	PLN'000		EUR'000	
	Year ended Dec 31 2013	**Year ended Dec 31 2012 (restated)**	**Year ended Dec 31 2013**	**Year ended Dec 31 2012 (restated)**
Revenue	26,697,179	31,071,896	6,339,867	7,444,867
Operating profit/(loss)	(352,799)	558,637	(83,780)	133,850
Pre-tax profit/(loss)	(77,525)	968,808	(18,410)	232,128
Net profit/(loss)	(14,774)	836,431	(3,508)	200,410
Total comprehensive income	83,242	1,218,911	19,768	292,053
Net cash from operating activities	733,621	468,311	174,215	112,208
Net cash from investing activities	51,026	68,335	12,117	16,373
Net cash from financing activities	(597,916)	(747,851)	(141,989)	(179,186)
Total net cash flow	186,731	(211,205)	44,343	(50,605)
Basic earnings per share (PLN/EUR)	(0,11)	6,44	(0,03)	1,54
Diluted earnings per share (PLN/EUR)	(0,11)	6,44	(0,03)	1,54

	PLN'000		EUR'000	
	As at Dec 31 2013	**As at Dec 31 2012 (restated)**	**As at Dec 31 2013**	**As at Dec 31 2012 (restated)**
Total assets	15,559,412	15,978,614	3,751,787	3,908,472
Total equity	7,135,595	7,052,353	1,720,581	1,725,051

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

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

As at Dec 31 2013	**As at Dec 31 2012**
1 EUR = 4.1472 PLN	1 EUR = 4.0882 PLN

Items of the statement of comprehensive income and the statement of cash flows have been translated using the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period:

Year ended Dec 31 2013	**Year ended Dec 31 2012**
1 EUR = 4.2110 PLN	1 EUR = 4.1736 PLN

GRUPA LOTOS S.A.

FINANCIAL STATEMENTS FOR 2013
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION
WITH THE AUDITOR'S OPINION

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

GRUPA LOTOS S.A.
STATEMENT OF COMPREHENSIVE INCOME
for 2013

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012 (restated)
Revenue	9.1	26,697,179	31,071,896
Cost of sales	9.2	(26,214,651)	(29,706,948)
Gross profit		**482,528**	**1,364,948**
Distribution costs	9.2	(614,354)	(595,797)
Administrative expenses	9.2	(224,935)	(218,004)
Other income	9.4	12,125	18,520
Other expenses	9.5	(8,163)	(11,030)
Operating profit/(loss)		**(352,799)**	**558,637**
Finance income	9.6	412,140	523,259
Finance costs	9.7	(144,528)	(165,145)
Gain on disposal of investments	16.1	7,662	52,057
Pre-tax profit/(loss)		**(77,525)**	**968,808**
Corporate income tax	10.1	62,751	(132,377)
Net profit/(loss)		**(14,774)**	**836,431**
Other comprehensive income			
Items that may be reclassified to profit/loss:		**97,820**	**382,480**
Cash flow hedges	22	120,765	472,197
Income tax on other comprehensive income	10.1	(22,945)	(89,717)
Items that will not be reclassified to profit/loss:		**196**	**-**
Actuarial gain/(loss) relating to post-employment benefits	26.1	242	-
Income tax on other comprehensive income	10.1	(46)	-
Other comprehensive income (net)		**98,016**	**382,480**
Total comprehensive income		**83,242**	**1,218,911**
Earnings/(loss) per share (PLN)			
Weighted average number of shares ('000)	11	129,873	129,873
- basic	11	(0.11)	6.44
- diluted	11	(0.11)	6.44

