st 2017, results of the Group's operations for the three months ended March 31st 2018 and March 31st 2017, and cash flows for the three months ended March 31st 2018 and March 31st 2017.

These interim financial statements should be read in conjunction with the audited [consolidated financial statements of the LOTOS Group for 2017](#), issued on March 7th 2018 (the "consolidated financial statements for 2017").

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 authorisation 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 millions 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 2017 (see Note 7 to the consolidated financial statements for 2017), except to the extent of the policies which were introduced following the adoption, as of January 1st 2018, of new standards IFRS 9 and IFRS 15. For a discussion of the effect of the new standards on the Group's accounting policies, see Note 4 to the consolidated financial statements for 2017.

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

[New standards, amendments to the existing standards and interpretations which were published after December 31st 2017 and which have not been endorsed by the European Union:](#)

- *Amendments to References to the Conceptual Framework in IFRS Standards*, issued on March 29th 2018 (effective for annual periods beginning on or after January 1st 2020)

The Group has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect. The Company's Management Board is analysing the effect of the new standards, interpretations and amendments 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 valuation of items of the statement of financial position and translation of the financial statements of foreign entities and corporate groups into the Polish zloty:

<b>NBP's mid rate quoted for:</b>	<b>Mar 31 2018 <sup>(1)</sup></b>	<b>Dec 31 2017 <sup>(2)</sup></b>
USD	3.4139	3.4813
EUR	4.2085	4.1709
NOK	0.4361	0.4239

<sup>(1)</sup> NBP's mid rates table effective for March 31st 2018.

<sup>(2)</sup> NBP's mid rates table effective for December 31st 2017.

<b>NBP's average mid rate for the reporting period</b>	<b>3 months ended Mar 31 2018 <sup>(1)</sup></b>	<b>3 months ended Mar 31 2017 <sup>(2)</sup></b>
USD	3.3882	4.0224
EUR	4.1784	4.2891
NOK	0.4345	0.4777

<sup>(1)</sup> 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 2018.

<sup>(2)</sup> 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 2017.

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**5. Seasonality and cyclicity of business in the reporting period**

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

**6. Material changes to 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 material changes to reporting items after the end of the last annual reporting period, i.e. 2017, are presented in the key sections of the financial statements and supplemented with additional information contained in the relevant notes to the financial statements.

For a discussion of changes to material reporting items and factors with a bearing on the Group's financial performance in the reporting period, as well as a short summary of results achieved by each business segment, see the Management's Discussion and Analysis of the Q1 2018 consolidated financial performance.

**7. Changes to estimates reported in previous interim periods of the current financial year or in previous financial years, where they 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 reporting period.

**8. Business segments**

	Upstream segment		Downstream segment		Consolidation adjustments		Consolidated	
	3 months ended Mar 31							
	2018	2017	2018	2017	2018	2017	2018	2017
	(unaudited)							
<b>Revenue:</b>	<b>296.7</b>	<b>368.6</b>	<b>6,091.2</b>	<b>5,180.7</b>	<b>(63.2)</b>	<b>(102.0)</b>	<b>6,324.7</b>	<b>5,447.3</b>
Intersegment sales	50.5	86.8	12.7	15.2	(63.2)	(102.0)	-	-
External sales	246.2	281.8	6,078.5	5,165.5	-	-	6,324.7	5,447.3
<b>Operating profit/(loss) (EBIT)</b>	<b>146.0</b>	<b>182.4</b>	<b>290.3</b>	<b>404.3</b>	<b>11.5</b>	<b>(10.2)</b>	<b>447.8</b>	<b>576.5</b>
Depreciation and amortisation	58.7	83.1	124.4	143.9	-	(0.4)	183.1	226.6
<b>Operating profit/(loss) before depreciation and amortisation (EBITDA)</b>	<b>204.7</b>	<b>265.5</b>	<b>414.7</b>	<b>548.2</b>	<b>11.5</b>	<b>(10.6)</b>	<b>630.9</b>	<b>803.1</b>
	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<b>Total assets</b>	<b>4,288.1</b>	<b>4,267.1</b>	<b>18,859.0</b>	<b>18,744.6</b>	<b>(1,902.2)</b>	<b>(1,840.5)</b>	<b>21,244.9</b>	<b>21,171.2</b>

