



LOTOS Group

INTERIM FINANCIAL REPORT  
FOR THE FIRST HALF OF 2020

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TOGETHER WITH THE AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2020, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION

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

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**I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2020, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION**

**LOTOS GROUP**  
Interim condensed consolidated financial statements  
for the six months ended June 30th 2020  
(PLNm)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Revenue	8.1	4,245.5	10,341.3	7,662.0	14,403.0
Cost of sales	9	(3,564.6)	(10,249.8)	(6,565.9)	(12,508.9)
<b>Gross profit</b>		<b>680.9</b>	<b>91.5</b>	<b>1,096.1</b>	<b>1,894.1</b>
Selling expenses	9	(356.9)	(697.7)	(341.2)	(664.4)
Administrative expenses	9	(135.2)	(257.7)	(109.7)	(225.9)
Other income	10	5.9	16.9	19.9	26.4
Other expenses	11	(444.1)	(761.3)	(6.4)	(9.2)
<b>Operating profit/(loss)</b>		<b>(249.4)</b>	<b>(1,608.3)</b>	<b>658.7</b>	<b>1,021.0</b>
Finance income	12	189.5	11.5	78.3	82.8
Finance costs	13	(168.5)	(360.7)	(72.3)	(146.6)
Share in net profit/(loss) of equity-accounted joint ventures		(1.2)	(2.0)	1.4	1.1
<b>Profit/(loss) before tax</b>		<b>(229.6)</b>	<b>(1,959.5)</b>	<b>666.1</b>	<b>958.3</b>
Corporate income tax	14.1	153.2	571.5	(165.6)	(285.3)
<b>Net profit/(loss)</b>		<b>(76.4)</b>	<b>(1,388.0)</b>	<b>500.5</b>	<b>673.0</b>
<b>Other comprehensive income/(loss)</b>					
Exchange differences on translating foreign operations		20.0	(33.4)	(8.5)	3.2
Cash flow hedges		104.3	38.4	70.5	54.5
Corporate income tax relating to cash flow hedges	14.1	(19.8)	(7.3)	(13.4)	(10.4)
<b>Other comprehensive income/(loss), net</b>		<b>104.5</b>	<b>(2.3)</b>	<b>48.6</b>	<b>47.3</b>
<b>Total comprehensive income/(loss)</b>		<b>28.1</b>	<b>(1,390.3)</b>	<b>549.1</b>	<b>720.3</b>
<b>Net profit/(loss) attributable to:</b>					
Owners of the Parent	15	(76.4)	(1,388.0)	500.5	673.0
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Parent		28.1	(1,390.3)	549.1	720.3
<b>Net profit/(loss) attributable to owners of the Parent per share (PLN)</b>					
Weighted average number of shares (million)	15	184.9	184.9	184.9	184.9
- basic	15	(0.41)	(7.51)	2.71	3.64
- diluted	15	(0.41)	(7.51)	2.71	3.64

The Notes to the interim condensed consolidated financial statements, presented on pages 9 to 32, are an integral part of the financial statements.

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**LOTOS GROUP**  
**Interim condensed consolidated financial statements**  
**for the six months ended June 30th 2020**  
**(PLNm)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment of the Refining & Marketing segment	9,523.6	9,638.4
Intangible assets of the Refining & Marketing segment	172.8	160.0
Property, plant and equipment of the Exploration & Production segment	2,892.4	3,632.4
Intangible assets of the Exploration & Production segment	296.1	330.5
Equity-accounted joint ventures	25.9	142.2
Deferred tax assets	14.2 404.7	174.5
Derivative financial instruments	13.2	0.1
Other non-current assets	171.3	158.1
<b>Total non-current assets</b>	<b>13,500.0</b>	<b>14,236.2</b>
<b>Current assets</b>		
Inventories	3,249.3	4,854.3
- including emergency stocks	2,097.1	3,023.8
Trade receivables	1,590.5	2,609.1
Current tax assets	72.3	96.7
Derivative financial instruments	21.4	25.1
Other current assets	279.8	334.1
Cash and cash equivalents	19 2,320.5	1,516.6
<b>Total current assets</b>	<b>7,533.8</b>	<b>9,435.9</b>
<b>Total assets</b>	<b>21,033.8</b>	<b>23,672.1</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	(172.5)	(203.6)
Retained earnings	8,842.6	10,415.5
Translation reserve	56.8	90.2
<b>Equity attributable to owners of the Parent</b>	<b>11,140.1</b>	<b>12,715.3</b>
Non-controlling interests	0.1	0.1
<b>Total equity</b>	<b>11,140.2</b>	<b>12,715.4</b>
<b>Non-current liabilities</b>		
Borrowings, other debt instruments and leases	20 3,114.7	3,142.6
Derivative financial instruments	21.6	6.6
Deferred tax liabilities	14.2 120.5	475.2
Employee benefit obligations	214.4	207.5
Other liabilities and provisions	1,229.4	1,266.0
<b>Total non-current liabilities</b>	<b>4,700.6</b>	<b>5,097.9</b>
<b>Current liabilities</b>		
Borrowings, other debt instruments and leases	20 1,216.3	1,273.8
Derivative financial instruments	46.4	15.3
Trade payables	1,459.2	1,940.8
Current tax liabilities	75.5	217.1
Employee benefit obligations	163.1	174.3
Other liabilities and provisions	2,232.5	2,237.5
<b>Total current liabilities</b>	<b>5,193.0</b>	<b>5,858.8</b>
<b>Total liabilities</b>	<b>9,893.6</b>	<b>10,956.7</b>
<b>Total equity and liabilities</b>	<b>21,033.8</b>	<b>23,672.1</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

(prepared using the indirect method)

	Note	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit</b>		<b>(1,388.0)</b>	<b>673.0</b>
<b>Adjustments:</b>		<b>3,398.7</b>	<b>569.8</b>
Income tax	14.1	(571.5)	285.3
Share in net profit/(loss) of equity-accounted joint ventures		2.0	(1.1)
Depreciation and amortisation	8; 9	548.1	425.8
Foreign exchange (gains)/losses		205.1	16.9
Interest and dividends		50.9	84.4
(Gains)/losses from investing activities		3.6	3.0
Impairment losses on shares in equity-accounted joint ventures	13; 17	114.5	-
Impairment losses/(Reversal of impairment losses) on property, plant and equipment and intangible assets	11	743.2	(0.1)
Settlement and measurement of derivative financial instruments	12; 13	101.2	(47.0)
Decrease/(Increase) in trade receivables		1,018.6	(672.6)
Decrease in other assets		54.2	42.9
Decrease in inventories		1,604.9	152.2
(Decrease) in trade payables		(481.6)	(28.9)
Increase in other liabilities and provisions		9.8	322.5
(Decrease) in employee benefit obligations		(4.3)	(13.5)
Income tax paid		(224.9)	(504.7)
<b>Net cash from operating activities</b>		<b>1,785.8</b>	<b>738.1</b>
<b>Cash flows from investing activities</b>			
Dividends received – equity-accounted joint ventures		-	6.1
Dividends received from other entities		2.4	2.1
Interest received		0.1	2.2
Proceeds from sale of property, plant and equipment and intangible assets		0.2	0.1
Purchase of property, plant and equipment and intangible assets		(505.4)	(478.3)
Cash contributions – equity-accounted joint ventures	2	(4.1)	(10.8)
Security deposit (margin)		10.3	(34.5)
Funds for future costs of decommissioning of oil and gas extraction facilities		(26.1)	440.8
Settlement of derivative financial instruments		(4.4)	22.5
<b>Net cash from investing activities</b>		<b>(527.0)</b>	<b>(49.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	20	70.3	228.9
Grants received		-	0.2
Repayment of bank borrowings	20	(255.5)	(402.2)
Repayment of non-bank borrowings	20	(3.9)	(6.6)
Interest paid	20	(126.9)	(128.1)
Lease payments	20	(111.3)	(96.1)
Settlement of derivative financial instruments		(54.1)	(32.3)
<b>Net cash from financing activities</b>		<b>(481.4)</b>	<b>(436.2)</b>
<b>Total net cash flow</b>		<b>777.4</b>	<b>252.1</b>
Effect of exchange rate fluctuations on cash held		26.5	(9.9)
<b>Change in net cash</b>		<b>803.9</b>	<b>242.2</b>
<b>Cash at beginning of period</b>		<b>1,516.6</b>	<b>1,938.3</b>
<b>Cash at end of period</b>	19	<b>2,320.5</b>	<b>2,180.5</b>

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**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>Jan 1 2020 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(203.6)</b>	<b>10,415.5</b>	<b>90.2</b>	<b>12,715.3</b>	<b>0.1</b>	<b>12,715.4</b>
Net loss	15	-	-	(1,388.0)	-	(1,388.0)	-	(1,388.0)	
Other comprehensive income/(loss), net		-	-	31.1	(33.4)	(2.3)	-	(2.3)	
Total comprehensive income/(loss)		-	-	31.1	(33.4)	(1,390.3)	-	(1,390.3)	
Dividend	16	-	-	(184.9)	-	(184.9)	-	(184.9)	
<b>Jun 30 2020 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(172.5)</b>	<b>8,842.6</b>	<b>56.8</b>	<b>11,140.1</b>	<b>0.1</b>	<b>11,140.2</b>
<b>Jan 1 2019 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(288.2)</b>	<b>9,826.1</b>	<b>83.6</b>	<b>12,034.7</b>	<b>0.1</b>	<b>12,034.8</b>
Net profit	15	-	-	673.0	-	673.0	-	673.0	
Other comprehensive income/(loss), net		-	-	44.1	3.2	47.3	-	47.3	
Total comprehensive income/(loss)		-	-	44.1	3.2	720.3	-	720.3	
Dividend		-	-	(554.6)	-	(554.6)	-	(554.6)	
<b>Jun 30 2019 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(244.1)</b>	<b>9,944.5</b>	<b>86.8</b>	<b>12,200.4</b>	<b>0.1</b>	<b>12,200.5</b>

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## 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 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 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 a foundation.

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

Presented below is information on the registered addresses and business activities of the aforementioned entities, as well as on the Group's ownership interests in those entities as at June 30th 2020 (which did not change materially relative to December 31st 2019 or June 30th 2019).

Name	Registered office	Business profile	The Group's ownership interest
<b>Parent</b>			
<b>Refining &amp; Marketing segment</b>			
• Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable
<b>Direct fully-consolidated subsidiaries</b>			
<b>Exploration &amp; Production segment</b>			
• LOTOS Upstream Sp. z o.o. (parent of another group: LOTOS Upstream Group)	Gdańsk	Activities of head offices and holdings	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%
<b>Refining &amp; Marketing 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%
• LOTOS Oil Sp. z o.o.	Gdańsk	Manufacturing and sale of lubricating oils and lubricants, and sale of base oils	100.00%
• LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%
• LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%
• LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%
• LOTOS Lab Sp. z o.o. (parent of another group: LOTOS Lab Group)	Gdańsk	Laboratory testing	100.00%
• LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%
• LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%
• LOTOS Terminale S.A. (parent of another group: LOTOS Terminale Group)	Czechowice-Dziedzice	Storage and distribution of fuels	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%
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%
<b>Non-consolidated direct subsidiaries <sup>(1)</sup></b>			
• Infrastruktura Kolejowa Sp. z o.o. w likwidacji	Gdańsk	Dormant	100.00%
• LOTOS Foundation	Gdańsk	Public benefit activities 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%

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Notes to the financial statements

(PLNm)

Name	Registered office	Business profile	The Group's ownership interest
<b>Indirect fully-consolidated subsidiaries</b>			
<b>Refining &amp; Marketing segment</b>			
<b>LOTOS Lab Group</b>			
• LOTOS Vera Sp. z o.o.	Warsaw	Manufacture of cars	100.00%
<b>LOTOS Infrastruktura Group</b>			
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%
<b>LOTOS Terminale Group</b>			
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%
<b>Exploration &amp; Production segment</b>			
<b>LOTOS Upstream Group</b>			
• LOTOS Exploration and Production Norge AS	Norway, Stavanger	Crude oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil and gas exploration and production	100.00%
• 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%
• UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	100.00%
• UAB Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	100.00%
• LOTOS Upstream UK Ltd.	London, United Kingdom	Crude oil and gas exploration and production	100.00%
<b>LOTOS Petrobaltic Group</b>			
• B8 Sp. z o.o.	Gdańsk	Support activities for extraction and quarrying operations	99.99%
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Crude oil and gas exploration and production	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%
• 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%
• SPV Baltic Sp. z o.o.	Gdańsk	Provision of sea transport and related services	99.99%
• SPV Petro Sp. z o.o.	Gdańsk	Support activities for oil and gas production, sea transport	99.99%
• Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	99.99%
• Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%
• Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99%

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**Notes to the financial statements**

(PLNm)

Name	Registered office	Business profile	The Group's ownership interest
<b>Equity-accounted joint ventures</b>			
<b>Refining &amp; Marketing segment</b>			
LOTOS-Air BP Polska Sp. z o.o. <sup>(2)</sup>	Gdańsk	Sale of aviation fuel and logistics services	50.00%
<b>Exploration &amp; Production segment</b>			
<b>LOTOS Upstream Group</b>			
Baltic Gas Sp. z o.o. <sup>(3)</sup>	Gdańsk	Crude oil and gas production (support activities for crude oil and gas production)	50.00%
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. <sup>(3)</sup>	Gdańsk	Crude oil and gas production	45.88%
<b>AB LOTOS Geonafta Group</b>			
UAB Minijos Nafta <sup>(4)</sup>	Lithuania, Gargždai	Crude oil exploration and production	50.00%

<sup>(1)</sup> The companies were excluded from consolidation due to immateriality of the amounts disclosed in their financial statements as at June 30th 2020 (IFRS 10 *Consolidated Financial Statements*).

<sup>(2)</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>(3)</sup> Agreement on cooperation between LOTOS Upstream Sp. z o.o. 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).

In Q2 2020, CalEnergy Resources Poland Sp. z o.o. and LOTOS Upstream Sp. z o.o. made the agreed cash contributions to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. of PLN 3.9m and PLN 4.1m, respectively, which changed the Group's ownership interest in the company relative to December 31st 2019, from 45.71% to 45.88%. The expenditure on cash contributions made by LOTOS Upstream Sp. z o.o. was disclosed by the Group in the consolidated statement of cash flows under *Cash contributions – equity-accounted joint ventures*.

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.

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

### 3. Changes in the entity's structure in the interim period, including changes which follow from mergers, acquisitions or sale of subsidiaries, long-term investments, restructuring or discontinuation of business

Since the end of the previous financial year, i.e. December 31st 2019 (see Note 2 to the consolidated financial statements for 2019), 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 the EU-endorsed International Accounting Standard IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements present the financial position of the Group as at June 30th 2020 and December 31st 2019, the results of the Group's operations for the six months ended June 30th 2020 and June 30th 2019, and cash flows for the six months ended June 30th 2020 and June 30th 2019.

The interim financial statements should be read in conjunction with the audited [Consolidated financial statements of the LOTOS Group for 2019](#), issued on March 12th 2020 (the "consolidated financial statements for 2019").

The data presented in these interim consolidated financial statements as at June 30th 2020 and for the six months ended on that date, as well as the comparative financial data for the six months ended June 30th 2019, was reviewed by an auditor. The financial data for the three months ended June 30th 2020 as well as the comparative financial data for the three months ended June 30th 2019 included in these interim consolidated financial statements was not reviewed by an auditor. Data as at December 31st 2019 was audited. The auditor's report on the consolidated financial statements for 2019 was issued on March 9th 2020.

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 2019 (see Note 7 to the consolidated financial statements for 2019), without restatement of comparative data or correction of errors.