GRUPA LOTOS S.A.
STATEMENT OF FINANCIAL POSITION
as at December 31st 2013

PLN '000	Note	Dec 31 2013	Dec 31 2012 (restated)	Jan 1 2012 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	6,572,705	6,799,992	7,078,991
Intangible assets	14	114,448	90,196	83,354
Shares	16	910,649	910,520	857,016
Other non-current assets	17	439,537	342,948	355,421
Total non-current assets		**8,037,339**	**8,143,656**	**8,374,782**
Current assets				
Inventories	18	5,544,460	5,705,717	5,637,321
- including mandatory stocks	*18.2*	*4,247,822*	*4,350,326*	*4,425,263*
Trade receivables	17	1,584,750	1,668,427	2,175,302
Current tax assets		10,296	9,429	73,512
Derivative financial instruments	25	73,956	121,334	37,202
Other current assets	17	84,580	327,165	95,276
Cash and cash equivalents	19	224,031	2,886	3,598
Total current assets		**7,522,073**	**7,834,958**	**8,022,211**
Assets held for sale		**-**	**-**	**25,943**
Total assets		**15,559,412**	**15,978,614**	**16,422,936**
EQUITY AND LIABILITIES				
Equity				
Share capital	20	129,873	129,873	129,873
Share premium	21	1,311,348	1,311,348	1,311,348
Cash flow hedging reserve	22	61,019	(36,801)	(419,281)
Retained earnings	23	5,633,355	5,647,933	4,811,502
Total equity		**7,135,595**	**7,052,353**	**5,833,442**
Non-current liabilities				
Bank borrowings	24	3,538,779	4,069,561	4,786,893
Derivative financial instruments	25	52,876	88,325	127,364
Deferred tax liabilities	10.3	206,817	246,144	23,182
Employee benefit obligations	26	53,300	45,262	41,036
Total non-current liabilities		**3,851,772**	**4,449,292**	**4,978,475**
Current liabilities				
Bank borrowings	24	1,327,536	1,462,557	1,682,149
Derivative financial instruments	25	28,297	102,524	129,434
Trade payables	27	2,436,614	2,161,910	2,801,979
Employee benefit obligations	26	33,582	35,857	31,210
Other liabilities and provisions	27	746,016	714,121	966,247
Total current liabilities		**4,572,045**	**4,476,969**	**5,611,019**
Total liabilities		**8,423,817**	**8,926,261**	**10,589,494**
Total equity and liabilities		**15,559,412**	**15,978,614**	**16,422,936**

GRUPA LOTOS S.A.
STATEMENT OF CASH FLOWS
for 2013

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012 (restated)
Cash flows from operating activities			
Net profit/(loss)	11	**(14,774)**	**836,431**
Adjustments:		**757,299**	**(357,704)**
Income tax expense	*10.1*	*(62,751)*	*132,377*
Depreciation and amortisation	*9.2*	*391,069*	*411,494*
Foreign exchange (gains)/losses		*(5,467)*	*(83,238)*
Interest and dividends		*(156,829)*	*(164,645)*
(Gain)/loss from investing activities		*(7,007)*	*(64,099)*
Settlement and valuation of derivative financial instruments	*9.6*	*(101,728)*	*(93,054)*
Decrease in trade receivables		*83,743*	*508,811*
Decrease/(increase) in other assets		*190,086*	*(85,952)*
Decrease/(Increase) in inventories		*161,257*	*(68,396)*
Increase/(Decrease) in trade payables		*274,704*	*(640,069)*
(Decrease) in other provisions and liabilities		*(15,783)*	*(219,806)*
Increase in employee benefit obligations		*6,005*	*8,873*
Corporate income tax paid		(8,904)	(10,416)
Net cash from operating activities		**733,621**	**468,311**
Cash flows from investing activities			
Dividends received		269,051	287,328
Interest received		6,518	11,331
Sale of property, plant and equipment and intangible assets		29	14,686
Sale of shares in related entities		14,907	78,537
Repayment of loans advanced to related entities		-	62,282
Purchase of property, plant and equipment and intangible assets		(204,735)	(110,549)
Acquisition of shares in related entities		-	(513)
Capital increase at related entities	16.1	(6,945)	-
Loans advanced to related entities		(30,220)	(218,579)
Bank deposits for financing of maintenance shutdown		-	(45,721)
Security deposit (margin)		134	586
Cash pool expenses		(37)	(1)
Settlement of derivative financial instruments		2,324	(11,052)
Net cash from investing activities		**51,026**	**68,335**
Cash flows from financing activities			
Proceeds from borrowings	24	189,965	262,803
Repayment of borrowings	24	(708,975)	(840,400)
Interest paid		(118,637)	(136,375)
Settlement of derivative financial instruments		39,731	(33,879)
Net cash from financing activities		**(597,916)**	**(747,851)**
Total net cash flow		**186,731**	**(211,205)**
Effect of exchange rate fluctuations on cash held		(609)	(29,167)
Change in net cash		**186,122**	**(240,372)**
Cash at beginning of the period		**(406,359)**	**(165,987)**
Cash at end of period	19	**(220,237)**	**(406,359)**