**Geographical structure of sales**

	Upstream segment		Downstream segment		Consolidated	
	3 months ended Mar 31					
	2018	2017	2018	2017	2018	2017
	(unaudited)					
<b>Domestic sales:</b>	<b>3.4</b>	<b>1.9</b>	<b>4,536.5</b>	<b>4,082.4</b>	<b>4,539.9</b>	<b>4,084.3</b>
products and services	3.2	1.8	4,048.4	3,791.1	4,051.6	3,792.9
merchandise and materials	0.2	0.1	488.1	291.3	488.3	291.4
<b>Export sales:</b>	<b>242.8</b>	<b>279.9</b>	<b>1,542.0</b>	<b>1,083.1</b>	<b>1,784.8</b>	<b>1,363.0</b>
products and services	242.8	279.9	1,476.1	1,026.2	1,718.9	1,306.1
merchandise and materials	-	-	65.9	56.9	65.9	56.9
<b>Total</b>	<b>246.2</b>	<b>281.8</b>	<b>6,078.5</b>	<b>5,165.5</b>	<b>6,324.7</b>	<b>5,447.3</b>

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Sales by products, merchandise and services

	Upstream segment		Downstream segment		Consolidated	
	3 months ended Mar 31					
	2018	2017	2018	2017	2018	2017
	(unaudited)					
Gasolines	-	-	987.2	916.2	987.2	916.2
Naphtha	-	-	302.8	229.3	302.8	229.3
Diesel oils	-	-	2,777.0	2,678.6	2,777.0	2,678.6
Bunker fuel	-	-	40.8	26.7	40.8	26.7
Light fuel oil	-	-	202.9	205.1	202.9	205.1
Heavy fuel oil	-	-	514.4	421.4	514.4	421.4
Aviation fuel	-	-	285.1	109.4	285.1	109.4
Lubricants	-	-	72.0	62.5	72.0	62.5
Base oils	-	-	134.3	124.0	134.3	124.0
Bitumens	-	-	26.1	45.3	26.1	45.3
LPG	-	-	98.3	103.9	98.3	103.9
Crude oil	77.7	84.8	320.8	-	398.5	84.8
Natural gas	154.0	177.0	0.3	-	154.3	177.0
Other refinery products, merchandise and materials	-	-	121.1	70.6	121.1	70.6
Other products, merchandise and materials	8.3	1.9	109.3	102.8	117.6	104.7
Services	6.2	18.1	95.7	102.1	101.9	120.2
Effect of cash flow hedge accounting	-	-	(9.6)	(32.4)	(9.6)	(32.4)
<b>Total</b>	<b>246.2</b>	<b>281.8</b>	<b>6,078.5</b>	<b>5,165.5</b>	<b>6,324.7</b>	<b>5,447.3</b>

**9. Expenses by nature**

	Note	3 months ended	3 months ended
		Mar 31 2018	Mar 31 2017
		(unaudited)	(unaudited)
Depreciation and amortisation	8	183.1	226.6
Raw materials and consumables used <sup>(1)</sup>		4,708.4	3,898.8
Services		331.3	335.4
Taxes and charges		137.4	126.9
Employee benefits expense		197.8	195.8
Other expenses by nature		52.0	41.3
Merchandise and materials sold		488.1	298.7
<b>Total expenses by nature</b>		<b>6,098.1</b>	<b>5,123.5</b>
Change in products and adjustments to cost of sales		(221.9)	(244.5)
<b>Total</b>		<b>5,876.2</b>	<b>4,879.0</b>
including:			
Cost of sales		5,464.3	4,485.0
Distribution costs		305.5	285.0
Administrative expenses		106.4	109.0

<sup>(1)</sup> Including 5,8 mln zł of foreign exchange losses from operating activities, recognised in cost of sales (three months ended March 31st 2017: 6,4 mln zł of foreign exchange gains).

**10. Other income**

	3 months ended	3 months ended
	Mar 31 2018	Mar 31 2017
	(unaudited)	(unaudited)
Gain on disposal of non-financial non-current assets	0.1	1.1
Grants	0.4	9.1
Reversal of impairment losses on receivables	0.4	-
Compensation	1.1	1.3
Reimbursed excise duty	-	0.5
Other	2.6	1.7
<b>Total</b>	<b>4.6</b>	<b>13.7</b>

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

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### 11. Other expenses

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Impairment losses on receivables	-	0.6
Impairment losses on property, plant and equipment and intangible assets	-	0.8
Fines and compensation	0.5	0.9
Damage to property arising in ordinary course of business	0.3	0.8
Membership fees	0.6	0.7
Charitable donations	2.4	0.2
Other	1.5	1.5
<b>Total</b>	<b>5.3</b>	<b>5.5</b>

### 12. Finance income

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Interest:	<b>7.8</b>	<b>4.8</b>
- on trade receivables	0.8	0.9
- on deposits	6.0	3.0
- other	1.0	0.9
Exchange differences:	<b>76.6</b>	<b>6.8</b>
- on bank borrowings	31.2	49.2
- on translation of intercompany loans <sup>(1)</sup>	19.8	(39.9)
- on realised foreign-currency transactions in bank accounts	29.1	(3.1)
- on notes, including intercompany notes <sup>(1)</sup>	(0.9)	(5.9)
- on deposits and other cash	(2.4)	0.8
- other	(0.2)	5.7
Revaluation of financial assets:	<b>9.3</b>	<b>95.4</b>
- measurement of derivative financial instruments	(49.1)	124.4
- settlement of derivative financial instruments	58.4	(29.0)
Other	2.1	-
<b>Total</b>	<b>95.8</b>	<b>107.0</b>

<sup>(1)</sup> According to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, foreign exchange gains and losses on intercompany foreign currency transactions are recognised in the Group's net profit or loss.