#### 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 2019 and which have not been endorsed by the European Union:

- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Liabilities and Contingent Assets*, amendments to various standards as part of IFRS Annual Improvements cycle 2018–2020 (effective for annual periods beginning on or after January 1st 2022);
- Amendments to IFRS 16 *Leases: Covid-19-Related Rent Concessions* (effective for annual periods beginning on or after June 1st 2020);
- Amendments to IFRS 4 *Insurance Contracts*, deferral of IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2021).

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:

NBP's mid rate quoted for:	Jun 30 2020 <sup>(1)</sup>	Dec 31 2019 <sup>(2)</sup>
USD	3.9806	3.7977
EUR	4.4660	4.2585
GBP	4.8851	4.9971
NOK	0.4088	0.4320

<sup>(1)</sup> NBP's mid rates table effective for June 30th 2020.

<sup>(2)</sup> NBP's mid rates table effective for December 31st 2019.

NBP's average mid rate for the reporting period	6 months ended Jun 30 2020 <sup>(1)</sup>	6 months ended Jun 30 2019 <sup>(2)</sup>
USD	4.0214	3.7936
EUR	4.4413	4.2880
GBP	5.0497	4.9130
NOK	0.4098	0.4417

<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 – June 30th 2020.

<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 – June 30th 2019.

#### 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. 2019, 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 Q2 2020 consolidated results.

In H1 2020, the Group's performance was materially affected by the COVID-19 pandemic, mainly through increased impairment losses on non-current assets and write-downs due to inventory valuation to net realisable value (see Note 17).

Since March 2020, the market environment of the Group companies has been extremely volatile and unpredictable. The Group has been operating in an environment prone to rapid changes triggered by the pandemic and by measures taken to contain its impact, both in Poland and globally.

The balance and liquidity in international trade, including trade in goods and services, has been disturbed and passenger traffic has fallen markedly. Restrictions have been imposed on both air and road transport. Many countries have forbidden non-essential travel, restricted the use of services, retail outlets, institutions of culture and schools. Borders have been closed for tourist traffic and migrant workforce. On March 14th 2020, the state of epidemic threat was introduced in Poland, resulting in the imposition of restrictions described above.

#### Impairment of non-financial assets

In H1 2020, the Group assessed whether there was any indication of impairment of non-financial non-current assets. Given the market situation caused by the COVID-19 pandemic and based on both internal and external data, such as lower commodity and product prices, lower market interest rates, depressed demand and a decline in selling prices, the Group concluded that these factors may be an indication of impairment of non-financial non-current assets. Impairment tests demonstrated the need to recognise impairment losses on property, plant and equipment and intangible assets of PLN 743.4m, and on shares in equity-accounted joint ventures (for more information, see Note 17).

#### Inventories written down to net realisable value

In H1 2020, as a result of a decline in oil and gas prices on the market destabilised by the COVID-19 pandemic, demand for the Group's products fell and so did their selling prices. In Q1 2020, the Group re-measured inventories to net realisable value, recognising write-downs of PLN 866.4m. In Q2 2020, the Group used the write-downs recognised in Q1 2020 and, given an increase in crude oil and petroleum product prices following a gradual improvement in demand as a result of 'unfreezing' of the economy, did not recognise any new inventory write-downs (see Note 17).

#### Expected credit loss (ECL) assessment

Large-scale operational disruptions that could potentially entail liquidity constraints for certain entities may also have an adverse impact on the credit quality of various actors along the supply chain. As at June 30th 2020, the Group performed an analysis to assess the potential impact of the COVID-19 pandemic on its calculation of expected credit losses and related impairment losses. The Group's credit policy, security instruments used and factoring agreements in place allow it to assume that the loss ratio for receivables recognised as at the reporting date will remain largely unchanged.

The Group keeps monitoring market developments and any information on its customers that could suggest a deterioration of their financial standing. Based on an analysis it had carried out, the Group did not revise the assumptions underlying the expected credit loss assessment as at June 30th 2020 relative to those adopted as at December 31st 2019. The Group will update the analysis and assumptions for the purposes of the financial statements for Q3 2020 when further analyses show that such update is necessary.

#### Liquidity

As at the date of these interim consolidated financial statements, the Group maintained its liquidity, and had financing available for its operating and investing activities.

#### **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, except for impairment losses on non-current assets recognised by the Group (see Note 17).

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**8. Business segments**

	Exploration & Production segment		Refining & Marketing segment		Consolidation adjustments		Consolidated	
	3 months ended Jun 30							
	2020	2019	2020	2019	2020	2019	2020	2019
	(unaudited)							
<b>Revenue:</b>	213.2	307.4	4,155.8	7,487.8	(123.5)	(133.2)	4,245.5	7,662.0
Intersegment sales	109.5	121.8	14.0	11.4	(123.5)	(133.2)	-	-
External sales	103.7	185.6	4,141.8	7,476.4	-	-	4,245.5	7,662.0
<b>Operating profit/(loss) (EBIT)</b>	<b>(474.9)</b>	<b>128.7</b>	<b>234.6</b>	<b>525.2</b>	<b>(9.1)</b>	<b>4.8</b>	<b>(249.4)</b>	<b>658.7</b>
Depreciation and amortisation	82.5	49.6	190.2	163.1	-	-	272.7	212.7
<b>Operating profit/(loss) before depreciation and amortisation (EBITDA)</b>	<b>(392.4)</b>	<b>178.3</b>	<b>424.8</b>	<b>688.3</b>	<b>(9.1)</b>	<b>4.8</b>	<b>23.3</b>	<b>871.4</b>

	Exploration & Production segment		Refining & Marketing segment		Consolidation adjustments		Consolidated	
	6 months ended Jun 30							
	2020	2019	2020	2019	2020	2019	2020	2019
	(unaudited)							
<b>Revenue:</b>	542.5	618.1	10,038.7	14,021.6	(239.9)	(236.7)	10,341.3	14,403.0
Intersegment sales	208.4	216.1	31.5	20.6	(239.9)	(236.7)	-	-
External sales	334.1	402.0	10,007.2	14,001.0	-	-	10,341.3	14,403.0
<b>Operating profit/(loss) (EBIT)</b>	<b>(672.8)</b>	<b>281.8</b>	<b>(922.2)</b>	<b>741.3</b>	<b>(13.3)</b>	<b>(2.1)</b>	<b>(1,608.3)</b>	<b>1,021.0</b>
Depreciation and amortisation	168.6	102.1	379.5	323.7	-	-	548.1	425.8
<b>Operating profit/(loss) before depreciation and amortisation (EBITDA)</b>	<b>(504.2)</b>	<b>383.9</b>	<b>(542.7)</b>	<b>1,065.0</b>	<b>(13.3)</b>	<b>(2.1)</b>	<b>(1,060.2)</b>	<b>1,446.8</b>

	Exploration & Production segment		Refining & Marketing segment		Consolidation adjustments		Consolidated	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<b>Total assets</b>	4,124.3	4,899.4	19,290.8	21,159.7	(2,381.3)	(2,387.0)	21,033.8	23,672.1

**8.1 Revenue**

Type of goods or services	Exploration & Production segment		Refining & Marketing segment		Consolidated	
	3 months ended Jun 30					
	2020	2019	2020	2019	2020	2019
	(unaudited)					
<b>Revenue from contracts with customers:</b>	103.7	185.6	4,210.3	7,499.9	4,314.0	7,685.5
Products and services	103.5	184.8	3,955.4	7,237.2	4,058.9	7,422.0
Merchandise and materials	0.2	0.8	254.9	262.7	255.1	263.5
Effect of cash flow hedge accounting	-	-	(68.5)	(23.5)	(68.5)	(23.5)
<b>Total revenue</b>	<b>103.7</b>	<b>185.6</b>	<b>4,141.8</b>	<b>7,476.4</b>	<b>4,245.5</b>	<b>7,662.0</b>

Type of goods or services	Exploration & Production segment		Refining & Marketing segment		Consolidated	
	6 months ended Jun 30					
	2020	2019	2020	2019	2020	2019
	(unaudited)					
<b>Revenue from contracts with customers:</b>	334.1	402.0	10,138.8	14,045.9	10,472.9	14,447.9
Products and services	333.7	401.1	9,580.6	13,485.0	9,914.3	13,886.1
Merchandise and materials	0.4	0.9	558.2	560.9	558.6	561.8
Effect of cash flow hedge accounting	-	-	(131.6)	(44.9)	(131.6)	(44.9)
<b>Total revenue</b>	<b>334.1</b>	<b>402.0</b>	<b>10,007.2</b>	<b>14,001.0</b>	<b>10,341.3</b>	<b>14,403.0</b>

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Sales by products, merchandise and services	Exploration & Production segment		Refining & Marketing segment		Consolidated	
	3 months ended Jun 30					
	2020	2019	2020	2019	2020	2019
	(unaudited)					
Gasolines	-	-	541.7	1,123.3	541.7	1,123.3
Naphtha	-	-	136.8	267.8	136.8	267.8
Diesel oils	-	-	2,504.4	4,080.8	2,504.4	4,080.8
Bunker fuel	-	-	29.4	54.4	29.4	54.4
Light fuel oil	-	-	79.9	117.1	79.9	117.1
Heavy fuel oil	-	-	29.6	388.1	29.6	388.1
Aviation fuel	-	-	22.4	278.5	22.4	278.5
Lubricants	-	-	85.9	80.9	85.9	80.9
Base oils	-	-	58.1	106.2	58.1	106.2
Bitumens	-	-	276.5	438.1	276.5	438.1
LPG	-	-	90.7	150.2	90.7	150.2
Crude oil	54.8	67.7	36.0	-	90.8	67.7
Natural gas	34.9	101.8	-	0.2	34.9	102.0
Xylene fraction	-	-	28.9	72.4	28.9	72.4
Other refining products, merchandise and materials	-	-	83.7	92.2	83.7	92.2
Other products, merchandise and materials	1.3	2.1	121.6	155.5	122.9	157.6
Services	12.7	14.0	84.7	94.2	97.4	108.2
Effect of cash flow hedge accounting	-	-	(68.5)	(23.5)	(68.5)	(23.5)
<b>Total</b>	<b>103.7</b>	<b>185.6</b>	<b>4,141.8</b>	<b>7,476.4</b>	<b>4,245.5</b>	<b>7,662.0</b>

Sales by products, merchandise and services	Exploration & Production segment		Refining & Marketing segment		Consolidated	
	6 months ended Jun 30					
	2020	2019	2020	2019	2020	2019
	(unaudited)					
Gasolines	-	-	1,443.9	2,051.7	1,443.9	2,051.7
Naphtha	-	-	346.4	473.1	346.4	473.1
Diesel oils	-	-	5,869.8	7,565.7	5,869.8	7,565.7
Bunker fuel	-	-	83.3	102.3	83.3	102.3
Light fuel oil	-	-	247.9	303.1	247.9	303.1
Heavy fuel oil	-	-	195.4	1,059.8	195.4	1,059.8
Aviation fuel	-	-	352.6	564.2	352.6	564.2
Lubricants	-	-	164.8	153.1	164.8	153.1
Base oils	-	-	172.5	238.0	172.5	238.0
Bitumens	-	-	338.7	491.4	338.7	491.4
LPG	-	-	214.3	262.2	214.3	262.2
Crude oil	190.9	104.3	36.0	-	226.9	104.3
Natural gas	112.9	265.7	0.2	0.7	113.1	266.4
Xylene fraction	-	-	88.8	143.6	88.8	143.6
Other refining products, merchandise and materials	0.2	-	171.3	174.8	171.5	174.8
Other products, merchandise and materials	3.2	4.6	244.1	274.9	247.3	279.5
Services	26.9	27.4	168.8	187.3	195.7	214.7
Effect of cash flow hedge accounting	-	-	(131.6)	(44.9)	(131.6)	(44.9)
<b>Total</b>	<b>334.1</b>	<b>402.0</b>	<b>10,007.2</b>	<b>14,001.0</b>	<b>10,341.3</b>	<b>14,403.0</b>

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Sales by geographical markets	Exploration & Production segment		Refining & Marketing segment		Consolidated	
	3 months ended Jun 30					
	2020	2019	2020	2019	2020	2019
	(unaudited)					
Poland	1.1	1.6	3,580.4	6,264.3	3,581.5	6,265.9
Belgium	-	-	43.5	164.2	43.5	164.2
Czech Republic	-	-	37.4	92.5	37.4	92.5
Denmark	-	-	0.4	88.7	0.4	88.7
France	-	-	33.4	3.3	33.4	3.3
Netherlands	-	-	108.5	453.4	108.5	453.4
Germany	5.4	14.2	184.8	61.8	190.2	76.0
Norway	89.7	163.2	-	0.1	89.7	163.3
Sweden	-	-	34.7	56.6	34.7	56.6
United Kingdom	7.4	4.2	54.5	85.6	61.9	89.8
Other countries	0.1	2.4	132.7	229.4	132.8	231.8
Effect of cash flow hedge accounting	-	-	(68.5)	(23.5)	(68.5)	(23.5)
<b>Total</b>	<b>103.7</b>	<b>185.6</b>	<b>4,141.8</b>	<b>7,476.4</b>	<b>4,245.5</b>	<b>7,662.0</b>

Sales by geographical markets	2020		2019		2020		2019	
	6 months ended Jun 30							
	(unaudited)							
Poland	4.1	4.3	8,454.5	11,241.7	8,458.6	11,246.0		
Belgium	-	-	147.9	269.5	147.9	269.5		
Czech Republic	-	-	87.4	131.7	87.4	131.7		
Denmark	-	-	69.7	141.7	69.7	141.7		
France	-	-	82.2	4.5	82.2	4.5		
Netherlands	-	-	394.3	1,227.4	394.3	1,227.4		
Germany	13.4	30.5	292.9	105.8	306.3	136.3		
Norway	284.4	349.1	19.5	18.1	303.9	367.2		
Sweden	-	-	208.0	312.3	208.0	312.3		
United Kingdom	32.0	15.5	116.5	161.4	148.5	176.9		
Other countries	0.2	2.6	265.9	431.8	266.1	434.4		
Effect of cash flow hedge accounting	-	-	(131.6)	(44.9)	(131.6)	(44.9)		
<b>Total</b>	<b>334.1</b>	<b>402.0</b>	<b>10,007.2</b>	<b>14,001.0</b>	<b>10,341.3</b>	<b>14,403.0</b>		

#### 9. Expenses by nature

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortisation	8	272.7	548.1	212.7	425.8
Raw materials and consumables used <sup>(1)</sup>		3,405.9	8,228.3	5,928.9	11,187.9
Services		363.7	695.3	391.2	692.3
Taxes and charges		146.6	299.1	143.2	274.0
Employee benefits expense		231.1	465.4	211.7	430.3
Other expenses by nature		62.4	123.1	57.0	91.6
Merchandise and materials sold		231.0	519.0	210.4	471.5
<b>Total expenses by nature</b>		<b>4,713.4</b>	<b>10,878.3</b>	<b>7,155.1</b>	<b>13,573.4</b>
Change in products and adjustments to cost of sales		(656.7)	326.9	(138.3)	(174.2)
<b>Total</b>		<b>4,056.7</b>	<b>11,205.2</b>	<b>7,016.8</b>	<b>13,399.2</b>
including:					
Cost of sales		3,564.6	10,249.8	6,565.9	12,508.9
Selling expenses		356.9	697.7	341.2	664.4
Administrative expenses		135.2	257.7	109.7	225.9

<sup>(1)</sup> Including foreign exchange gains and losses related to operating activities, recognised in cost of sales for the three and six months ended June 30th 2020: PLN 4.4m of foreign exchange gains and PLN 42.9m of foreign exchange losses (for the three and six months ended June 30th 2019: PLN 33.8m and PLN 8.7m of foreign exchange gains).