GRUPA LOTOS S.A.
STATEMENT OF CHANGES IN EQUITY
for 2013

PLN '000	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
Jan 1 2013		**129,873**	**1,311,348**	**(36,801)**	**5,647,933**	**7,052,353**
Net loss	*11*	-	-	-	*(14,774)*	*(14,774)*
Other comprehensive income, net		-	-	*97,820*	*196*	*98,016*
Total comprehensive income		-	-	97,820	(14,578)	83,242
Dec 31 2013		**129,873**	**1,311,348**	**61,019**	**5,633,355**	**7,135,595**
Jan 1 2012		**129,873**	**1,311,348**	**(419,281)**	**4,811,502**	**5,833,442**
Net profit	*11*	-	-	-	*836,431*	*836,431*
Other comprehensive income, net		-	-	*382,480*	-	*382,480*
Total comprehensive income		-	-	382,480	836,431	1,218,911
Dec 31 2012		**129,873**	**1,311,348**	**(36,801)**	**5,647,933**	**7,052,353**

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 core business consists in the production 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. Information whether the Company is the parent or major investor and whether it prepares consolidated financial statements

Grupa LOTOS S.A. is the parent of the Grupa LOTOS Spółka Akcyjna Group (the "LOTOS Group", the "Group"), which as at December 31st 2013 was composed of Grupa LOTOS S.A. (the "Parent") and 34 other production, service and trading companies, including:

- 13 direct subsidiaries of Grupa LOTOS S.A.,
- 21 indirect subsidiaries of Grupa LOTOS S.A.

Consolidated financial statements prepared by Grupa LOTOS S.A. incorporate the financial data of its fully-consolidated, equity-accounted, and proportionately-consolidated subsidiaries.

The consolidated financial statements of the LOTOS Group for 2013 were approved for publication by the Company's Management Board on March 3rd 2014

3. Basis of preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union which were in effect as at December 31st 2013. Taking into account the ongoing process of implementing the IFRSs in the EU and the business conducted by the Company, as far as the accounting policies applied by the Company are concerned, there is no difference between the IFRS that became effective and the IFRSs endorsed by the EU for 2013, except for the set of new standards: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements, and IAS 28 Investments in Associates and Joint Ventures, which will be applied by the Company for annual periods beginning on or after January 1st 2014.

The following new standards, amendments to the existing standards and interpretations which have been endorsed by the European Union (the "EU") are effective in periods beginning on or after January 1st 2013:

- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1st 2012),
- Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 19 Employee Benefits (effective for annual periods beginning on or after January 1st 2013),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1st 2012; in the EU effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards: Government Loans (effective for annual periods beginning on or after January 1st 2013),
- Amendments introduced as part of Improvements to IFRSs published in May 2012 (effective for annual periods beginning on or after January 1st 2013).

The Company verified these amendments and decided that they had no material impact on the accounting policies applied by the Company to prepare these financial statements. For information on the impact of amendments under IAS 19 Employee Benefits, see Note 6.

The Company's functional currency and the presentation currency of these financial statements is the Polish złoty. These financial statements were prepared in thousands of złoty and, unless indicated otherwise, all amounts are stated in thousands of złoty.

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4. New standards and interpretations which have been published but are not yet effective

The following new standards, amendments to the existing standards and interpretations have been endorsed by the European Union (the "EU"):

- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IAS 27 Separate Financial Statements, as amended in 2011 (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- IAS 28 Investments in Associates and Joint Ventures, as amended in 2011 (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance (effective for annual periods beginning on or after January 1st 2013; in the EU effective for annual periods beginning on or after January 1st 2014),
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting, published on June 27th 2013 (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets, published on May 29th 2013 (effective for annual periods beginning on or after January 1st 2014),

The Company will apply IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 for annual periods beginning on or after January 1st 2014.

New standards, amendments to the existing standards and interpretations which have not been endorsed by the European Union:

- Amended IFRS 9 Financial Instruments: Classification and Measurement (the effective date was deferred by the IASB with no planned endorsement date given),
- IFRIC 21 Levies, published on May 20th 2013 (effective for annual periods beginning on or after January 1st 2014),
- Amendments introduced as part of the Improvements to IFRSs 2010-2012 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments introduced as part of the Improvements to IFRSs 2011-2013 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014),
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1st 2014),
- IFRS 14 Regulatory Deferral Accounts published on January 30th 2014 (effective for annual periods beginning on or after January 1st 2016).

The Company has not opted for early application of any of the above standards, interpretations, or amendments which have been published but have not yet become effective. The Management Board is assessing whether the introduction of the new standards and interpretations specified above will have any material impact on the accounting policies applied by the Company.

5. Material judgements and estimates

The preparation of financial statements in accordance with the International Financial Reporting Standards requires a number of assumptions, judgements and estimates which affect the value of items disclosed in these financial statements.