### 13. Finance costs

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Interest:	<b>40.5</b>	<b>54.0</b>
- on bank borrowings	23.0	33.9
- on non-bank borrowings	0.8	0.9
- on notes	2.5	1.7
- on finance lease liabilities	4.1	5.0
- discount on provisions for oil and natural gas production facilities and for land reclamation, and other provisions	8.6	9.8
- cost of discount on employee benefit obligations	1.4	1.5
- other	0.1	1.2
Bank fees	<b>3.5</b>	<b>4.2</b>
Other	<b>0.1</b>	<b>0.3</b>
<b>Total</b>	<b>44.1</b>	<b>58.5</b>

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

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**14. Income tax**

**14.1 Tax expense**

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Current tax	129.8	11.9
Deferred tax	48.5	202.5
<b>Total income tax charged to net profit or loss</b>	<b>178.3</b>	<b>214.4</b>
Tax expense recognised in other comprehensive income/(loss) (net), relating to cash flow hedges	10.5	45.1

For the 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 by this subsidiary is subject to taxation under two parallel tax systems: the corporate income tax system (23% tax rate) and the petroleum tax system (additional tax rate of 55%).

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**

	Statement of financial position		Change
	Mar 31 2018 (unaudited)	Dec 31 2017 (audited)	
Deferred tax assets	387.7	415.4	(27.7)
Deferred tax liabilities	(299.1)	(277.7)	(21.4)
<b>Net deferred tax assets/(liabilities)</b>	<b>88.6</b>	<b>137.7</b>	<b>(49.1)</b>
Exchange differences on translating deferred tax of foreign operations			(9.9)
Deferred tax disclosed under other comprehensive income/(loss), net			10.5
<b>Deferred tax expense charged to net profit or loss</b>			<b>(48.5)</b>

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**14.2.1 Deferred tax assets and liabilities**

Given that the Group companies are separate taxpayers, the deferred tax (deferred tax assets and liabilities) is calculated separately by individual companies. The Group companies offset deferred tax assets against deferred tax liabilities. Deferred tax assets (liabilities) before set-off comprised the following items:

	Dec 31 2017	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	Mar 31 2018
	(audited)				(unaudited)
<b>Deferred tax assets</b>					
Employee benefit obligations	59.1	(2.5)	-	0.1	56.7
Inventory write-downs	0.9	-	-	-	0.9
Impairment losses on property, plant and equipment and other intangible assets	301.7	-	-	9.5	311.2
Negative fair value of derivative financial instruments	6.0	(4.9)	-	-	1.1
Impairment losses on receivables	7.9	-	-	-	7.9
Finance lease liabilities	26.4	(1.8)	-	-	24.6
Provisions for/assets related to decommissioning of oil and gas extraction facilities and site restoration	499.4	16.4	-	13.6	529.4
Unrealised margin assets	6.7	(2.8)	-	-	3.9
Tax losses carried forward	2.3	0.3	-	-	2.6
Other provisions	9.2	(0.2)	-	-	9.0
Cash flow hedge accounting	52.9	-	(10.5)	-	42.4
Other	15.2	9.6	-	-	24.8
	<b>987.7</b>	<b>14.1</b>	<b>(10.5)</b>	<b>23.2</b>	<b>1,014.5</b>
<b>Deferred tax liabilities</b>					
Difference between current tax base and carrying amount of property, plant and equipment and other intangible assets	714.0	19.5	-	12.0	745.5
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	15.5	35.5	-	0.6	51.6
Positive fair value of derivative financial instruments	8.4	0.3	-	-	8.7
Exchange differences on revaluation of foreign-currency items	2.3	0.7	-	-	3.0
Tax liabilities associated with acquired exploration and production licences in Lithuania	15.4	(0.2)	-	0.1	15.3
Accrued interest	46.6	0.7	-	-	47.3
Other	47.8	6.1	-	0.6	54.5
	<b>850.0</b>	<b>62.6</b>	<b>-</b>	<b>13.3</b>	<b>925.9</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>137.7</b>	<b>(48.5)</b>	<b>(10.5)</b>	<b>9.9</b>	<b>88.6</b>

Taxable temporary differences are expected to expire in 2018–2083.