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**10. Other income**

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of non-financial non-current assets		-	0.2	-	-
Grants		1.7	2.1	13.5	13.5
Provisions:		-	4.2	-	-
- remeasurement of provision for contingent payments – Slepner assets acquisition agreement	21	-	4.4	-	-
- other provisions		-	(0.2)	-	-
Reversal of impairment losses on receivables		-	0.3	-	-
Compensation		1.1	2.6	2.3	5.7
Lease modifications		1.3	3.5	0.4	2.2
Other		1.8	4.0	3.7	5.0
<b>Total</b>		<b>5.9</b>	<b>16.9</b>	<b>19.9</b>	<b>26.4</b>

**11. Other expenses**

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Impairment losses on property, plant and equipment and intangible assets</b>		<b>438.7</b>	<b>743.2</b>	-	-
<b>Impairment losses:</b>		<b>438.8</b>	<b>743.4</b>	-	-
• on oil and gas development assets: - Norway: YME field	17	129.8	353.4	-	-
• oil and gas production assets:		<b>309.0</b>	<b>381.4</b>	-	-
- Poland: B-3 field	17	118.3	118.3	-	-
- Poland: B-8 field	17	135.0	135.0	-	-
- Norway: Utgard field	17	55.5	108.9	-	-
- Lithuania: Ližiai, Kretinga, Nausodis, Vėžaičiai, and Girkaliai fields	17	0.2	19.2	-	-
• on refinery and other non-current assets: (service stations)	17	-	8.6	-	-
<b>Reversal of impairment losses:</b>	17	<b>(0.1)</b>	<b>(0.2)</b>	-	-
• on refinery and other non-current assets	17	(0.1)	(0.2)	-	-
<b>Gain on disposal of non-financial non-current assets</b>		<b>0.2</b>	-	<b>0.3</b>	<b>1.0</b>
<b>Loss on discontinued projects</b>		<b>0.1</b>	<b>0.1</b>	<b>1.0</b>	<b>1.0</b>
<b>Impairment losses on receivables</b>		<b>0.9</b>	-	<b>1.6</b>	<b>0.3</b>
<b>Provisions</b>		<b>0.4</b>	-	<b>1.2</b>	<b>1.3</b>
<b>Fines and compensation</b>		<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>
<b>Damage to property arising in ordinary course of business</b>		<b>1.3</b>	<b>1.7</b>	<b>0.1</b>	<b>0.8</b>
<b>Membership fees</b>		<b>0.8</b>	<b>2.4</b>	<b>1.4</b>	<b>2.8</b>
<b>Charitable donations</b>		<b>1.1</b>	<b>12.1</b>	<b>0.2</b>	<b>0.3</b>
<b>Other</b>		<b>0.4</b>	<b>1.5</b>	<b>0.3</b>	<b>1.1</b>
<b>Total</b>		<b>444.1</b>	<b>761.3</b>	<b>6.4</b>	<b>9.2</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 taken to profit or loss are disclosed separately, as presented in the table above.

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**12. Finance income**

	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Dividends:	3.0	3.0	6.9	6.9
- equity-accounted joint ventures	-	-	4.3	4.3
- equity investments measured at fair value through other comprehensive income	3.0	3.0	2.6	2.6
Interest:	1.9	8.5	11.8	21.8
• interest calculated using the effective interest method:	1.9	8.1	11.8	21.8
- on trade receivables	0.7	1.6	0.6	1.4
- on cash	0.2	1.2	2.2	3.5
- on deposits	0.9	5.1	9.0	16.9
- other	0.1	0.2	-	-
• other interest	-	0.4	-	-
Exchange differences:	69.6	-	23.2	1.3
- on bank borrowings	79.2	-	36.8	8.5
- on translation of intercompany loans <sup>(1)</sup>	-	-	(2.2)	9.7
- on realised foreign-currency transactions in bank accounts	(6.3)	-	(6.2)	(9.9)
- on notes	10.3	-	6.4	1.6
- on deposits and other cash	(23.9)	-	(12.0)	(8.9)
- on leases	7.0	-	0.5	0.5
- on investment commitments	4.5	-	0.7	0.7
- other	(1.2)	-	(0.8)	(0.9)
Revaluation of derivative financial instruments:	115.0	-	30.6	47.0
- measurement	155.0	-	33.7	56.8
- settlement	(40.0)	-	(3.1)	(9.8)
Other	-	-	5.8	5.8
<b>Total</b>	<b>189.5</b>	<b>11.5</b>	<b>78.3</b>	<b>82.8</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 Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Interest:	36.8	75.0	60.3	118.2
• interest calculated using the effective interest method:	26.6	54.5	46.0	93.1
- on bank borrowings	3.4	10.3	24.9	46.8
- on non-bank borrowings	0.4	0.9	0.6	1.2
- on notes	3.6	4.3	0.7	5.4
- on leases	19.2	38.8	19.7	39.3
- other	-	0.2	0.1	0.4
• other interest	10.2	20.5	14.3	25.1
- discount on provisions for oil and natural gas production facilities and for site restoration, and other provisions	9.0	18.2	12.7	22.0
- cost of discount on employee benefit obligations	1.1	2.1	1.3	2.5
- other	0.1	0.2	0.3	0.6
Exchange differences:	-	34.4	-	-
- on bank borrowings	-	32.1	-	-
- on realised foreign-currency transactions in bank accounts	-	5.5	-	-
- on notes	-	11.3	-	-
- on deposits and other cash	-	(21.7)	-	-
- on leases	-	3.1	-	-
- on investment commitments	-	5.2	-	-
- other	-	(1.1)	-	-
Revaluation of derivative financial instruments:	-	101.2	-	-
- measurement	-	42.7	-	-
- settlement	-	58.5	-	-
Impairment losses on shares in equity-accounted joint ventures	114.5	114.5	-	-
Bank fees	15.7	33.1	11.0	26.4
Other	1.5	2.5	1.0	2.0
<b>Total</b>	<b>168.5</b>	<b>360.7</b>	<b>72.3</b>	<b>146.6</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 taken 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 Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Current tax	(67.3)	18.8	135.3	216.0
Deferred tax	(85.9)	(590.3)	30.3	69.3
<b>Total income tax charged to net profit or loss</b>	<b>(153.2)</b>	<b>(571.5)</b>	<b>165.6</b>	<b>285.3</b>
Tax expense recognised in other comprehensive income/(loss), net	19.8	7.3	13.4	10.4

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 (22% tax rate) and the petroleum tax system (additional tax rate of 56%).

In the case of Lithuanian subsidiaries (AB LOTOS Geonafita 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
	Jun 30 2020 (unaudited)	Dec 31 2019 (unaudited)	
Deferred tax assets	404.7	174.5	230.2
Deferred tax liabilities	(120.5)	(475.2)	354.7
<b>Net deferred tax assets/(liabilities)</b>	<b>284.2</b>	<b>(300.7)</b>	<b>584.9</b>
Exchange differences on translating deferred tax of foreign operations			(1.9)
Deferred tax disclosed under other comprehensive income/(loss), net			7.3
<b>Deferred tax expense charged to net profit or loss</b>			<b>590.3</b>

**14.3 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.

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

	Dec 31 2019	Deferred tax recognised in net profit or loss	Deferred tax recognised in other comprehensive income/ (loss), net	Exchange differences on translating deferred tax of foreign operations	Jun 30 2020
	(audited)				(unaudited)
<b>Deferred tax assets</b>					
Employee benefit obligations	70.0	0.9	-	(0.1)	70.8
Provisions for/assets related to decommissioning of oil and gas extraction facilities and site restoration	634.7	38.8	-	(32.7)	640.8
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	7.2	(7.2)	-	-	-
Cash flow hedge accounting	47.8	-	(7.3)	-	40.5
Tax losses carried forward	12.7	284.0	-	-	296.7
Other	75.6	38.9	-	0.1	114.6
	<b>848.0</b>	<b>355.4</b>	<b>(7.3)</b>	<b>(32.7)</b>	<b>1,163.4</b>
<b>Deferred tax liabilities</b>					
Difference between current tax value and carrying amount: of property, plant and equipment and intangible assets	1,008.2	(240.1)	-	(30.6)	737.5
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	-	4.1	-	0.4	4.5
Difference on accounting and tax measurement of lease contracts	25.1	(0.7)	-	-	24.4
Other	115.4	1.8	-	(4.4)	112.8
	<b>1,148.7</b>	<b>(234.9)</b>	<b>-</b>	<b>(34.6)</b>	<b>879.2</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(300.7)</b>	<b>590.3</b>	<b>(7.3)</b>	<b>1.9</b>	<b>284.2</b>

Taxable temporary differences are expected to expire in 2020–2098.

#### 15. Earnings/(loss) per share

	3 months ended Jun 30 2020	6 months ended Jun 30 2020	3 months ended Jun 30 2019	6 months ended Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net profit/(loss) attributable to owners of the Parent (PLNm) (A)	(76.4)	(1,388.0)	500.5	673.0
Weighted average number of shares (million) (B)	184.9	184.9	184.9	184.9
<b>Earnings/(loss) per share (PLN) (A/B)</b>	<b>(0.41)</b>	<b>(7.51)</b>	<b>2.71</b>	<b>3.64</b>

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 and six months ended June 30th 2020 and June 30th 2019, diluted earnings/(loss) per share were equal to basic earnings/(loss) per share, as there were no instruments with dilutive effect.

#### 16. Dividends

As at June 30th 2020 and December 31st 2019, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends pursuant to a credit facility agreement of July 2nd 2019 entered into to refinance the 10+ Programme credit facilities (see Note 22.1 to the consolidated financial statements for 2019). The agreement limits the ability of Grupa LOTOS S.A. to pay dividends and makes it conditional on achievement of certain levels of financial ratios.

On June 30th 2020, the General Meeting of Grupa LOTOS S.A. passed a resolution on the allocation of the Company's net profit for 2019. Under the resolution, the 2019 net profit of PLN 834.3m is to be applied towards:

- dividend payment – PLN 184.9m,
- statutory reserve funds – PLN 649.4m.

The dividend will be paid on September 28th 2020. The dividend per share will be PLN 1.0, before tax.

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**17. Impairment losses**

	Non-current assets - Exploration & Production		Non-current assets - Refining & Marketing		Inventories		Receivables		Shares		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>3 months ended Jun 30</b>												
<b>At beginning of period (unaudited)</b>	<b>1,699.9</b>	<b>1,609.6</b>	<b>147.6</b>	<b>118.2</b>	<b>875.9</b>	<b>4.4</b>	<b>216.2</b>	<b>112.1</b>	<b>6.2</b>	<b>18.1</b>	<b>2,945.8</b>	<b>1,862.4</b>
Recognised	438.8	-	-	-	18.2	1.4	1.8	2.1	114.5	-	573.3	3.5
Exchange differences on translating foreign operations	39.7	(17.0)	-	-	-	-	-	-	(0.2)	(0.1)	39.5	(17.1)
Used / Reversed	-	-	(0.1)	(0.7)	(869.7)	(0.1)	(50.7)	(1.2)	-	-	(920.5)	(2.0)
<b>At end of period (unaudited)</b>	<b>2,178.4</b>	<b>1,592.6</b>	<b>147.5</b>	<b>117.5</b>	<b>24.4</b>	<b>5.7</b>	<b>167.3</b>	<b>113.0</b>	<b>120.5</b>	<b>18.0</b>	<b>2,638.1</b>	<b>1,846.8</b>
<b>6 months ended Jun 30</b>												
<b>At beginning of period (audited)</b>	<b>1,492.6</b>	<b>1,578.9</b>	<b>139.1</b>	<b>118.2</b>	<b>9.5</b>	<b>8.7</b>	<b>217.7</b>	<b>109.9</b>	<b>5.8</b>	<b>18.1</b>	<b>1,864.7</b>	<b>1,833.8</b>
Recognised	734.8	-	8.6	-	884.6	1.9	5.1	9.6	114.5	-	1,747.6	11.5
Exchange differences on translating foreign operations	(49.0)	13.7	-	-	-	-	-	-	0.2	(0.1)	(48.8)	13.6
Used / Reversed	-	-	(0.2)	(0.7)	(869.7)	(4.9)	(55.5)	(6.5)	-	-	(925.4)	(12.1)
<b>At end of period (unaudited)</b>	<b>2,178.4</b>	<b>1,592.6</b>	<b>147.5</b>	<b>117.5</b>	<b>24.4</b>	<b>5.7</b>	<b>167.3</b>	<b>113.0</b>	<b>120.5</b>	<b>18.0</b>	<b>2,638.1</b>	<b>1,846.8</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).

### Impairment testing of assets in the B-8 and B-3 fields in the Baltic Sea

In H1 2020, the Group tested the B-3 and B-8 field assets for impairment.

Key assumptions underlying computation of the recoverable amount of the tested assets as at June 30th 2020:

- The cash flow projection period was assumed to equal the assets' planned life;
- The discount rate was assumed to equal the weighted average cost of capital, at 8.04% for the B-8 field assets and 8.33% for the B-3 field assets – after taxation at the marginal tax rate of 19%;
- Production volumes in line with current forecasts, taking into account current geological data;
- Sales volumes, capital expenditure and operating expenses were assumed in line with current projections for the B-8 and B-3 fields, as appropriate;
- Given significant changes in macroeconomic indicators, the B-8 field development strategy was modified to mitigate the negative effects of market changes. The change primarily involved the reduction of CAPEX on the field's target development, and the resulting reduction of both future operating costs and the oil production profile.

The following price assumptions were adopted for the estimates as part of the impairment test as at June 30th 2020:

- for crude oil in USD/bbl (per barrel of oil equivalent):

- 2020–2025 – prices in line with the price assumptions of available market scenarios, adjusted for inflation;
- 2026 and beyond – prices remaining stable in the long term on par with the 2025 level, adjusted for inflation.

The impairment tests based on the above assumptions demonstrated the need for recognition of impairment losses: of PLN 135.0m on the B-8 field assets, and PLN 118.3m on the B-3 field assets.

Due to the significant market volatility, and given the prevailing uncertainty as well as sensitivity of judgements and estimates (in particular with respect to crude oil prices), the adopted assumptions may be subject to reasonable changes, and such changes may necessitate a revision of the carrying amounts of the field assets in the future. The Group points to a number of uncertainties as to the recoverable amount of the assets:

- Volatility of market prices of crude oil;
- Estimates of investment expenditure related to contracts for which no contractor has yet been selected;
- Volatility of the PLN/USD exchange rate;
- Discount rates.

To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change in oil and gas prices, -15%/+15% change in production volumes, -15%/+15% change in the USD/PLN exchange rate, and -0.5pp/+0.5pp change in the discount rate.

The table below presents the estimated amounts of recognised (-) impairment losses on the B-8 field assets, with the key assumptions modified in relation to those used in the test:

Factor	Change	Recognition of impairment losses – estimated amount (PLNm)	
Crude oil and gas prices	+/- 15%	-	-520.8
Production volume	+/- 15%	-	-470.7
USD/PLN exchange rate	+/- 15%	-	-508.2
Discount rate	+/- 0.5 pp	-187.5	-80.0

The table below presents the estimated amounts of recognised (-) impairment losses on the B-3 field assets, with the key assumptions modified in relation to those used in the test:

Factor	Change	Recognition of impairment losses – estimated amount (PLNm)	
Crude oil and gas prices	+/- 15%	-	-161.7
Production volume	+/- 15%	-	-161.7
USD/PLN exchange rate	+/- 15%	-	-161.7
Discount rate	+/- 0.5 pp	-120.0	-116.4

### Progress of the YME field development project in Norway

In H1 2020, a risk of delay in the YME field development project was identified after the state of pandemic had been announced in connection with COVID-19. Given the occurrence of force majeure or change in law affecting the contract performance, the operator has assumed various 'First Oil' scenarios, depending on how the situation develops. The Group has identified significant risks to the work schedule related, among other things, to delays in the onshore completion work. The base case for 'First Oil' assumed by the Group is Q3/Q4 2021. Key technical risks involve: the launch of offshore production, work on the subsea infrastructure and well head module, maintenance and repair work, and weather windows enabling work to be performed at sea in winter.