Although the assumptions and estimates are based on the management's best knowledge of the current and future events and developments, the actual results might differ from the estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Any change in an accounting estimate is recognised in the period in which it has been made if it refers exclusively to that period, or in the current period and future periods if it refers to both the current period and future periods. Material assumptions used by the Management Board in making the estimates are described in the relevant notes.

While making assumptions, estimates and judgements, the Management Board relies on its experience and knowledge and may take into consideration opinions, analyses and recommendations issued by independent experts.

Apart from the accounting estimates, the management's professional judgement was of key importance in the application of the accounting policies in the cases described below.

Employee benefit obligations

Employee benefit obligations are estimated using actuarial methods. For information on the actuarial assumptions and valuation of employee benefit obligations see Note 26.

Amortisation and depreciation

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates. A revision of the estimates had an impact on the Company's financial statements for 2013 and resulted in a decrease in the related depreciation/amortisation charges by 8,619 thousands PLN.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement.

For more information on the assumptions adopted for the measurement of fair value of financial instruments see Note 7.19.

Deferred tax assets

The Company recognises deferred tax assets if it is assumed that taxable income will be generated in the future against which the asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid. The Company's Management Board reviews its estimates regarding the likelihood of recovering deferred tax assets taking into account changes in the factors on which such estimates were based, new information and past experience.

For information on deferred tax assets, see Note 10.3.

Impairment of cash-generating units, individual items of property, plant and equipment, and intangible assets

In accordance with IAS 36 Impairment of Assets, as at the end of each reporting period an analysis is made to identify impairment indicators of cash-generating units and individual assets. Indications of impairment may be based on external sources and relate to market variables (including fluctuations in prices, FX rates, stock prices, interest rates and other variables related to current economic trends), as well as plans, actions and developments at the Company, such as decisions concerning change, discontinuation, limitation or development of its business, technological changes, or efficiency and investment initiatives.

If there is any indication of impairment, the Company is required to estimate the recoverable amounts of assets and cash-generating units. While determining the recoverable amount, the Company takes into account such key variables as discount rates, growth rates and price ratios.

As a result of an analysis of cash flows generated by the individual cash-generating units, no indication of impairment was identified which in the Management Board's opinion would require impairment tests leading to potential adjustments.

For information on property, plant and equipment and intangible assets, see Notes 13 and 14.

Carbon dioxide (CO_2) emission allowances

Emissions trading is a climate policy instrument designed to reduce pollutant emissions. Poland's obligation to participate in the European Union Emissions Trading Scheme stems from the commitments it accepted under the Kyoto Protocol, a legally binding international agreement, setting out a long-term plan for reducing emissions of six greenhouse gases, including carbon dioxide (CO_2). The emissions trading mechanism was set up in 2005 under Directive 2003/87/EC of the European Parliament and of the Council. The relevant EU legislation was implemented into Polish law with the Act on Trading in Emission Allowances for Greenhouse Gases and Other Substances of December 22nd 2004, subsequently superseded by the Act on Trading in Greenhouse Gas Emission Allowances of April 28th 2011. In 2012 and 2013, extensive work was carried out on a new bill to govern emissions trading, which was put for public consultations at the end of December 2013 and beginning of January 2014. The proposed law introduces a series of changes to the greenhouse gases (GHG) emissions trading scheme in the 2013−2020 trading period (phase III of the European Union Emission Trading Scheme). As at December 31st 2013, these changes are not effective and they do not affect the estimates shown in these financial statements. However, the Group continues to monitor the legislative process, and will account for its result while managing risk related to carbon emission allowances in periods following introduction of the changes.

CO_2 emission allowances are presented by the Company in its financial statements in accordance with the net liability approach, meaning that the Company recognises only those liabilities that result from exceeding the limit of emission allowances granted, and the liability is recognised only after the Company actually exceeds the limit.

Because by the date of publication of these financial statements the European Commission approved the allowance limits planned for the last group of member states, including Poland, the Management Board believes that the Company will be able to use its 2013 allowances to offset its emissions in line with the fixed CO_2 emissions settlement schedule, i.e. by the end of April 2014.

For more information on CO_2 allowances, see Notes 7.27, 29.2 and 31.

6. Change of information presented in previous reporting periods, change of accounting policies and correction of errors

Change in the Group's accounting policies following application of the amended IAS 19 Employee benefits, and other presentation changes related to employee benefits

The Company applied the amended IAS 19 Employee Benefits in its 2013 financial statements. The restatement involved disclosure of actuarial gains/losses on measurement of certain post-employment benefits in other comprehensive income. Since the changes had no effect on the presentation of retained earnings in the statement of financial position or in the statement of changes in equity, and their impact on the statement of comprehensive income was immaterial (PLN 104 thousand), no adjustments were made to the comparative data.