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**15. Earnings per share**

	3 months ended	3 months ended
	Mar 31 2018	Mar 31 2017
	(unaudited)	(unaudited)
Net profit attributable to owners of the Parent (PLNm) (A)	320.8	410.9
Weighted average number of shares (million) (B)	184.9	184.9
<b>Earnings per share (PLN) (A/B)</b>	<b>1.73</b>	<b>2.22</b>

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

Diluted earnings per share are equal to basic earnings per share as there are no instruments with a dilutive effect.

**16. Dividends**

As at March 31st 2018 and December 31st 2017, 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, whereby dividend payment and amounts are subject to certain conditions, including generation of sufficient free cash and achievement of certain levels of financial ratios.

As at the date of issue of these interim condensed consolidated financial statements, the Management Board of Grupa LOTOS S.A. did not resolve on proposed allocation of the Company's net profit for 2017.

**17. Impairment losses**

	Non-current assets of the Upstream segment		Non-current assets of the Downstream segment		Inventories		Receivables		Total	
	3 months ended Mar 31									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>At beginning of period (audited)</b>	<b>1,863.3</b>	<b>2,044.0</b>	<b>89.8</b>	<b>86.1</b>	<b>4.0</b>	<b>2.1</b>	<b>104.2</b>	<b>165.3</b>	<b>2,061.3</b>	<b>2,297.5</b>
Recognised	-	0.8	-	-	0.9	0.6	1.1	1.7	2.0	3.1
Exchange differences on translating foreign operations	45.0	(104.0)	-	-	-	-	-	-	45.0	(104.0)
Used / Reversed	-	-	-	(22.1)	(0.8)	(0.1)	(2.8)	(1.2)	(3.6)	(23.4)
<b>At end of period (unaudited)</b>	<b>1,908.3</b>	<b>1,940.8</b>	<b>89.8</b>	<b>64.0</b>	<b>4.1</b>	<b>2.6</b>	<b>102.5</b>	<b>165.8</b>	<b>2,104.7</b>	<b>2,173.2</b>

In accordance with IAS 2, inventories are measured at the lower of cost and 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 other expenses (the principal portion) and under finance income or finance costs (the default interest portion).

**18. Acquisition and sale of property, plant and equipment and intangible assets**

	3 months ended	3 months ended
	Mar 31 2018	Mar 31 2017
	(unaudited)	(unaudited)
Purchase of Upstream segment assets	80.0	33.9
Purchase of Downstream segment assets	102.0	322.6
<b>Total</b>	<b>182.0</b>	<b>356.5</b>

In the three months ended March 31st 2018, purchases made in the Upstream segment related mainly to the B-8 field in the Baltic Sea and production from the Sleipner and YME fields in Norway. Purchases in the Downstream segment were mostly associated with the EFRA Project.

In the three months ended March 31st 2017, purchases in the Upstream segment related mainly to the B-8 field in the Baltic Sea. In the Downstream segment, purchases were associated with the EFRA Project.

As at March 31st 2018, the Group's future contractual commitments related to purchases of property, plant and equipment and intangible assets, undisclosed in the statement of financial position, were 247,0 mln zł (December 31st 2017: 395,0 mln zł). The contracted capital expenditure was related, among other things, to the EFRA Project, the B-8 field development, preparation of engineering plans and specifications for the production of high-quality hydrocracked base oils, the Hydrogen Recovery Unit (HRU), and modernisation of locomotives.

In the three months ended March 31st 2018 and March 31st 2017, the Group did not sell any material items of property, plant and equipment or intangible assets.

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**19. Cash and cash equivalents**

	<b>Mar 31 2018</b>	<b>Mar 31 2017</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Cash and cash equivalents in the statement of financial position	1,470.4	999.5
Overdraft facilities	(104.0)	(312.8)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>1,366.4</b>	<b>686.7</b>

**20. Borrowings, other debt instruments and finance lease liabilities**

	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Bank borrowings:	3,805.7	3,903.0
- investment facilities contracted for a specific purpose	3,328.9	3,426.9
- working-capital facilities	164.3	139.4
- inventory financing and refinancing facility	686.4	696.8
- funds in bank deposits securing payment of interest and principal	(373.9)	(360.1)
Non-bank borrowings	65.3	68.3
Notes	200.1	313.0
Finance lease liabilities	131.9	141.6
<b>Total</b>	<b>4,203.0</b>	<b>4,425.9</b>
including:		
non-current	2,724.5	2,738.3
current	1,478.5	1,687.6

In the three months ended March 31st 2018 and March 31st 2017, there were no defaults under any credit facility, loan or lease agreements, or breaches of any material provisions of those agreements having an effect on the Group's financial statements.