Accordingly, the Group tested the YME field (in the development phase) for impairment. The tests were based on the following assumptions, equivalent to those adopted for oil and gas production assets, as at June 30th 2020:

- The cash flow projection period was assumed to equal the assets' planned life;
- The discount rate was assumed to equal the weighted average cost of capital, at 6.35% – after taxation at the marginal tax rate of 78% (applicable in Norway);
- Production and sales volumes, capital expenditure, operating expenses and field decommissioning costs were assumed as projected by the field operator.

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The following assumptions were adopted for the estimates made as part of the impairment test as at June 30th 2020:

- for crude oil in USD/bbl (per barrel):

- 2020–2025 – prices in line with the price assumptions of available market scenarios;
- 2026 and beyond – prices remaining stable in the long term on par with the 2025 level, adjusted for inflation.

In connection with risks inherent in the field development phase (such as geological, technical, schedule and operational risks), the Group adopted, in accordance with IAS 36 *Impairment of Assets*, a conservative approach to calculating the recoverable amount of the YME project. The risks identified at this stage of the project were recognised by deferring the 'First Oil' date. Possible additional costs related to the project delays due to force majeure and change in law were also taken into account on the basis of an analysis of contracts with contractors that can be identified at this stage.

In June 2020, a temporary aid package was introduced in Norway for oil & gas sector operators, comprising tax changes to be effective in 2020–2021. The amendments provide for the possibility of faster amortisation of capital expenditure for tax purposes in 2020–2021, additional tax relief in the form of an increased uplift rate, as well as the possibility of receiving tax returns if tax losses are generated in 2020–2021. The overriding objective of the changes to the tax regime is to protect the current financial liquidity of entities engaging in exploration and production activities on the Norwegian Continental Shelf. The additional tax reliefs will also apply to projects approved for development on the NCS before the end of 2023.

Verification of the recoverable amount in H1 2020 showed a need to recognise impairment losses of PLN 353.4m on the YME field (see Note 11).

Due to significant market volatility, in particular with respect to oil and gas prices, the adopted assumptions may be subject to reasonable changes, and such changes may necessitate a revision of the carrying amounts of the YME field's assets in the future.

To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change in oil and gas prices, -15%/+15% change in production volumes, -15%/+15% change in the USD/NOK exchange rate, and -0.5pp/+ 0.5pp change in the discount rate.

The table below presents the estimated amounts of recognised (-) and reversed (+) impairment losses as at June 30th 2020, with the key assumptions modified in relation to those originally applied:

Factor	Change	Recognition and reversal of impairment losses – estimated amount (PLNm)	
Crude oil and gas prices	+/- 15%	+80.2	-374.9
Production volume	+/- 15%	+71.8	-366.5
USD/NOK exchange rate	+/- 15%	+71.8	-366.5
Discount rate	+/- 0.5 pp	-171.6	-121.7

**Impairment testing of the production assets of the offshore gas and condensate production facility in the Heimdal field and of the Sleipner and Utgard gas field in Norway**

In H1 2020, the Group tested for impairment each cash-generating unit's production assets for the producing Heimdal fields (Atla, Vale, Skirne, Heimdal) and the Sleipner and Utgard fields. The tests demonstrated the need to recognise impairment losses on the Utgard field of PLN 108.9m (see Note 11), in connection with a strong decline in production from the field, caused by high volumes of water in the production wells and the resulting technical constraints on the processing of crude oil on the Sleipner platform to which the Utgard field is connected.

As part of impairment testing of the Norwegian production assets, their recoverable amount was determined as their value in use estimated using the discounted future cash flows method.

Key assumptions underlying computation of the recoverable amount of the tested assets as at June 30th 2020:

- The cash flow projection period was assumed to equal the assets' planned life;
- The discount rate was assumed to equal the weighted average cost of capital, at 6.35% – after taxation at the marginal tax rate of 78% (applicable in Norway);
- Production and sales volumes, capital expenditure, operating expenses and field decommissioning costs were assumed as projected by the field operators.

The following price assumptions were adopted for the purposes of the impairment tests as at June 30th 2020:

- for crude oil in USD/bbl (per barrel):

- 2020–2025 – prices in line with the price assumptions of available market scenarios;
- 2026 and beyond – prices remaining stable in the long term on par with the 2025 level, adjusted for inflation;

- for natural gas in USD/boe (per barrel of oil equivalent):

- 2020–2025 – prices in line with the price assumptions of available market scenarios, and in 2026 and beyond – prices remaining stable in the long term on par with the 2025 level, adjusted for inflation.

Due to significant market volatility, in particular with respect to oil and gas prices, the adopted assumptions may be subject to reasonable changes, and such changes may necessitate a revision of the carrying amounts of the LOTOS Exploration and Production Norge AS's assets in the future.

To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change in oil and gas prices, -15%/+15% change in production volumes, -15%/+15% change in the USD/NOK exchange rate, and -0.5pp/+ 0.5pp change in the discount rate.

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The table below presents the estimated amounts of recognised (-) impairment losses on the tested Heimdal, Sleipner and Utgard assets, with the key assumptions modified in relation to those originally applied:

Factor	Change	Recognition of impairment losses – estimated amount (PLNm)	
Crude oil and gas prices	+/- 15%	-38.9	-79.9
Production volume	+/- 15%	-40.9	-78.0
USD/NOK exchange rate	+/- 15%	-39.4	-79.5
Discount rate	+/- 0.5 pp	-60.3	-58.6

#### Impairment testing of onshore oil and gas extraction facilities in Lithuania

As a result of impairment tests performed in H1 2020 for the resources and production infrastructure in Lithuania, the Group recognised impairment losses of PLN 19.2m on the capital expenditure associated with the Lithuanian licences.

The Group determines the recoverable amount of the tested assets as their value in use measured using the discounted future cash flows method.

Key assumptions underlying computation of the recoverable amount of the tested assets in Lithuania as at June 30th 2020:

- The cash flow projection period was assumed to equal the assets' planned life;
- The discount rate was assumed to equal the weighted average cost of capital, at 7.53%;
- Production volumes were assumed to be in line with a competent person report prepared by Miller & Lents based on the most recent available geological information;
- Capital expenditure was assumed to match the projected production volumes.

The following assumptions were adopted for the estimates made as part of the impairment test as at June 30th 2020:

- for crude oil in USD/bbl (per barrel):

- 2020–2025 – prices in line with the price assumptions of available market scenarios;
- 2026 and beyond – prices remaining stable in the long term on par with the 2025 level, adjusted for inflation.

Due to significant market volatility, in particular with respect to crude oil prices, the adopted assumptions may be subject to reasonable changes, and such changes may necessitate a revision of the carrying amounts of the assets in the future.

To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change in oil prices, -15%/+15% change in production volumes, -15%/+15% change in the USD/EUR exchange rate, and -0.5%/+0.5% change in the discount rate.

The table below presents the estimated amounts of recognised (-) and reversed (+) impairment losses as at June 30th 2020, with the key assumptions modified in relation to those originally applied:

Factor	Change	Recognition and reversal of impairment losses – estimated amount (PLNm)	
Crude oil and gas prices	+/- 15%	+29.6	-23.1
Production volume	+/- 15%	+23.3	-20.7
USD/EUR exchange rate	+/- 15%	+27.9	-22.9
Discount rate	+/- 0.5 pp	-1.1	+1.6

#### Impairment losses on service stations

After a sharp fall in March and April, the consumption of liquid fuels in Poland has gradually recovered. The declines were due to mobility restrictions aimed at countering the COVID-19 pandemic.

In response to the market situation, in mid-H1 2020 LOTOS Paliwa Sp. z o.o. tested the service station assets for impairment. The recoverable amount of these assets was determined based on the value in use of each station, calculated with the discounted cash flow method. Future cash flows were calculated based on cash-flow projections for a minimum period of five years, prepared based on the forecast for 2020 factoring in sales declines (due to the COVID-19 pandemic) and the cash inflow and outflow plan for subsequent years, taking into account the long-term development strategy. The residual value for the discounted cash flows was calculated using the growing perpetuity formula. LOTOS Paliwa Sp. z o.o.'s net weighted average cost of capital (WACC) based on the company's financing structure was assumed at 7.20%.

Calculation of the value in use of cash-generating units is most sensitive to the following variables:

- Gross margin, which depends on average values of unit margins in the period preceding the budget period (a 2.3%-2.5% average year-on-year margin decrease was assumed);
- Volumes based on a business analysis taking into account fuel consumption shifts in Poland, specific features of the micro-markets in the tested locations, lower sales of both fuels and non-fuel products (an average annual decline of -20% to -15% was assumed for 2020, depending on the specific characteristics of a given micro-market);
- Discount rate which reflects the expected rate of return on assets at a specific risk level (the rate is calculated in accordance with the WACC and CAPM methodologies and is based on such amounts as the median of 10-year treasury bond quotations, market risk premium (MRP), country risk premium (CRP), and the market structure of financing).

As a result of the tests, as at June 30th 2020 the Group recognised impairment losses on service station assets totalling PLN 8.6m (see Note 11).



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**B4/B6 project implementation**

The project to develop the B-4 and B-6 gas fields in the Baltic Sea is being implemented by special purpose vehicles Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. and Baltic Gas Sp. z o.o. (General Partner) in partnership with CalEnergy Resources and LOTOS Upstream Sp z o.o. (see Note 2). The final investment decision (FID) to proceed with full implementation of the project was planned for late 2019 or early 2020. In H1 2020, the adverse downtrend in gas prices continued, and was further exacerbated by factors related to the COVID-19 pandemic, translating into increased risk of procurement for and execution of investment processes in the upstream sector.

As a result, the project partners agreed that only preparatory work for the FID would be continued in 2020, including: continuation of activities designed to obtain the required formal and administrative approvals (including the environmental decision for the onshore section); the process to obtain updated licences for the B-4 and B-6 fields (completed in June 2020); completion of the process of arrangements with owners of land under the onshore gas pipeline; development of the procurement strategy (taking into account public procurement procedures), and preparation of for the procurement process. Adoption of the FID will be suspended until the partners agree that there are indications of a change in the macroeconomic trends and an alleviation of the execution risks caused by COVID-19. The project partners did not provide any specific date when the FID could be made. However, they are still supportive of the project implementation, taking into account the long-term business prospects and fundamental factors supporting the long-term project viability.

The prices of crude oil and natural gas are currently below levels at which the assumed economic investment criteria for the FID can be met. The Group believes that, taking into account the prudent valuation principle, the uncertainty resulting from the above factors indicates the need for the recognition of impairment losses of PLN 114.5m on the project (see Note 13).

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

	<b>6 months ended Jun 30 2020 (unaudited)</b>	<b>6 months ended Jun 30 2019 (unaudited)</b>
Purchase of Exploration & Production assets	210.8	299.6
Purchase of Refining & Marketing assets	180.2	168.8
<b>Total</b>	<b>391.0</b>	<b>468.4</b>

In the six months ended June 30th 2020, as well as in the comparative period, purchases made in the Exploration & Production segment related mainly to the Baltic Sea B-8 field and production from the YME field in Norway, while purchases in the Refining & Marketing segment were connected chiefly with the EFRA Project and service station expansion. Moreover, in the six months ended June 30th 2020, the Refining & Marketing segment incurred expenditure to construct a railway loading facility.

As at June 30th 2020, the Group's contractual commitments related to purchases of property, plant and equipment and intangible assets, undisclosed in the statement of financial position, were PLN 418.8m (December 31st 2019: PLN 103.7m). As at June 30th 2020, the contracted expenditure was related, among others, to the EFRA Project, development of the B-8 field, expansion of the service station network, construction of a railway loading station, and purchase of intermodal rolling stock.

In the six months ended June 30th 2020 and June 30th 2019, the Group did not sell any material items of property, plant and equipment or intangible assets.

**19. Cash and cash equivalents**

	<b>Jun 30 2020 (unaudited)</b>	<b>Jun 30 2019 (unaudited)</b>
Cash and cash equivalents in the statement of financial position	2,320.5	2,180.7
Overdraft facilities	-	(0.2)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>2,320.5</b>	<b>2,180.5</b>

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**20. Borrowings, other debt instruments and leases**

	Jun 30 2020	Dec 31 2019
	(unaudited)	(audited)
Bank borrowings:	2,773.9	2,865.2
- investment facilities contracted for a specific purpose	2,573.8	2,674.9
- working capital facilities	0.2	0.2
- inventory financing and refinancing facility	199.9	190.1
- funds in bank deposits securing payment of interest and principal	-	-
Non-bank borrowings	39.5	43.4
Notes	243.6	231.8
Leases	1,274.0	1,276.0
<b>Total</b>	<b>4,331.0</b>	<b>4,416.4</b>
including:		
long-term portion	3,114.7	3,142.6
short-term portion	1,216.3	1,273.8

	Bank borrowings	Non-bank borrowings	Notes	Leases	Total
<b>Dec 31 2019 (audited)</b>	<b>2,865.2</b>	<b>43.4</b>	<b>231.8</b>	<b>1,276.0</b>	<b>4,416.4</b>
Net proceeds	70.3	-	-	-	70.3
Net payments	(255.5)	(3.9)	-	(102.5) <sup>(1)</sup>	(361.9)
Interest, fees and commissions paid	(79.8)	(0.9)	(3.7)	(42.5)	(126.9)
New leases	-	-	-	107.9	107.9
Interest, fees and commissions accrued	40.7	0.9	4.3	38.8	84.7
Prepayments and accruals	7.6	-	-	-	7.6
Exchange differences	125.4	-	11.2	4.4	141.0
Other	-	-	-	(8.1)	(8.1)
<b>Jun 30 2020 (unaudited)</b>	<b>2,773.9</b>	<b>39.5</b>	<b>243.6</b>	<b>1,274.0</b>	<b>4,331.0</b>

<sup>(1)</sup> The item 'Payment of lease liabilities' in the statement of cash flows includes upfront lease payments of PLN 8.8m.

	Bank borrowings	Non-bank borrowings	Notes	Leases	Total
<b>Dec 31 2018 (audited)</b>	<b>3,421.2</b>	<b>55.8</b>	<b>227.0</b>	<b>180.0</b>	<b>3,884.0</b>
Effect of changes in accounting policies	-	-	-	1,091.6	1,091.6
<b>Jan 1 2019 (unaudited)</b>	<b>3,421.2</b>	<b>55.8</b>	<b>227.0</b>	<b>1,271.6</b>	<b>4,975.6</b>
Net proceeds	228.9	-	-	-	228.9
Net payments	(402.2)	(6.6)	-	(89.1) <sup>(1)</sup>	(497.9)
Interest, fees and commissions paid	(87.0)	(1.2)	(2.5)	(37.4)	(128.1)
New leases	-	-	-	117.1	117.1
Interest, fees and commissions accrued	87.1	1.1	5.5	39.3	133.0
Prepayments and accruals	11.8	0.1	-	-	11.9
Exchange differences	(23.5)	-	(1.8)	(0.6)	(25.9)
Change in overdraft facilities	(2.8)	-	-	-	(2.8)
Change in deposits securing payment of interest and principal	(125.0)	-	-	-	(125.0)
Other	-	-	-	(5.4)	(5.4)
<b>Jun 30 2019 (unaudited)</b>	<b>3,108.5</b>	<b>49.2</b>	<b>228.2</b>	<b>1,295.5</b>	<b>4,681.4</b>

The item 'Payment of lease liabilities' in the statement of cash flows includes upfront lease payments of PLN 7.0m.