In the three months ended March 31st 2018, proceeds from bank borrowings contracted by the Group were PLN 109.7m and included credit facilities contracted by LOTOS Asphalt Sp. z o.o. (PLN 72.3m) and AB LOTOS Geonafra (PLN 37.4m). In the same period, repayments of bank borrowings were PLN 229.7m and mainly included repayments under investment facilities of the Parent (PLN 107.7m), credit facilities of AB LOTOS Geonafra (PLN 40.6m, chiefly to refinance its existing debt), and credit facilities of LOTOS Exploration and Production Norge AS (PLN 67.5m). These amounts are presented in the statement of cash flows as cash flows from financing activities under Proceeds from bank borrowings and Repayment of bank borrowings, respectively.

The Group did not contract any non-bank borrowings in the three months ended March 31st 2018. Repayments of non-bank borrowings in the period amounted to PLN 3.2m and were primarily related to a loan contracted in 2014 in the upstream segment to finance the purchase of a drilling platform. This amount was disclosed in cash flows from financing activities under Repayment of non-bank borrowings.

In the three months ended March 31st 2018, the Group redeemed the notes issued by LOTOS Petrobaltic S.A. and presented the related expenditure of PLN 113.8m in cash flows from financing activities under Redemption of notes.

In 2016, the SPV B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. (upstream segment) concluded agreements with Bank Gospodarstwa Krajowego S.A. and Polski Fundusz Rozwoju S.A. (the Polish Development Fund, PFR) (Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) for financing the development of the B8 oil field in the Baltic Sea, including senior notes and subordinated notes programme agreements. As at March 31st 2018, the liability under the outstanding notes issued by B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A., net of issue costs, was PLN 200.1m. As at March 31st 2018, due to an event of default under the terms and conditions of the notes, there were grounds for their early redemption at the option of PFR and BGK. As at the date of these consolidated financial statements, the financing entities had not notified the Group of their intention to avail themselves of that option. The final redemption date of all the notes issued under the programme, in accordance with the annexes changing their maturities, falls on June 1st 2018.

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**21. Provisions**

	Note	Provisions for decommissioning and restoration costs				Total	Other provisions	Total
		Provision for oil and gas extraction facilities			Provisions for retired refining and other units			
		Poland	Norway	Lithuania				
<b>January 1 2018 (audited)</b>		<b>196.9</b>	<b>814.8</b>	<b>13.1</b>	<b>12.5</b>	<b>1,037.3</b>	<b>37.0</b>	<b>1,074.3</b>
Recognised		-	-	-	-	-	0.2	0.2
Remeasurement of estimated provision for contingent payments		-	-	-	-	-	(0.2)	(0.2)
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	-	8.3	0.2	-	8.5	0.1	8.6
Interest on Oil and Gas Facility Decommissioning Fund		0.1	-	-	-	0.1	-	0.1
Exchange differences on translating foreign operations		-	23.4	0.1	-	23.5	0.1	23.6
Used		-	-	-	-	-	(11.4)	(11.4)
Reversed		-	-	-	(0.1)	(0.1)	(2.1)	(2.2)
<b>March 31 2018 (unaudited)</b>		<b>197.0</b>	<b>846.5</b>	<b>13.4</b>	<b>12.4</b>	<b>1,069.3</b>	<b>23.7</b>	<b>1,093.0</b>
including:								
non-current		197.0	841.9	13.4	12.3	1,064.6	1.3	1,065.9
current		-	4.6	-	0.1	4.7	22.4	27.1
<b>January 1 2017 (audited)</b>		<b>186.5</b>	<b>958.6</b>	<b>14.0</b>	<b>15.2</b>	<b>1,174.3</b>	<b>82.8</b>	<b>1,257.1</b>
Recognised		-	-	-	-	-	0.6	0.6
Remeasurement of estimated provision for contingent payments		-	-	-	-	-	(0.2)	(0.2)
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	-	9.3	0.2	-	9.5	0.3	9.8
Interest on Oil and Gas Facility Decommissioning Fund		0.1	-	-	-	0.1	-	0.1
Exchange differences on translating foreign operations		-	(52.7)	(0.7)	-	(53.4)	(1.0)	(54.4)
Used		-	(3.9)	-	-	(3.9)	(33.3)	(37.2)
Reversed		-	-	-	-	-	-	-
<b>March 31 2017 (unaudited)</b>		<b>186.6</b>	<b>911.3</b>	<b>13.5</b>	<b>15.2</b>	<b>1,126.6</b>	<b>49.2</b>	<b>1,175.8</b>
including:								
non-current		186.6	901.5	13.5	13.8	1,115.4	5.5	1,120.9
current		-	9.8	-	1.4	11.2	43.7	54.9

Provisions for decommissioning and site restoration costs:

**Provision for oil and gas extraction facilities in Poland** – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licence areas, and the Oil and Gas Extraction Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas extraction 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 oil and gas extraction facilities in Norway** – a provision for future costs of decommissioning of the oil extraction facilities in the YME field, and the oil and gas extraction facilities in the Heimdal and Sleipner fields.

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

**Provisions for retired refining and other units** – a provision for site restoration and the cost of disassembly and decommissioning of the retired units 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. (a company of the LOTOS Petrobaltic Group), as well as for site restoration and clean-up.

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

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**22. Changes in the fair value determination method applied to financial instruments measured at fair value and in the classification of financial assets**

In the three months ended March 31st 2018, the Group made no changes to the method of fair value measurement applied to financial instruments measured at fair value (for description of the method, see Note 7.21 to the consolidated financial statements for 2017), made no transfers of financial instruments between fair value hierarchy levels (see Note 23.1 to the consolidated financial statements for 2017), and did not reclassify any of its financial instruments. As at March 31st 2018 and December 31st 2017, the Group held derivative instruments classified as fair value hierarchy Level 2.

As at March 31st 2018 and December 31st 2017, the fair values of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy (Level 2)	Mar 31 2018 (unaudited)	Dec 31 2017 (audited)
<b>Financial assets</b>		
Commodity swap	31.9	34.7
Currency forward and spot contracts	17.5	13.1
Interest rate swap (IRS)	14.3	9.3
Currency swap	29.1	107.4
<b>Total</b>	<b>92.8</b>	<b>164.5</b>
<b>Financial liabilities</b>		
Commodity swap	5.0	3.8
Currency forward and spot contracts	0.2	9.5
Interest rate swap (IRS)	0.7	27.8
Currency swap	51.3	38.3
<b>Total</b>	<b>57.2</b>	<b>79.4</b>

**23. Contingent liabilities and assets**

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

In the period between the end of the previous financial year, i.e. December 31st 2017, and the date of issue of these interim financial statements, there were no significant changes with respect to pending material court, arbitration, and administrative proceedings or with respect to other risks to the Company or its subsidiaries. For information on pending material proceedings, see Note 29.1 to the consolidated financial statements for 2017.

**23.2 Other contingent liabilities**

In the period between the end of the previous financial year, i.e. December 31st 2017, 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.

**24. Related parties**

**24.1 Transactions with joint ventures in which the Group holds interests**

In the three months ended March 31st 2018 and March 31st 2017, the Group made material transactions with LOTOS-Air BP Polska Sp. z o.o., involving mainly sale of aviation fuel. The aggregate value of the transactions executed in the three months ended March 31st 2018 was PLN 90.2m (three months ended March 31st 2017: PLN 67.1m). As at March 31st 2018, the balance of outstanding receivables under these transactions was PLN 28.4m.

**24.2 Entity having control of the Group**

As at March 31st 2018 and December 31st 2017, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the three months ended March 31st 2018 and March 31st 2017, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

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**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 three months ended March 31st 2018 and March 31st 2017, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded on an arm's length basis in the course of the Group's day-to-day operations and involved mainly purchase and sale of fuels, purchase of crude oil and natural gas, and transport services.

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Sales	63.3	75.7
Purchases	453.0	444.6
	Mar 31 2018 (unaudited)	Dec 31 2017 (audited)
Receivables	39.3	82.9
Liabilities	184.0	263.4

In addition, as at March 31st 2018, the Group had liabilities under credit facilities, loans, notes and finance leases towards banks and financial institutions of which the State Treasury has control or joint control or over which it exercises significant influence, in the total amount of PLN 1,435.3m (December 31st 2017: PLN 1,327.5m). These entities included PKO BP S.A., PEKAO S.A., BGK S.A., Polski Fundusz Rozwoju S.A., and Agencja Rozwoju Przemysłu S.A.

**24.2.2 Remuneration of members of the Company's governing bodies and its key management staff**

Remuneration paid to members of the Company's Management and Supervisory Boards	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
<b>Management Board</b>		
Short-term employee benefits (salaries)	0.6	0.4
<b>Management Board – subsidiaries <sup>(1)</sup></b>		
Short-term employee benefits (salaries)	-	0.3
<b>Supervisory Board</b>		
Short-term employee benefits (salaries)	0.1	0.1
<b>Total <sup>(2)</sup></b>	<b>0.7</b>	<b>0.8</b>

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

<sup>(2)</sup> The amount reflects changes in the composition of the Company's Management and Supervisory Boards.

In the three months ended March 31st 2018 and March 31st 2017, the Group did not enter into any transactions with any Management Board or Supervisory Board members, did not advance any loans, make any advance payments, issue any guarantees for or conclude any other agreements with any Management Board or Supervisory Board member, which could have a material bearing on these financial statements or were advanced, made, issued or concluded otherwise than on an arm's length basis.