In the six months ended June 30th 2020, proceeds from bank borrowings incurred by the Group amounted to PLN 70.3m and were related to the investment credit facility of LOTOS Asphalt Sp. z o.o. In the same period, repayments of bank borrowings amounted to PLN 255.5m and mainly included repayments under investment facilities of the Parent (PLN 152.7m), LOTOS Asphalt Sp. z o.o.'s credit facilities (PLN 83.3m), and LOTOS Paliwa's credit facilities (PLN 13.3m). 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 incur any non-bank borrowings in the six months ended June 30th 2020. Repayments of non-bank borrowings in the period amounted to PLN 3.9m and were primarily related to a loan contracted in 2014 in the Exploration and Production 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](#).

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In the six months ended June 30th 2020, the Group did not issue or redeem any notes.

In 2016, the SPV B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. (Exploration & Production segment) concluded agreements with Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju S.A. (Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) for financing of the development of the B8 oil field in the Baltic Sea, including senior notes and subordinated notes programme agreements. On July 25th 2018, B8 spółka z ograniczoną odpowiedzialnością Baltic S.K.A. and BGK concluded an annex to the senior note programme agreement and annexes to the terms and conditions of the notes issued by the company and subscribed for by BGK. On July 27th 2018, B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. issued notes with a total nominal value of USD 30m. The issue proceeds were used to redeem all notes acquired by Polski Fundusz Rozwoju S.A. All notes currently outstanding are due at dates falling in the period from September 30th 2020 to December 31st 2021. With respect to the currently outstanding notes of B8 Spółka z ograniczoną odpowiedzialnością Baltic S. K. A., as at June 30th 2020 the project schedule and budget were exceeded, and therefore the long-term portion of the liabilities under the agreement is presented in current liabilities. On June 30th 2020, an annex to the senior note programme agreement and annexes to the terms and conditions of the notes were signed, whereby the liabilities were not accelerated by BGK as at June 30th 2020, and the stand still was extended until September 30th 2020. In addition, negotiations are under way with the bank to secure further financing, which are planned to be concluded in September 2020.

As at June 30th 2020, the liability under the outstanding notes issued by B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A., net of issue costs, was PLN 243.6m (December 31st 2019: PLN 231.8m).

In the six months ended June 30th 2020 and June 30th 2019, there were no defaults other than those described above 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.

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**21. Provisions**

	<b>Provisions for decommissioning and site restoration costs</b>							
	Note	Provision for oil and gas extraction facilities			Provisions for retired refining and other units	Total	Other provisions	Total
		Poland	Norway	Lithuania				
<b>Jan 1 2020 (audited)</b>		<b>267.9</b>	<b>938.4</b>	<b>17.4</b>	<b>16.2</b>	<b>1,239.9</b>	<b>106.0</b>	<b>1,345.9</b>
Recognised		-	-	-	0.2	0.2	7.3	7.5
Remeasurement of decommissioning costs		(1.1)	-	2.9	-	1.8	0.2	2.0
Remeasurement of estimated provision for contingent payments	10	-	-	-	-	-	(4.4)	(4.4)
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	-	17.8	0.4	-	18.2	-	18.2
Interest on Oil and Gas Facility Decommissioning Fund		0.2	-	-	-	0.2	-	0.2
Exchange differences on translating foreign operations		-	(50.4)	0.9	-	(49.5)	(0.5)	(50.0)
Used		-	(3.0)	-	-	(3.0)	(4.3)	(7.3)
Reversed		-	-	-	-	-	(0.5)	(0.5)
<b>Jun 30 2020 (unaudited)</b>		<b>267.0</b>	<b>902.8</b>	<b>21.6</b>	<b>16.4</b>	<b>1,207.8</b>	<b>103.8</b>	<b>1,311.6</b>
including:								
long-term portion		267.0	896.1	21.6	16.3	1,201.0	0.3	1,201.3
short-term portion		-	6.7	-	0.1	6.8	103.5	110.3
<b>Jan 1 2019 (audited)</b>		<b>228.2</b>	<b>863.4</b>	<b>15.6</b>	<b>12.8</b>	<b>1,120.0</b>	<b>161.3</b>	<b>1,281.3</b>
Recognised		-	-	-	3.5	3.5	3.9	7.4
Remeasurement of decommissioning costs		-	0.5	-	-	0.5	-	0.5
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	3.4	17.2	0.4	-	21.0	1.0	22.0
Interest on Oil and Gas Facility Decommissioning Fund		0.2	-	-	-	0.2	-	0.2
Transfer		-	-	-	-	-	0.1	0.1
Exchange differences on translating foreign operations		-	11.4	(0.2)	-	11.2	1.2	12.4
Used		-	(0.3)	-	-	(0.3)	(22.7)	(23.0)
Reversed		-	-	-	-	-	(0.1)	(0.1)
<b>Jun 30 2019 (unaudited)</b>		<b>231.8</b>	<b>892.2</b>	<b>15.8</b>	<b>16.3</b>	<b>1,156.1</b>	<b>144.7</b>	<b>1,300.8</b>
including:								
long-term portion		231.8	881.1	15.8	16.2	1,144.9	52.4	1,197.3
short-term portion		-	11.1	-	0.1	11.2	92.3	103.5

**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, Sleipner and Utgard 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.

## 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 six months ended June 30th 2020, the Group made no changes to the method of fair value measurement applied to financial instruments measured at fair value through profit or loss (for a description of the method, see Note 7.20 and 7.22 to the consolidated financial statements for 2019), made no transfers of financial instruments between fair value hierarchy levels (see Note 23.1 to the consolidated financial statements for 2019). As at June 30th 2020 and December 31st 2019, the Group held financial derivatives classified as fair value hierarchy Level 2.

As at June 30th 2020 and December 31st 2019, the fair values of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy (Level 2)	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Financial assets</b>		
Commodity swap	26.6	1.6
Currency forward and spot contracts	-	13.2
Currency swap	8.0	10.4
<b>Total</b>	<b>34.6</b>	<b>25.2</b>
<b>Financial liabilities</b>		
Commodity swap	39.4	15.3
Currency forward and spot contracts	0.2	-
Interest rate swap (IRS)	12.7	6.6
Currency swap	15.7	-
<b>Total</b>	<b>68.0</b>	<b>21.9</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 2019, 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 2019. In addition, it should be noted that:

#### Tax settlements of the Parent

The Company's tax settlements are subject to customs and tax inspections carried out by competent authorities. As at June 30th 2020, the Company disclosed a provision for tax risk recognised in connection with such proceedings of PLN 85.2m.

In connection with a judgment by the Court of Justice of the European Union of October 16th 2019 in Case C-189/18 Glencore, on January 15th 2020 the Company filed a petition for resumption of proceedings in which the following decisions had been issued:

- decision by the Director of the Tax Chamber in Gdańsk, dated December 29th 2015, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated September 28th 2015, assessing the Company's VAT liabilities for individual months of 2010 at a total amount of PLN 48.4m;
- decision by the Director of the Tax Chamber in Gdańsk, dated February 29th 2016, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated September 28th 2015, assessing the Company's VAT liabilities for individual months of 2011 at a total amount of PLN 112.5m;
- decision by the Director of the Tax Administration Chamber in Gdańsk, dated October 25th 2018, upholding the decision by the Head of the Gdańsk Province Customs and Tax Office in Gdynia, dated January 19th 2018, assessing the Company's VAT liabilities for January 2012 at a total amount of PLN 7.3m;

and after resumption of the proceedings, for:

- reversal of the decisions by the tax authorities of both instances and discontinuation of the tax proceedings – with respect to the proceedings for 2010–2011;
- suspension of the proceedings until final conclusion of the court proceedings – with respect to the proceedings for 2012, in connection with proceedings pending before the Supreme Administrative Court, initiated by the Company's cassation complaint.

In the six months ended June 30th 2020, there were no material settlements under court or other proceedings, except for those presented above.

### 23.2 Other contingent liabilities

In the period between the end of the previous financial year, i.e. December 31st 2019, 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 related entities in which the Group holds equity interests

In the three and six months ended June 30th 2020, the Group made material transactions with LOTOS-Air BP Polska Sp. z o.o., involving mainly sale of aviation fuel. The total value of those transactions was PLN 4.1m and PLN 98.6m (in the three and six months ended June 30th 2019: PLN 108.0m and PLN 180.2m, respectively). As at June 30th 2020, the balance of outstanding receivables under these transactions was PLN 2.4m (December 31st 2019: PLN 38.8m).

In the three and six months ended June 30th 2020, the Group made transactions with UAB Minijos Nafta, with a total value of PLN 1.3m and PLN 4.8m, respectively (in the three and six months ended June 30th 2019: PLN 6.7m and PLN 12.9m, respectively). The transactions were crude oil purchases. As at June 30th 2020, the balance of outstanding payables under those transactions was PLN 3.1m (December 31st 2019: PLN 2.6m).

As at June 30th 2020, trade receivables from related parties assigned by way of security amounted to PLN 5.6m. In the comparative period, there were no trade receivables from related parties assigned by way of security.

### 24.2 Entity having control of the Group

As at June 30th 2020 and December 31st 2019, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the six months ended June 30th 2020 and June 30th 2019, there were no transactions between the Company and the State Treasury.

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

In the three and six months ended June 30th 2020 and June 30th 2019, the aggregate value of transactions executed by the Group with parties related to it through the State Treasury was material. The transactions 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, energy and transport services.

	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Sales	143.5	434.4	140.8	188.8
Purchases	299.7	702.9	422.7	863.5
			Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
Receivables			64.5	97.9
Liabilities			186.4	294.5

In addition, the Group had credit facilities, loans, notes and leases towards banks and institutions of which the State Treasury has control or joint control or over which it exercises significant influence. These entities included PKO BP S.A., PEKAO S.A., Bank Gospodarstwa Krajowego, and Agencja Rozwoju Przemysłu S.A.

	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
Bank borrowings	1,097.5	1,190.4
Non-bank borrowings	39.5	43.4
Notes	243.6	231.8
Leases	8.7	11.0
<b>Total</b>	<b>1,389.3</b>	<b>1,476.6</b>

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

Remuneration paid to members of the Management Board and members of the Supervisory Board of the Parent	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Management Board</b>		
Short-term employee benefits (salaries):	<b>2.33</b>	<b>1.76</b>
Paweł Majewski	0.26	-
Jarosław Wittstock	0.36	0.34
Marian Krzemiński	0.36	-
Jarosław Kawula	0.34	0.34
Zofia Paryła	0.37	-
Mateusz Bonca	0.18 <sup>(1)</sup>	0.37
Patryk Demski	0.04 <sup>(1)</sup>	0.35
Robert Sobków	0.25 <sup>(2)</sup>	0.36
Mariusz Machajewski	0.17 <sup>(3)</sup>	-
Marcin Jastrzębski	0.00	-
<b>Supervisory Board</b>		
Short-term employee benefits (salaries):	<b>0.29</b>	<b>0.33</b>
Piotr Ciach	0.04	0.04
Dariusz Figura	0.04	0.04
Mariusz Golecki	-	0.04
Beata Kozłowska-Chyła	0.05	0.05
Katarzyna Lewandowska	0.04	0.04
Adam Lewandowski	0.04	0.04
Grzegorz Rybicki	0.04	0.04
Agnieszka Szklarczyk-Mierzwa	0.04	0.04
<b>Total <sup>(4)</sup></b>	<b>2.62</b>	<b>2.09</b>
including variable remuneration paid:	<b>0.39</b>	-
<b>Management Board</b>		
Robert Sobków	0.22	-
Mariusz Machajewski	0.17	-

<sup>(1)</sup> Non-compete compensation paid.

<sup>(2)</sup> Non-compete compensation and variable remuneration paid.

<sup>(3)</sup> Variable remuneration paid.

<sup>(4)</sup> The amount reflects changes in the composition of the Company's Management and Supervisory Boards.

In the six months ended June 30th 2020 and June 30th 2019, 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 would be 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 six months ended June 30th 2020 and June 30th 2019, 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 Parent's Management Board)	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Short-term employee benefits (salaries) <sup>(1)</sup> , including:	19.8	22.6
- annual bonus paid	6.1 <sup>(2)</sup>	5.0 <sup>(3)</sup>
- length-of-service award paid	-	0.1

<sup>(1)</sup> The amount of remuneration reflects changes in the Company's Collective Bargaining Agreement.

<sup>(2)</sup> Payment of the annual bonus for 2019.

<sup>(3)</sup> Payment of the annual bonus for 2018.

In the six months ended June 30th 2020 and June 30th 2019, the Group did not provide any loans or similar benefits to members of its key management staff.

**24.4 Transactions with parties related to the Company through members of the Management Board or the Supervisory Board of the Parent**

In the six months ended June 30th 2020 and in the comparative period, the Group entered into transactions with parties related to it through members of the Management or 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 13.6m (six months ended June 30th 2019: PLN 3.0m). As at June 30th 2020, unsettled transactions with parties related to the Company through members of the Management or Supervisory Boards totalled PLN 0.8m.

In addition, in the six months ended June 30th 2020, the Group also purchased transport services related to the purchase of personal protective equipment, for PLN 6.4m.

All transactions with parties related to the Group through members of the Management Board and the Supervisory Board were executed on an arm's length basis.

## 25. Material events subsequent to the end of the interim period

On July 14th, the European Commission issued a conditional approval for the concentration involving acquisition of control of Grupa LOTOS S.A. by Polski Koncern Naftowy ORLEN S.A. ("PKN Orlen"). The Commission's decision was issued under Article 8(2) of Council Regulation (EC) No 139/2004 of January 20th 2004 on the control of concentrations between undertakings (the Merger Regulation) (OJ L 24, p. 1). Therefore, PKN Orlen is required to implement remedies set out in the decision to prevent adverse effects of the proposed concentration on competition in the relevant markets (the "Remedies"). The Remedies include structural and behavioural commitments relating to the structure and policies of the undertakings involved in the concentration: PKN Orlen and Grupa LOTOS.

In Current Report No. 21/2020 of July 14th 2020, Grupa LOTOS reported on the obligations undertaken towards the European Commission. The following commitments are intended to continue in effect until the divestment of assets to be disposed of in the implementation of the Remedies ("LOTOS Divestment Assets") has been completed:

- Undertaking to preserve the value and competitiveness of the LOTOS Divestment Assets in accordance with good market practice and to minimise as far as possible any risk of loss of competitive potential by the LOTOS Divestment Assets;
- Undertaking to keep the LOTOS Divestment Assets separate from the business(es) that PKN Orlen and Grupa LOTOS S.A. are retaining (hold separate obligations), which involves in particular ensuring that the management and staff involved in any business retained by Grupa LOTOS S.A. have no involvement in the business of the LOTOS Divestment Assets, and that the staff (including key personnel) of the LOTOS Divestment Assets identified in the undertakings have no involvement in any business retained by Grupa LOTOS S.A. and do not report to any individuals outside the LOTOS Divestment Assets. Immediately after the adoption of the Commission's decision, Grupa LOTOS S.A. will appoint an individual or individuals as an independent hold separate manager (the "Hold Separate Manager"). The Hold Separate Manager will be a member of key personnel of the LOTOS Divestment Assets. The Hold Separate Manager will manage the LOTOS Divestment Assets independently and will report to an individual appointed by PKN ORLEN to monitor the implementation of the Remedies (the Monitoring Trustee). The above undertaking will not apply to the Gdańsk refinery;
- Undertaking not to employ any key personnel of the LOTOS Divestment Assets within 12 months after the closing of divestment transactions giving effect to the Remedies;
- Undertaking to cooperate with and assist the Monitoring Trustee to a reasonable extent, as required by the Monitoring Trustee.