Based on representations submitted by members of the Company's Management and Supervisory Boards, in the three months ended March 31st 2018 and March 31st 2017, Grupa LOTOS S.A. did not become aware of any transactions concluded with the Company or a company of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

Remuneration paid to members of key management staff (other than members of the Grupa LOTOS Management Board)	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Short-term employee benefits (salaries), including:	8.2	16.0
- annual bonus paid	0.3 <sup>(1)</sup>	6.0 <sup>(2)</sup>
- length-of-service award paid	0.1	0.3

<sup>(1)</sup> Remuneration paid in 2018 on account of annual bonus for 2017.

<sup>(2)</sup> Remuneration paid in 2017 on account of annual bonus for 2016.

In the three months ended March 31st 2018 and March 31st 2017, the Group did not provide any loans or similar benefits to other members of its key management staff.

**24.3 Transactions with related parties of members of the Management Board and the Supervisory Board**

In the three months ended March 31st 2018, the Group entered into transactions with parties related to it through members of the Management and Supervisory Boards. Those transactions were connected with the Group's day-to-day operations and related mainly to the purchase of civil liability insurance policies and property insurance policies for PLN 2.0m. All transactions with parties related to the Company through members of the Management or Supervisory Boards were executed on an arm's length basis, and the balance of those transactions outstanding as at March 31st 2018 was PLN 1.4m.

In the three months ended March 31st 2017, the Group did not execute any material transactions with parties related to it through members of the Management Board or Supervisory Board of Grupa LOTOS S.A.

## **II. QUARTERLY FINANCIAL INFORMATION OF THE PARENT FOR THE THREE MONTHS ENDED MARCH 31ST 2018**

**GRUPA LOTOS S.A.**  
**Quarterly financial information**  
**for the three months ended March 31st 2018**  
**(PLNm)**

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

	3 months ended Mar 31 2018 (unaudited)	3 months ended Mar 31 2017 (unaudited)
Revenue	5,645.6	4,750.0
Cost of sales	(5,170.9)	(4,197.7)
<b>Gross profit</b>	<b>474.7</b>	<b>552.3</b>
Distribution costs	(175.8)	(161.5)
Administrative expenses	(55.3)	(50.6)
Other income	0.7	10.1
Other expenses	(3.5)	(1.7)
<b>Operating profit</b>	<b>240.8</b>	<b>348.6</b>
Finance income	55.1	118.6
Finance costs	(26.8)	(31.5)
<b>Profit before tax</b>	<b>269.1</b>	<b>435.7</b>
Corporate income tax	(50.6)	(82.0)
<b>Net profit</b>	<b>218.5</b>	<b>353.7</b>
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified to profit or loss:		
Cash flow hedges	55.3	237.4
Corporate income tax relating to cash flow hedges	(10.5)	(45.1)
<b>Other comprehensive income/(loss), net</b>	<b>44.8</b>	<b>192.3</b>
<b>Total comprehensive income/(loss)</b>	<b>263.3</b>	<b>546.0</b>
<b>Earnings per share (PLN)</b>		
Weighted average number of shares (million)	184.9	184.9
- basic	1.18	1.91
- diluted	1.18	1.91

**GRUPA LOTOS S.A.**  
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**SEPARATE STATEMENT OF FINANCIAL POSITION**

	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,988.9	6,042.6
Intangible assets	99.8	99.9
Shares	2,344.5	2,288.5
Derivative financial instruments	1.5	0.7
Other non-current assets	268.1	208.7
<b>Total non-current assets</b>	<b>8,702.8</b>	<b>8,640.4</b>
<b>Current assets</b>		
Inventories	3,712.4	3,335.5
- including emergency stocks	2,516.5	2,116.9
Trade receivables	2,750.8	2,597.1
Derivative financial instruments	76.5	152.8
Other current assets	173.0	225.4
Cash and cash equivalents	428.7	828.1
<b>Total current assets</b>	<b>7,141.4</b>	<b>7,138.9</b>
<b>Total assets</b>	<b>15,844.2</b>	<b>15,779.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	184.9	184.9
Share premium	2,228.3	2,228.3
Cash flow hedging reserve	(180.4)	(225.2)
Retained earnings	6,922.8	6,704.3
<b>Total equity</b>	<b>9,155.6</b>	<b>8,892.3</b>
<b>Non-current liabilities</b>		
Bank borrowings	1,692.1	1,839.8
Derivative financial instruments	0.4	6.7
Deferred tax liabilities	255.3	227.2
Employee benefit obligations	60.1	58.6
Other liabilities and provisions	15.2	17.5
<b>Total non-current liabilities</b>	<b>2,023.1</b>	<b>2,149.8</b>
<b>Current liabilities</b>		
Bank borrowings	979.9	899.9
Derivative financial instruments	56.5	72.7
Trade payables	1,992.7	2,122.3
Current tax payables	20.8	22.6
Employee benefit obligations	45.8	51.9
Other liabilities and provisions	1,569.8	1,567.8
<b>Total current liabilities</b>	<b>4,665.5</b>	<b>4,737.2</b>
<b>Total liabilities</b>	<b>6,688.6</b>	<b>6,887.0</b>
<b>Total equity and liabilities</b>	<b>15,844.2</b>	<b>15,779.3</b>



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**SEPARATE STATEMENT OF CASH FLOWS**

(prepared using the indirect method)

	3 months ended Mar 31 2018	3 months ended Mar 31 2017
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
<b>Net profit</b>	<b>218.5</b>	<b>353.7</b>
<b>Adjustments:</b>	<b>(524.6)</b>	<b>(428.2)</b>
Income tax	50.6	82.0
Depreciation and amortisation	91.0	108.9
Foreign exchange (gains)/losses	0.5	(13.3)
Interest and dividends	13.4	16.2
Settlement and valuation of derivative financial instruments	3.0	(85.3)
(Increase)/Decrease in trade receivables	(153.7)	244.5
Decrease/(Increase) in other assets	5.5	(4.5)
(Increase) in inventories	(377.2)	(252.8)
(Decrease) in trade payables	(129.6)	(570.7)
(Decrease)/Increase in other liabilities and provisions	(23.5)	59.1
(Decrease) in employee benefit obligations	(4.6)	(12.3)
Income tax paid	(34.9)	(48.9)
<b>Net cash from operating activities</b>	<b>(341.0)</b>	<b>(123.4)</b>
<b>Cash flows from investing activities</b>		
Dividends received	0.2	27.2
Interest received	1.2	2.9
Sale of property, plant and equipment and intangible assets	-	0.2
Purchase of property, plant and equipment and intangible assets	(47.3)	(143.5)
Acquisition of shares in LOTOS Upstream Sp. z o.o.	(56.0)	-
Security deposit (margin)	23.3	(0.3)
Cash flows under cash pooling arrangement	(5.8)	117.5
Settlement of derivative financial instruments	0.9	(0.9)
<b>Net cash from investing activities</b>	<b>(83.5)</b>	<b>3.1</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(107.7)	(115.5)
Interest paid	(21.7)	(29.0)
Settlement of derivative financial instruments	48.9	(21.2)
<b>Net cash from financing activities</b>	<b>(80.5)</b>	<b>(165.7)</b>
<b>Total net cash flow</b>	<b>(505.0)</b>	<b>(286.0)</b>
Effect of exchange rate fluctuations on cash held	1.7	(2.4)
<b>Change in net cash</b>	<b>(503.3)</b>	<b>(288.4)</b>
<b>Cash at beginning of period</b>	<b>828.0</b>	<b>536.9</b>
<b>Cash at end of period</b>	<b>324.7</b>	<b>248.5</b>

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**SEPARATE STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
<b>January 1 2018 (audited)</b>	<b>184.9</b>	<b>2.228.3</b>	<b>(225.2)</b>	<b>6.704.3</b>	<b>8.892.3</b>
Net profit	-	-	-	218.5	218.5
Other comprehensive income/(loss), net	-	-	44.8	-	44.8
Total comprehensive income/(loss)	-	-	44.8	218.5	263.3
<b>March 31 2018 (unaudited)</b>	<b>184.9</b>	<b>2.228.3</b>	<b>(180.4)</b>	<b>6.922.8</b>	<b>9.155.6</b>
<b>January 1 2017 (audited)</b>	<b>184.9</b>	<b>2,228.3</b>	<b>(812.8)</b>	<b>5,469.2</b>	<b>7,069.6</b>
Net profit	-	-	-	353.7	353.7
Other comprehensive income/(loss), net	-	-	192.3	-	192.3
Total comprehensive income/(loss)	-	-	192.3	353.7	546.0
<b>March 31 2017 (unaudited)</b>	<b>184.9</b>	<b>2,228.3</b>	<b>(620.5)</b>	<b>5,822.9</b>	<b>7,615.6</b>

**AUTHORISATION OF QUARTERLY FINANCIAL REPORT FOR ISSUE**

This quarterly financial report was authorised for issue by the Management Board on April 26 2018.

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

Acting President of the Management Board

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Mateusz Aleksander Bonca

Chief Refining and Marketing Officer

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Jarosław Kawula

Supervisory Board member delegated to serve as member of the  
Management Board

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Piotr Ciach

Chief Accountant, acting Head of the Accounting and Finance  
Centre's Office

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Tomasz Południewski