**II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30TH 2020, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION**

**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
**for the six months ended June 30th 2020**  
**(PLNm)**

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

	Note	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Revenue	7	3,493.9	8,855.0	6,801.2	12,873.8
Cost of sales	8	(3,104.6)	(9,695.6)	(6,266.1)	(11,937.9)
<b>Gross profit/(loss)</b>		<b>389.3</b>	<b>(840.6)</b>	<b>535.1</b>	<b>935.9</b>
Selling expenses	8	(191.4)	(382.1)	(186.3)	(373.6)
Administrative expenses	8	(69.5)	(134.1)	(56.9)	(117.8)
Other income	9	2.6	5.7	13.9	15.0
Other expenses	10	(1.3)	(14.2)	(2.4)	(3.8)
<b>Operating profit/(loss)</b>		<b>129.7</b>	<b>(1,365.3)</b>	<b>303.4</b>	<b>455.7</b>
Finance income	11	370.4	240.3	353.3	386.7
Finance costs	12	(35.4)	(134.5)	(29.9)	(69.2)
Profit/(loss) before tax		<b>464.7</b>	<b>(1,259.5)</b>	<b>626.8</b>	<b>773.2</b>
Corporate income tax	13.1	(50.4)	274.1	(61.6)	(86.6)
<b>Net profit/(loss)</b>		<b>414.3</b>	<b>(985.4)</b>	<b>565.2</b>	<b>686.6</b>

**Other comprehensive income/(loss)**

Items that may be reclassified to profit or loss:

Cash flow hedges		104.3	38.4	70.5	54.5
Corporate income tax relating to cash flow hedges	13.1	(19.8)	(7.3)	(13.4)	(10.4)
<b>Other comprehensive income/(loss), net</b>		<b>84.5</b>	<b>31.1</b>	<b>57.1</b>	<b>44.1</b>
<b>Total comprehensive income/(loss)</b>		<b>498.8</b>	<b>(954.3)</b>	<b>622.3</b>	<b>730.7</b>

**Earnings/(loss) per share (PLN)**

Weighted average number of shares (million)	14	184.9	184.9	184.9	184.9
- basic	14	2.24	(5.33)	3.06	3.71
- diluted	14	2.24	(5.33)	3.06	3.71

The Notes to the interim condensed separate financial statements presented on pages 38 to 50 are an integral part of the financial statements.

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

**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
**for the six months ended June 30th 2020**  
**(PLNm)**

**SEPARATE STATEMENT OF FINANCIAL POSITION**

Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,575.0	5,707.3
Intangible assets	89.6	92.9
Shares	2,966.6	2,993.0
Derivative financial instruments	13.2	0.1
Other non-current assets	20.0	28.8
<b>Total non-current assets</b>	<b>8,664.4</b>	<b>8,822.1</b>
<b>Current assets</b>		
Inventories	2,948.3	4,526.2
- including emergency stocks	2,118.2	3,026.6
Trade receivables	1,428.9	2,598.0
Current tax assets	65.4	84.3
Derivative financial instruments	21.4	24.3
Other current assets	100.8	101.7
Cash and cash equivalents	18	319.0
<b>Total current assets</b>	<b>5,890.1</b>	<b>7,653.5</b>
<b>Total assets</b>	<b>14,554.5</b>	<b>16,475.6</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	(172.5)	(203.6)
Retained earnings	6,959.4	8,129.7
<b>Total equity</b>	<b>9,200.1</b>	<b>10,339.3</b>
<b>Non-current liabilities</b>		
Bank borrowings, leases	19	1,340.2
Derivative financial instruments	8.9	3.0
Deferred tax liabilities	13.2	328.8
Employee benefit obligations	79.1	75.5
Other liabilities and provisions	11.7	14.0
<b>Total non-current liabilities</b>	<b>1,400.0</b>	<b>1,761.5</b>
<b>Current liabilities</b>		
Bank borrowings, leases	19	580.1
Derivative financial instruments	46.4	12.4
Trade payables	1,423.4	1,968.6
Employee benefit obligations	53.3	57.7
Other liabilities and provisions	1,904.0	1,756.0
<b>Total current liabilities</b>	<b>3,954.4</b>	<b>4,374.8</b>
<b>Total liabilities</b>	<b>5,354.4</b>	<b>6,136.3</b>
<b>Total equity and liabilities</b>	<b>14,554.5</b>	<b>16,475.6</b>

The Notes to the interim condensed separate financial statements presented on pages 38 to 50 are an integral part of the financial statements.

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**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
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**SEPARATE STATEMENT OF CASH FLOWS**

(prepared using the indirect method)

	Note	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Net profit</b>		<b>(985.4)</b>	<b>686.6</b>
<b>Adjustments:</b>		<b>2,136.9</b>	<b>(428.3)</b>
Income tax	13.1	(274.1)	86.6
Depreciation and amortisation	8	199.8	194.6
Foreign exchange (gains)/losses		115.5	4
Interest and dividends		(219.6)	(262.7)
(Gains)/losses from investing activities		(0.2)	0.3
Impairment losses on shares in related entities	12; 16	26.5	-
Settlement and measurement of derivative financial instruments	11; 12	90.2	(60.4)
Decrease/(Increase) in trade receivables		1,169.1	(863.8)
(Increase) in other assets		(19.9)	(32.3)
Decrease in inventories		1,577.8	184.7
(Decrease) in trade payables		(545.2)	(72.2)
Increase in other liabilities and provisions		17.8	361.7
(Decrease) in employee benefit obligations		(0.8)	(5.3)
Income tax paid		(80.1)	(226.5)
<b>Net cash from operating activities</b>		<b>1,071.4</b>	<b>31.8</b>
<b>Cash flows from investing activities</b>			
Dividends received		231.4	310.0
Interest received		0.3	2.2
Proceeds from sale of property, plant and equipment and intangible assets	23.1	16.6	-
Decrease in loans advanced to related parties	23.1	19.5	-
Purchase of property, plant and equipment and intangible assets		(89.0)	(48.9)
Loans advanced to related parties	23.1	-	(103.3)
Security deposit (margin)		10.3	(4.9)
Settlement of derivative financial instruments		(4.4)	22.5
<b>Net cash from investing activities</b>		<b>184.7</b>	<b>177.6</b>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings	19	(152.7)	(253.9)
Interest paid	19	(45.3)	(50.3)
Lease payments	19	(1.7)	(6.5)
Settlement of derivative financial instruments		(50.2)	(31.5)
<b>Net cash from financing activities</b>		<b>(249.9)</b>	<b>(342.2)</b>
<b>Total net cash flow</b>		<b>1,006.2</b>	<b>(132.8)</b>
Effect of exchange rate fluctuations on cash held		0.1	(0.2)
<b>Change in net cash</b>		<b>1,006.3</b>	<b>(133.0)</b>
<b>Cash at beginning of period</b>		<b>319.0</b>	<b>1,190.7</b>
<b>Cash at end of period</b>	18	<b>1,325.3</b>	<b>1,057.7</b>

The Notes to the interim condensed separate financial statements presented on pages 38 to 50 are an integral part of the financial statements.

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**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
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**SEPARATE STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
<b>Jan 1 2020 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(203.6)</b>	<b>8,129.7</b>	<b>10,339.3</b>
Net loss	14	-	-	-	(985.4)	(985.4)
Other comprehensive income/(loss), net		-	-	31.1	-	31.1
<b>Total comprehensive income/(loss)</b>		-	-	31.1	(985.4)	(954.3)
Dividend	15	-	-	-	(184.9)	(184.9)
<b>Jun 30 2020 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(172.5)</b>	<b>6,959.4</b>	<b>9,200.1</b>
<b>Jan 1 2019 (audited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(288.2)</b>	<b>7,853.3</b>	<b>9,978.3</b>
Net profit	14	-	-	-	686.6	686.6
Other comprehensive income/(loss), net		-	-	44.1	-	44.1
<b>Total comprehensive income/(loss)</b>		-	-	44.1	686.6	730.7
Dividend		-	-	-	(554.6)	(554.6)
<b>Jun 30 2019 (unaudited)</b>		<b>184.9</b>	<b>2,228.3</b>	<b>(244.1)</b>	<b>7,985.3</b>	<b>10,154.4</b>

The Notes to the interim condensed separate financial statements presented on pages 38 to 50 are an integral part of the financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

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

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

### 2. Basis of preparation and presentation

These interim condensed separate financial statements of Grupa LOTOS S.A. (the "interim financial statements", "financial statements") have been prepared in accordance with EU-endorsed International Accounting Standard IAS 34 *Interim Financial Reporting*.

These interim condensed separate financial statements present the financial position of the Company as at June 30th 2020 and December 31st 2019, results of the Company's operations for the six months ended June 30th 2020 and June 30th 2019, and cash flows for the six months ended June 30th 2020 and June 30th 2019.

These interim financial statements should be read in conjunction with the audited [Financial statements of Grupa LOTOS S.A. for 2019](#), issued on March 12th 2020 (the "financial statements for 2019").

The data presented in these interim financial statements as at June 30th 2020 and for the period of six months ended on that date, as well as the comparative financial data for the period of six months ended June 30th 2019, was reviewed by an auditor. The financial data for the period of three months ended June 30th 2020 as well as the comparative financial data for the period of three months ended June 30th 2019 included in these interim separate financial statements was not reviewed by an auditor. The data as at December 31st 2019 was audited. The auditor's report on the financial statements for 2019 was issued on March 9th 2020.

These interim condensed separate financial statements have been prepared on the assumption that the Company would continue as a going concern 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 Company's continuing as a going concern.

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

#### 2.1 Accounting policies

The accounting policies and calculation methods applied in the preparation of these condensed interim separate financial statements are the same as those applied in the preparation of the separate financial statements for 2019 (see Note 7 to the separate financial statements for 2019), without restatement of comparative data or correction of errors.

#### 2.2 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 2019 and which have not been endorsed by the European Union:](#)

- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Liabilities and Contingent Assets*, amendments to various standards as part of IFRS Annual Improvements cycle 2018–2020 (effective for annual periods beginning on or after January 1st 2022);
- Amendments to IFRS 16 *Leases: Covid-19-Related Rent Concessions* (effective for annual periods beginning on or after June 1st 2020);
- Amendments to IFRS 4 *Insurance Contracts*, deferral of IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2021).

The Company 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 Company and on the Company's future financial statements.

### 2.3 Exchange rates

The following exchange rates, determined on the basis of the exchange rates quoted by the National Bank of Poland, were used for the purpose of the balance-sheet valuation:

<b>NBP's mid rate quoted for:</b>	<b>Jun 30 2020</b> <sup>(1)</sup>	<b>Dec 31 2019</b> <sup>(2)</sup>
USD	3.9806	3.7977
EUR	4.4660	4.2585

<sup>(1)</sup> NBP's mid rates table effective for June 30th 2020.

<sup>(2)</sup> NBP's mid rates table effective for December 31st 2019.

<b>NBP's average mid rate for the reporting period</b>	<b>6 months ended</b> <b>Jun 30 2020</b> <sup>(1)</sup>	<b>6 months ended</b> <b>Jun 30 2019</b> <sup>(2)</sup>
USD	4.0214	3.7936
EUR	4.4413	4.2880

<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 – June 30th 2020.

<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 – June 30th 2019.

### 3. Seasonality and cyclicity of business in the reporting period

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

### 4. 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. 2019, are presented in the key sections of the financial statements and supplemented with additional information contained in the relevant notes to the financial statements.

In H1 2020, the Company's performance was materially affected by the COVID-19 pandemic, mainly through inventory valuation to net realisable value (see Note 16).

In March 2020, the Company's market environment became extremely volatile and unpredictable. The Company operated in an environment prone to rapid changes triggered by the pandemic and by measures taken to contain its impact, both in Poland and globally.

They upset the balance and disrupted the flows of international trade, including trade in goods and services, and passenger traffic has fallen markedly. Restrictions were imposed on both air and road transport. Many countries banned non-essential travel, restricted the use of services, retail outlets, institutions of culture and schools. Borders were closed for tourist traffic and migrant workforce. On March 14th 2020, the state of epidemic threat was introduced in Poland, resulting in the imposition of restrictions described above.

#### Inventories written down to net realisable value

In H1 2020, as a result of a decline in oil and gas prices on the market destabilised by the COVID-19 pandemic, demand for the Grupa LOTOS S.A.'s products fell and so did their selling prices. In Q1, the Company re-measured inventories to net realisable value, recognising write-downs of PLN 975.7m. In Q2 2020, the Group used the write-downs recognised in Q1 2020 and, given an increase in crude oil and petroleum product prices following a gradual improvement in demand as a result of 'unfreezing' of the economy, did not recognise any new inventory write-downs (see Note 16).

#### Expected credit loss (ECL) assessment

Large-scale operational disruptions that could potentially entail liquidity constraints for certain entities may also have an adverse impact on the credit quality of various actors along the supply chain. As at June 30th 2020, the Company performed an analysis to assess the potential impact of the COVID-19 pandemic on its calculation of expected credit losses and related impairment losses. The Company's credit policy, security instruments used and factoring agreements in place allow it to assume that the loss ratio for receivables recognised as at the reporting date will remain largely unchanged.

The Company keeps monitoring market developments and any information on its customers that could suggest a deterioration of their financial standing. Based on an analysis it had carried out, the Company did not revise the assumptions underlying the expected credit loss assessment as at June 30th 2020 relative to those adopted as at December 31st 2019. The Company will update the analysis and assumptions for the purposes of the financial statements for Q3 2020 when further analyses show that such update is necessary.

#### Liquidity

As at the date of these interim separate financial statements, the Company maintained its liquidity, and had financing available for its operating and investing activities.

**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
**for the six months ended June 30th 2020**  
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(PLNm)

**5. 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 Company recorded no material changes in estimated amounts reported in prior periods which would have a material effect on the current interim reporting period.

**6. Business segments**

The results of the operating segments for the three and six months ended June 30th 2020 are presented in Note 8 to the interim condensed consolidated financial statements for the six months ended June 30th 2020, given that the LOTOS Group companies have been allocated to the identified business segments. The Company is included in the Refining & Marketing segment.

**7. Revenue**

Type of goods or services	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Revenue from contracts with customers</b>				
<b>Revenue from sale of products and rendering of services:</b>	<b>3,524.8</b>	<b>8,942.4</b>	<b>6,786.6</b>	<b>12,777.1</b>
Revenue from sale of products	3,472.5	8,836.8	6,751.3	12,708.2
Revenue from rendering of services	52.3	105.6	35.3	68.9
<b>Revenue from sale of merchandise and materials</b>	<b>86.8</b>	<b>178.6</b>	<b>38.1</b>	<b>141.6</b>
<b>Total revenue from contracts with customers</b>	<b>3,611.6</b>	<b>9,121.0</b>	<b>6,824.7</b>	<b>12,918.7</b>
Effect of cash flow hedge accounting	(68.5)	(131.6)	(23.5)	(44.9)
Leases	(49.2)	(134.4)	-	-
<b>Total revenue</b>	<b>3,493.9</b>	<b>8,855.0</b>	<b>6,801.2</b>	<b>12,873.8</b>
- including from related entities	2,135.9	5,192.2	4,192.1	7,621.5

Sales by products, merchandise and services	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Gasolines	493.2	1,345.0	1,079.3	1,962.0
Naphtha	136.8	346.9	267.8	473.1
Diesel oil	2,337.2	5,522.2	3,890.8	7,209.5
Light fuel oil	76.5	239.4	111.4	295.2
Heavy fuel oil	29.6	195.4	388.1	1,059.8
Aviation fuel	22.4	352.6	278.5	564.2
Bunker fuel	20.3	57.2	42.1	79.0
Bitumen production components	115.7	162.2	296.7	366.4
Base oils	91.0	246.4	144.0	313.1
Liquid gas	64.0	152.1	109.4	184.4
Crude oil	36.0	36.0	-	-
Xylene fraction	28.9	88.8	72.4	143.6
Slack wax	37.8	72.7	40.0	77.9
Other refining products, merchandise and materials	64.4	187.1	57.1	107.1
Other merchandise and materials	5.5	11.4	11.8	14.5
Services	52.3	105.6	35.3	68.9
Effect of cash flow hedge accounting	(68.5)	(131.6)	(23.5)	(44.9)
Leases	(49.2)	(134.4)	-	-
<b>Total</b>	<b>3,493.9</b>	<b>8,855.0</b>	<b>6,801.2</b>	<b>12,873.8</b>



**GRUPA LOTOS S.A.**  
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Sales by geographical markets	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Poland	3,189.8	7,776.1	5,843.7	10,480.3
Belgium	42.4	143.3	162.9	266.7
Czech Republic	14.8	56.3	55.0	86.2
Denmark	-	68.7	88.4	140.8
France	30.3	76.3	-	-
Netherlands	103.9	381.4	447.6	1,213.2
Germany	144.2	212.6	4.5	13.0
Sweden	29.8	201.9	49.0	302.6
United Kingdom	53.2	112.9	84.2	158.7
Other countries	3.2	91.5	89.4	257.2
Effect of cash flow hedge accounting	(68.5)	(131.6)	(23.5)	(44.9)
Leases	(49.2)	(134.4)	-	-
<b>Total</b>	<b>3,493.9</b>	<b>8,855.0</b>	<b>6,801.2</b>	<b>12,873.8</b>

#### 8. Expenses by nature

	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortisation	99.1	199.8	98.6	194.6
Raw materials and consumables used <sup>(1)</sup>	3,476.9	8,496.2	6,023.2	11,343.1
Services	241.5	478.1	256.3	489.7
Taxes and charges	123.0	242.2	120.1	223.8
Employee benefits expense	77.0	151.9	63.2	133.2
Other expenses by nature	24.1	46.3	22.5	24.0
Merchandise and materials sold	84.3	192.4	36.2	105.5
<b>Total expenses by nature</b>	<b>4,125.9</b>	<b>9,806.9</b>	<b>6,620.1</b>	<b>12,513.9</b>
Change in products and adjustments to cost of sales	(760.4)	404.9	(110.8)	(84.6)
<b>Total</b>	<b>3,365.5</b>	<b>10,211.8</b>	<b>6,509.3</b>	<b>12,429.3</b>
including:				
Cost of sales	3,104.6	9,695.6	6,266.1	11,937.9
Selling expenses	191.4	382.1	186.3	373.6
Administrative expenses	69.5	134.1	56.9	117.8

<sup>(1)</sup> Including foreign exchange gains and losses related to operating activities, recognised in cost of sales for the three and six months ended June 30th 2020: PLN 4.5m of foreign exchange gains and PLN 43.7m of foreign exchange losses (for the three and six months ended June 30th 2019: PLN 33.7m and PLN 8.7m of foreign exchange gains).

#### 9. Other income

	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of non-financial non-current assets	0.3	0.3	-	-
Reversal of impairment losses on receivables	-	1.9	-	-
Grants	1.5	1.7	12.9	13.1
Fines and compensation	0.2	0.6	0.8	0.9
Reimbursed excise duty	0.1	0.4	-	-
Other	0.5	0.8	0.2	1.0
<b>Total</b>	<b>2.6</b>	<b>5.7</b>	<b>13.9</b>	<b>15.0</b>

#### 10. Other expenses

	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impairment losses on receivables	-	-	0.6	-
Fines and compensation	0.1	0.1	0.2	0.3
Charitable donations	0.4	11.4	-	-
Membership fees	0.6	2.2	1.5	2.7
Other	0.2	0.5	0.1	0.8
<b>Total</b>	<b>1.3</b>	<b>14.2</b>	<b>2.4</b>	<b>3.8</b>

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**11. Finance income**

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dividends:		<b>232.0</b>	<b>232.0</b>	<b>308.6</b>	<b>310.5</b>
- from related entities	23.1	229.0	229.0	306.0	307.9
- from other entities		3.0	3.0	2.6	2.6
Interest calculated using the effective interest method:		<b>0.4</b>	<b>2.3</b>	<b>8.1</b>	<b>14.9</b>
- on deposits		0.2	1.8	6.8	13.0
- on loans advanced	23.1	0.1	0.3	1.2	1.7
- other		0.1	0.2	0.1	0.2
Exchange differences:		<b>22.3</b>	<b>5.1</b>	-	-
- on bank borrowings		32.8	17.0	-	-
- on loans advanced		(0.1)	0.1	-	-
- on commissions and fees for borrowings		(0.4)	0.4	-	-
- on realised foreign-currency transactions in bank accounts		(9.1)	(11.1)	-	-
- on cash		(1.3)	0.1	-	-
- on investment commitments		0.4	(1.4)	-	-
Revaluation of derivative financial instruments:		<b>115.3</b>	-	<b>36.2</b>	<b>60.4</b>
- measurement		151.3	-	35.5	69.4
- settlement		(36.0)	-	0.7	(9.0)
Commission fees on conditional loan	23.1	<b>0.4</b>	<b>0.9</b>	<b>0.4</b>	<b>0.9</b>
<b>Total</b>		<b>370.4</b>	<b>240.3</b>	<b>353.3</b>	<b>386.7</b>

**12. Finance costs**

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest:		<b>7.8</b>	<b>15.5</b>	<b>25.8</b>	<b>52.5</b>
• interest calculated using the effective interest method:		<b>7.4</b>	<b>14.7</b>	<b>25.1</b>	<b>51.3</b>
- on bank borrowings		5.4	11.0	23.2	47.4
- on leases		1.9	3.5	1.7	3.6
- other		0.1	0.2	0.2	0.3
• other interest		<b>0.4</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>
Exchange differences:		-	-	<b>0.7</b>	<b>10.2</b>
- on bank borrowings		-	-	(7.7)	(0.4)
- on loans advanced		-	-	1.0	0.9
- on commission on conditional loan		-	-	0.2	0.1
- on realised foreign-currency transactions in bank accounts		-	-	5.6	9.4
- on cash		-	-	1.6	0.2
Revaluation of derivative financial instruments:		-	<b>90.2</b>	-	-
- measurement		-	35.7	-	-
- settlement		-	54.5	-	-
Impairment losses on shares in related entities	16	<b>26.5</b>	<b>26.5</b>	-	-
Bank fees		-	-	<b>2.3</b>	<b>4.4</b>
Tax risk provision		<b>1.1</b>	<b>2.1</b>	-	-
Other		-	<b>0.2</b>	<b>1.1</b>	<b>2.1</b>
<b>Total</b>		<b>35.4</b>	<b>134.5</b>	<b>29.9</b>	<b>69.2</b>

**13. Income tax**

**13.1 Tax expense**

	3 months ended	6 months ended	3 months ended	6 months ended
	Jun 30 2020	Jun 30 2020	Jun 30 2019	Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax	0.6	0.7	44.5	45.2
Deferred tax	49.8	(274.8)	17.1	41.4
<b>Total income tax charged to net profit or loss</b>	<b>50.4</b>	<b>(274.1)</b>	<b>61.6</b>	<b>86.6</b>
Tax expense recognised in other comprehensive income/(loss), net, relating to cash flow hedges	19.8	7.3	13.4	10.4

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

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### 13.2 Deferred income tax

	Statement of financial position		Statement of comprehensive income
	Jun 30 2020	Dec 31 2019	6 months ended Jun 30 2020
Note	(unaudited)	(audited)	(unaudited)
<b>Deferred tax assets</b>			
Employee benefit obligations	26.0	26.2	(0.2)
Negative fair value of derivative financial instruments	7.5	2.9	4.6
Tax losses carried forward	272.3	-	272.3
Cash flow hedges	40.5	47.8	(7.3)
Other	65.5	41.7	23.8
	<b>411.8</b>	<b>118.6</b>	<b>293.2</b>
<b>Deferred tax liabilities</b>			
Difference between current tax value and carrying amount: of property, plant and equipment and intangible assets	432.9	411.6	21.3
Difference on accounting and tax measurement of lease contracts	29.8	29.5	0.3
Positive fair value of derivative financial instruments	5.1	0.3	4.8
Other	5.3	6.0	(0.7)
	<b>473.1</b>	<b>447.4</b>	<b>25.7</b>
<b>Deferred tax expense recognised in:</b>			<b>267.5</b>
- net profit or loss			274.8
- other comprehensive income/(loss), net	13.1		(7.3)
<b>Net deferred tax assets/(liabilities)</b>	<b>(61.3)</b>	<b>(328.8)</b>	

Taxable temporary differences are expected to expire in 2020–2098.

### 14. Earnings/(loss) per share

	3 months ended Jun 30 2020	6 months ended Jun 30 2020	3 months ended Jun 30 2019	6 months ended Jun 30 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net profit/(loss) (PLNm) (A)	414.3	(985.4)	565.2	686.6
Weighted average number of shares (million) (B)	184.9	184.9	184.9	184.9
<b>Earnings/(loss) per share (PLN) (A/B)</b>	<b>2.24</b>	<b>(5.33)</b>	<b>3.06</b>	<b>3.71</b>

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 and six months ended June 30th 2020 and June 30th 2019, diluted earnings/(loss) per share were equal to basic earnings/(loss) per share, as there were no instruments with dilutive effect.

### 15. Dividends

As at June 30th 2020 and December 31st 2019, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends pursuant to a credit facility agreement of July 2nd 2019 entered into to refinance the 10+ Programme credit facilities (see Note 22.1 to the consolidated financial statements for 2019). The agreement limits the ability of Grupa LOTOS S.A. to pay dividends and makes it conditional on achievement of certain levels of financial ratios.

On June 30th, the General Meeting of Grupa LOTOS S.A. passed a resolution on the allocation of the Company's net profit for 2019. Under the resolution, the 2019 net profit of PLN 834.3m is to be applied towards:

- dividend payment – PLN 184.9m,
- statutory reserve funds – PLN 649.4m.

The dividend will be paid on September 28th 2020. The dividend per share will be PLN 1.0, before tax.

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**16. Impairment losses**

	Property, plant and equipment and intangible assets		Inventories		Receivables		Shares		Total	
	3 months ended Jun 30									
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>At beginning of period (unaudited)</b>	<b>0.8</b>	<b>0.8</b>	<b>980.9</b>	<b>2.7</b>	<b>55.4</b>	<b>32.5</b>	<b>16.6</b>	<b>16.6</b>	<b>1,053.7</b>	<b>52.6</b>
Recognised	-	-	9.3	-	-	0.8	26.5	-	35.8	0.8
Used / Reversed	-	-	(975.7)	-	(0.1)	(0.8)	-	-	(975.8)	(0.8)
<b>At end of period (unaudited)</b>	<b>0.8</b>	<b>0.8</b>	<b>14.5</b>	<b>2.7</b>	<b>55.3</b>	<b>32.5</b>	<b>43.1</b>	<b>16.6</b>	<b>113.7</b>	<b>52.6</b>
	6 months ended Jun 30									
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>At beginning of period (audited)</b>	<b>0.8</b>	<b>0.8</b>	<b>1.9</b>	<b>31.0</b>	<b>57.1</b>	<b>26.9</b>	<b>16.6</b>	<b>16.6</b>	<b>76.4</b>	<b>75.3</b>
Recognised	-	-	988.3	-	1.1	6.4	26.5	-	1,015.9	6.4
Used / Reversed	-	-	(975.7)	(28.3)	(2.9)	(0.8)	-	-	(978.6)	(29.1)
<b>At end of period (unaudited)</b>	<b>0.8</b>	<b>0.8</b>	<b>14.5</b>	<b>2.7</b>	<b>55.3</b>	<b>32.5</b>	<b>43.1</b>	<b>16.6</b>	<b>113.7</b>	<b>52.6</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).

In H1 2020, in connection with impairment losses on non-current assets at the LOTOS Upstream Group, the Company recognised impairment losses of PLN 26.5m on its investment in shares in LOTOS Upstream Sp. z o.o. This amount was charged to finance costs (see Note 12).

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

	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Purchase of property, plant and equipment and intangible assets	60.4	44.9

Purchases made in the six months ended June 30th 2020 were mainly related to the construction of the railway loading facility and the construction of the Hydrogen Recovery Unit (HRU), as well as the purchase of spare parts.

In the six months ended June 30th 2019, purchases were made mainly in connection with the Delayed Coking Unit (EFRA project), the construction of the Hydrogen Recovery Unit (HRU) and construction of a railway loading facility.

As at June 30th 2020, the Company's contractual commitments related to purchases of property, plant and equipment and intangible assets, undisclosed in the statement of financial position, were PLN 67.5m (December 31st 2019: PLN 61.7). As at June 30th 2020, the contracted expenditure was related, among others, to the construction of a railway loading facility and hydrocarbon vapour recovery unit.

In the six months ended June 30th 2020 and June 30th 2019, Grupa LOTOS S.A. did not sell any material items of property, plant and equipment or intangible assets.

**18. Cash and cash equivalents**

	Jun 30 2020 (unaudited)	Jun 30 2019 (unaudited)
Cash and cash equivalents in the statement of financial position	1,325.3	1,057.9
Overdraft facilities	-	(0.2)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>1,325.3</b>	<b>1,057.7</b>

**19. Bank borrowings, leases**

	Jun 30 2020	Dec 31 2019
Bank borrowings:	1,628.7	1,730.7
- inventory financing and refinancing facility	199.9	190.1
- investment facilities	1,428.8	1,540.6
Leases	137.6	189.6
<b>Total</b>	<b>1,766.3</b>	<b>1,920.3</b>
including:		
long-term portion	1,239.0	1,340.2
short-term portion	527.3	580.1

	Bank borrowings	Leases	Total
<b>Dec 31 2019 (audited)</b>	<b>1,730.7</b>	<b>189.6</b>	<b>1,920.3</b>
Net proceeds	-	-	-
Net payments	(152.7)	(1.7)	(154.4)
Interest, fees and commissions paid	(38.2)	(7.1)	(45.3)
New leases	-	1.0	1.0
Interest, fees and commissions accrued	12.6	3.5	16.1
Exchange differences	76.3	-	76.3
Other	-	(47.7)	(47.7)
<b>Jun 30 2020 (unaudited)</b>	<b>1,628.7</b>	<b>137.6</b>	<b>1,766.3</b>

	Bank borrowings	Leases	Total
<b>Dec 31 2018 (audited)</b>	<b>2,285.9</b>	<b>-</b>	<b>2,285.9</b>
Effect of changes in accounting policies	-	132.1	132.1
<b>Jan 1 2019 (unaudited)</b>	<b>2,285.9</b>	<b>132.1</b>	<b>2,418.0</b>
Net proceeds	-	-	-
Net payments	(253.9)	(6.5)	(260.4)
Interest, fees and commissions paid	(48.4)	(1.9)	(50.3)
Interest, fees and commissions accrued	51.4	3.6	55.0
Prepayments and accruals	4.6	-	4.6
Exchange differences	(15.3)	-	(15.3)
Change in overdraft facilities	(2.8)	-	(2.8)
Change in deposits securing payment of interest and principal	(125.0)	-	(125.0)
Other	-	0.5	0.5
<b>Jun 30 2019 (unaudited)</b>	<b>1,896.5</b>	<b>127.8</b>	<b>2,024.3</b>

**Significant credit facility agreements**

As at June 30th 2020, the nominal amount drawn by the Company under the facility contracted to refinance loans related to the 10+ Programme was PLN 1,433.0m (USD 360m). As at December 31st 2019, the amount was PLN 1,519.1m (USD 400m).

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The Company also uses an inventory financing and refinancing facility. As at June 30th 2020, the amount drawn under the facility was PLN 199.0m (USD 50m); PLN 189.9m (USD 50m) as at December 31st 2019.

The Company also uses working capital facilities available as overdraft facilities and funds made available on demand upon instruction. The Company uses these facilities to finance its working capital requirements as they arise.

**Proceeds from and repayment of bank borrowings**

In the six months ended June 30th 2020, the Company did not borrow any funds from banks, while repayment of bank borrowings in the same period amounted to PLN 152.7m and was related to investment facilities. This amount was disclosed in the statement of cash flows from financing activities, under: [Repayment of bank borrowings](#).

In the six months ended June 30th 2020 and June 30th 2019, there were no defaults under any credit facility or breaches of any material provisions of credit facility agreements.

**20. Issue, redemption and repayment of debt and equity securities**

In the six months ended June 30th 2020 and June 30th 2019, no issue, redemption or repayment of debt or equity securities took place.

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

In the six months ended June 30th 2020, the Company made no changes to the method of fair value measurement applied to financial instruments measured at fair value through profit or loss (for a description of the method, see Note 7.17 to the financial statements for 2019), and made no transfers of financial instruments between fair value hierarchy levels (see Note 24.1 to the financial statements for 2019). As at June 30th 2020 and December 31st 2019, the Company held financial derivatives classified as fair value hierarchy Level 2.

As at June 30th 2020 and December 31st 2019, the fair values of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy (Level 2)	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Financial assets</b>		
Commodity swap	26.6	1.6
Currency forward and spot contracts	-	13.2
Currency swap	8.0	9.6
<b>Total</b>	<b>34.6</b>	<b>24.4</b>
<b>Financial liabilities</b>		
Commodity swap	39.4	15.3
Currency forward and spot contracts	0.2	-
Currency swap	15.7	0.1
<b>Total</b>	<b>55.3</b>	<b>15.4</b>

**22. Contingent liabilities and assets**

**22.1 Material court, arbitration or administrative proceedings, other risks to the Company, and material settlements under court proceedings**

In the period between the end of the previous financial year, i.e. December 31st 2019, 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 2019. In addition, it should be noted that:

**Tax settlements**

The Company's tax settlements are subject to customs and tax inspections carried out by competent authorities. As at June 30th 2020, the Company disclosed a provision for tax risk, recognised in connection with such proceedings, of PLN 85.2m.

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In connection with a judgment by the Court of Justice of the European Union of October 16th 2019 in Case C-189/18 Glencore, on January 15th 2020 the Company filed a petition for resumption of proceedings in which the following decisions had been issued:

- decision by the Director of the Tax Chamber in Gdańsk, dated December 29th 2015, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated September 28th 2015, assessing the Company's VAT liabilities for individual months of 2010 at a total amount of PLN 48.4m,
- decision by the Director of the Tax Chamber in Gdańsk, dated February 29th 2016, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated September 28th 2015, assessing the Company's VAT liabilities for individual months of 2011 at a total amount of PLN 112.5m,
- decision by the Director of the Tax Administration Chamber in Gdańsk, dated October 25th 2018, upholding the decision by the Head of the Gdańsk Province Customs and Tax Office in Gdynia, dated January 19th 2018, assessing the Company's VAT liabilities for January 2012 at a total amount of PLN 7.3m,

and after resumption of the proceedings, for:

- reversal of the decisions by the tax authorities of both instances and discontinuation of the tax proceedings – with respect to the proceedings for 2010–2011,
- suspension of the proceedings until final conclusion of the court proceedings – with respect to the proceedings for 2012, in connection with proceedings pending before the Supreme Administrative Court, initiated by the Company's cassation complaint.

In the six months ended June 30th 2020, there were no material settlements under court or other proceedings, except for those presented above.

## 22.2 Other contingent liabilities

In the period between the end of the previous financial year, i.e. December 31st 2019, and the date of issue of these interim financial statements, there were no changes in the Company's other material contingent liabilities.

## 23. Related parties

### 23.1 Material transactions with related entities in which Grupa LOTOS S.A. holds equity interests

	Note	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Subsidiaries</b>					
Sales	7	2,131.9	5,095.1	4,085.4	7,443.6
Purchases		460.8	1,044.9	390.0	746.9
Sale of CO <sub>2</sub> emission allowances		16.6	16.6	-	-
Purchase of property, plant and equipment and intangible assets		5.8	8.4	2.1	9.0
Dividends received	11	229.0	229.0	304.2	306.1
Interest income on loans advanced	11	0.1	0.3	1.2	1.7
Commission fees on conditional loan	11	0.4	0.9	0.4	0.9
<b>Joint ventures</b>					
Sales	7	4.0	97.1	106.7	177.9
Dividends received	11	-	-	1.8	1.8
				<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
				<b>(unaudited)</b>	<b>(audited)</b>
<b>Subsidiaries</b>					
Trade receivables				1,055.7	1,507.3
Receivables under loans				2.7	22.0
Commission fees on conditional loan				9.6	8.3
Trade and other payables				207.5	340.4
<b>Joint ventures</b>					
Trade receivables				2.4	38.3

As at June 30th 2020 and December 31st 2019, the Company had no trade receivables from related parties assigned by way of security.

In the six months ended June 30th 2020, the Company did not issue sureties to related parties. In the six months ended June 30th 2019, the Company provided security in the form of assignment of receivables to secure financing claims under the loan agreement of February 20th 2019 between Grupa LOTOS S.A. and LOTOS Exploration and Production Norge AS, and potential future loan agreements.

As at June 30th 2020, there was an outstanding surety issued to B8 spółka z ograniczoną odpowiedzialnością BAL TIC spółka komandytowo-akcyjna ("B8") in favour of the bondholder Bank Gospodarstwa Krajowego S.A. in connection with B8's note programme for up to USD 91.5m.

In 2017, Grupa LOTOS S.A. provided a surety of PLN 51.8m for the purchase of modern rolling stock for intermodal transport services provided by LOTOS Kolej Sp. z o.o. The surety was valid as at June 30th 2020.

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(PLNm)

As at June 30th 2020 and December 31st 2019, Grupa LOTOS S.A.'s shares in LOTOS Asfalt Sp. z o.o. were fully encumbered with financial and registered pledges. The pledges were established to secure a credit facility agreement executed by LOTOS Asfalt Sp. z o.o. with a syndicate of financial institutions in connection with the financing of the EFRA Project. The credit facility agreement of LOTOS Asfalt Sp. z o.o. is also secured by a declaration of submission to enforcement submitted by Grupa LOTOS S.A. and assignment of rights under a loan agreement of June 2015 made between Grupa LOTOS S.A. (lender) and LOTOS Asfalt Sp. z o.o. (borrower). The agreement provides for a conditional revolving loan of up to USD 53m maturing on January 17th 2026. The loan is secured by a blank promissory note and a promissory note declaration and it bears interest at a variable annual rate based on 6M USD LIBOR plus margin. The loan is to provide funds for the EFRA Project if LOTOS Asfalt Sp. z o.o. fails to generate sufficient own funds, and to ensure financial liquidity for LOTOS Asfalt Sp. z o.o.

In the six months ended June 30th 2020, Grupa LOTOS S.A. did not grant any loans to related entities. In the six months ended June 30th 2019, Grupa LOTOS S.A. advanced loans to related entities totalling PLN 103.3m.

In the six months ended June 30th 2020, Energobaltic Sp. z o.o. and LOTOS Upstream Sp. z o.o. mad loan repayments of PLN 10.0m and PLN 9.5m, respectively. In the comparative period, there were no loan repayments from related entities.

Amounts received and disbursed under loans are presented in the statement of cash flows as cash flows from investing activities under: [Decrease in loans advanced to related parties; loans advanced to related parties.](#)

Below is presented information on loans advanced by Grupa LOTOS S.A. to related parties as at June 30th 2020:

Related entity	Principal as per loan agreement		Maturity date	Security	Financial terms (interest)
	PLN (million)	Currency (million)			
SPV Petro Sp. z o.o.	2.5	0.7 USD	Dec 31 2022	blank promissory note with a 'protest waived' clause and promissory note declaration, and security over non-current assets	the loan bears interest at a variable annual rate based on 1M LIBOR plus margin

### 23.2 Entity exercising control of the Company

As at June 30th 2020 and December 31st 2019, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the six months ended June 30th 2020 and June 30th 2019, there were no transactions between Grupa LOTOS S.A. and the State Treasury.

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

In the three and six months ended June 30th 2020 and June 30th 2019, the aggregate value of transactions executed by Grupa LOTOS S.A. with parties related to it through the State Treasury was material. The transactions were concluded at arm's length in the course of the Company's day-to-day business and involved mainly purchase and sale of fuels, purchase of crude oil and natural gas, energy and transport services.

	3 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2020 (unaudited)	3 months ended Jun 30 2019 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Sales	113.3	347.2	99.0	119.7
Purchases	258.4	628.7	368.9	770.6
			<b>Jun 30 2020 (unaudited)</b>	<b>Dec 31 2019 (audited)</b>
Receivables			39.6	51.6
Liabilities			103.9	191.0

In addition, as at June 30th 2020, the Company had borrowings from banks over which the State has control or joint control or over which it exercises significant influence, totalling PLN 199.5m (PEKAO S.A.) (December 31st 2019: PLN 305.5m, PKO BP S.A. and PEKAO S.A.).



**GRUPA LOTOS S.A.**  
**Interim condensed separate financial statements**  
**for the six months ended June 30th 2020**  
**Notes to the financial statements**

(PLNm)

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

Remuneration paid to members of the Company's Management Board and Supervisory Board	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
<b>Management Board</b>		
Short-term employee benefits (salaries):	<b>2.33</b>	<b>1.76</b>
Paweł Majewski	0.26	-
Jarosław Wittstock	0.36	0.34
Marian Krzemiński	0.36	-
Jarosław Kawula	0.34	0.34
Zofia Paryła	0.37	-
Mateusz Bonca	0.18 <sup>(1)</sup>	0.37
Patryk Demski	0.04 <sup>(1)</sup>	0.35
Robert Sobków	0.25 <sup>(2)</sup>	0.36
Mariusz Machajewski	0.17 <sup>(3)</sup>	-
Marcin Jastrzębski	0.00	-
<b>Supervisory Board</b>		
Short-term employee benefits (salaries):	<b>0.29</b>	<b>0.33</b>
Piotr Ciach	0.04	0.04
Dariusz Figura	0.04	0.04
Mariusz Golecki	-	0.04
Beata Kozłowska-Chyła	0.05	0.05
Katarzyna Lewandowska	0.04	0.04
Adam Lewandowski	0.04	0.04
Grzegorz Rybicki	0.04	0.04
Agnieszka Szklarczyk-Mierzwa	0.04	0.04
<b>Total <sup>(4)</sup></b>	<b>2.62</b>	<b>2.09</b>
including variable remuneration paid:	<b>0.39</b>	<b>-</b>
<b>Management Board</b>		
Robert Sobków	0.22	-
Mariusz Machajewski	0.17	-

<sup>(1)</sup> Non-compete compensation paid.

<sup>(2)</sup> Non-compete compensation and variable remuneration paid.

<sup>(3)</sup> Variable remuneration paid.

<sup>(4)</sup> The amount reflects changes in the composition of the Company's Management and Supervisory Boards.

In the six months ended June 30th 2020 and June 30th 2019, the Company 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 would be 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 six months ended June 30th 2020 and June 30th 2019, 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)	6 months ended Jun 30 2020 (unaudited)	6 months ended Jun 30 2019 (unaudited)
Short-term employee benefits (salaries) <sup>(1)</sup> , including:	8.9	14.0
- annual bonus paid	2.2 <sup>(2)</sup>	3.7 <sup>(3)</sup>
- length-of-service award paid	-	0.1

<sup>(1)</sup> The amount of remuneration reflects changes in the Company's Collective Bargaining Agreement.

<sup>(2)</sup> Payment of the annual bonus for 2019.

<sup>(3)</sup> Payment of the annual bonus for 2018.

In the six months ended June 30th 2020 and June 30th 2019, the Company did not provide any loans or similar benefits to the other members of its key management staff.

**23.4 Transactions with parties related to the Company through members of the Management Board and the Supervisory Board**

In the six months ended June 30th 2020, Grupa LOTOS S.A. entered into transactions with parties related to it through members of the Management and Supervisory Boards. Those transactions were connected with the Company's day-to-day operations and related mainly to the purchase of liability insurance policies and property insurance policies for PLN 11.4 m.

In the six months ended June 30th 2020, Grupa LOTOS S.A. also purchased transport services related to the purchase of personal protective equipment, for PLN 6.4m.

In the six months ended June 30th 2019, Grupa LOTOS S.A. did not enter into material transactions with parties related to it through members of the Management and Supervisory Boards.

All transactions with parties related to the Group through members of the Management Board and the Supervisory Board were executed on an arm's length basis.

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#### **24. Material events subsequent to the end of the interim period**

On July 14th, the European Commission issued a conditional approval for the concentration involving acquisition of control of Grupa LOTOS S.A. by Polski Koncern Naftowy ORLEN S.A. ("PKN Orlen"). The Commission's decision was issued under Article 8(2) of Council Regulation (EC) No 139/2004 of January 20th 2004 on the control of concentrations between undertakings (the Merger Regulation) (OJ L 24, p. 1). Therefore, PKN Orlen is required to implement remedies set out in the decision to prevent adverse effects of the proposed concentration on competition in the relevant markets (the "Remedies"). The Remedies include structural and behavioural commitments relating to the structure and policies of the undertakings involved in the concentration: PKN Orlen and Grupa LOTOS.

In Current Report No. 21/2020 of July 14th 2020, Grupa LOTOS reported on the obligations undertaken towards the European Commission. The following commitments are intended to continue in effect until the divestment of assets to be disposed of in the implementation of the Remedies ("LOTOS Divestment Assets") has been completed:

- Undertaking to preserve the value and competitiveness of the LOTOS Divestment Assets in accordance with good market practice and to minimise as far as possible any risk of loss of competitive potential by the LOTOS Divestment Assets;
- Undertaking to keep the LOTOS Divestment Assets separate from the business(es) that PKN Orlen and Grupa LOTOS S.A. are retaining (hold separate obligations), which involves in particular ensuring that the management and staff involved in any business retained by Grupa LOTOS S.A. have no involvement in the business of the LOTOS Divestment Assets, and that the staff (including key personnel) of the LOTOS Divestment Assets identified in the undertakings have no involvement in any business retained by Grupa LOTOS S.A. and do not report to any individuals outside the Lotos Divestment Assets. Immediately after the adoption of the Commission's decision, Grupa LOTOS S.A. will appoint an individual or individuals as an independent hold separate manager (the "Hold Separate Manager"). The Hold Separate Manager will be a member of key personnel of the LOTOS Divestment Assets. The Hold Separate Manager will manage the LOTOS Divestment Assets independently and will report to an individual appointed by PKN ORLEN to monitor the implementation of the Remedies (the Monitoring Trustee). The above undertaking will not apply to the Gdańsk refinery;
- Undertaking not to employ any key personnel of the LOTOS Divestment Assets within 12 months after the closing of divestment transactions giving effect to the Remedies;
- Undertaking to cooperate with and assist the Monitoring Trustee to a reasonable extent, as required by the Monitoring Trustee.

#### AUTHORISATION OF INTERIM FINANCIAL REPORT FOR ISSUE

This half-year financial report was authorised for issue by the Management Board on August 11th 2020.

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

President of the Management Board

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Paweł Jan Majewski

Vice President of the Management Board,  
Chief Investment and Innovation Officer

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Marian Krzemiński

Vice President of the Management Board,  
Corporate Affairs

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Jarosław Wittstock

Vice President of the Management Board,  
Chief Financial Officer

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Zofia Paryła

Finance and Accounting Centre Director –  
Chief Accountant

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Tomasz Południewski