Starting from 2013, the Company recognises the cost of discount on its employee benefit obligations in finance costs rather than in operating profit/loss, as was the case earlier. The Company's comparative data in the statement of comprehensive income for 2012 was appropriately adjusted. As a result, the finance costs and operating profit/loss rose by PLN 2,339 thousand.

Other presentation changes

Grupa LOTOS S.A. reclassified some of its costs (amortisation/depreciation, overhauls, real estate tax) previously recognised as administrative expenses, into cost of sales. The Company's comparative data for the year ended December 31st 2012 was restated accordingly. As a result, administrative expenses fell and cost of sales increased by PLN 17,481 thousand.

In the statement of financial position, the Company made certain presentation changes by moving selected receivables previously disclosed under Trade receivables to Other current assets. As a result of restatement of the comparative data made to reflect these changes, *Trade receivables* as at December 31st 2012 fell and *Other current assets* rose by PLN 2,082 thousand as at December 31st 2012 and by PLN 1,936 thousand as at January 1st 2012.

The Company offset prepayments with corresponding property insurance liabilities, as a result of which the presented comparative data as at December 31st 2012 was restated. In the statement of financial position, Other current assets and Other liabilities and provisions decreased by PLN 33,503 thousand as at December 31st 2012 and by PLN 26,588 thousand as at January 1st 2012.

7. Material accounting policies

These financial statements have been prepared in accordance with the historical cost principle, except with respect to financial instruments, which are measured at fair value.

The key accounting policies applied by the Company are presented below.

7.1 Revenue

Revenue is disclosed at the fair value of consideration received or due for the sale of products, merchandise and services, executed in the ordinary course of business, less discounts, value added tax (VAT) and other sales-related taxes (excise duty, fuel charge). Revenue from sale of products and merchandise is recognised at the moment of delivery, when material risks and benefits resulting from the ownership of the products and merchandise have been transferred to the purchaser.

7.2 Dividend income

Dividend is recognised as finance income as at the date on which the appropriate governing body of the dividend payer passes a resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

7.3 Interest

Interest income is recognised as the interest accrues (using the effective interest rate), unless its receipt is doubtful.

7.4 Taxes

7.4.1 Income tax

Mandatory decrease in profit/(increase in loss) comprises: current corporate income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) for tax purposes differs from the net profit (loss) for accounting purposes due to temporary differences between revenue amounts calculated for these two purposes, including income which is taxable and costs which are tax-deductible in a period other than the current accounting period, as well as permanent differences attributable to income and cost items which will never be accounted for in tax settlements. The tax charges are calculated based on the tax rates effective for a given financial year.

For the purposes of financial reporting, the Company recognises deferred tax liabilities using the balance-sheet liability method in relation to all temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

Deferred tax liability is recognised for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting pre-tax profit nor taxable income (tax loss), and
- in the case of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities or associates and interests in joint ventures, unless the investor is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are disclosed in relation to all deductible temporary differences, unused tax assets, and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences, assets and losses to be used:

- except to the extent that the deferred tax assets related to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting pre-tax profit nor taxable income (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities or associates and interests in joint ventures, the related deferred tax assets are recognised in the statement of financial position to the extent it is probable that in the foreseeable future the temporary differences will be reversed and taxable income will be generated which will enable the deductible temporary differences to be offset.

The carrying amount of deferred tax assets is revised as at the end of the reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of the deferred tax assets would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or liability, based on tax rates (and tax legislation) effective as at the end of the reporting period or tax rates (and tax legislation) which as at the end of the reporting period are certain to be effective in the future. The effect of deferred tax on items posted directly to equity is recognised in equity through other comprehensive income.

The Company offsets deferred tax assets and deferred tax liabilities only if it has an enforceable title to offset current tax assets with current tax provisions and the deferred tax asset relates to the same taxpayer and the same tax authority.

7.4.2 Value-added tax (VAT), excise duty and fuel charge

Revenue, expenses, assets and liabilities are recognised net of the VAT, excise duty and fuel charge except where:

- the value-added tax (VAT) paid on the purchase of assets or services is not recoverable from the tax authorities (in such a case it is recognised in the cost of a given asset or as part of the cost item), and
- in the case of receivables and payables which are recognised inclusive of the value-added tax, excise duty and fuel charge.

The net amount of the value-added tax, excise duty and fuel charge which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

7.5 Foreign currency transactions

Transactions denominated in foreign currencies are reported in the Company's functional currency (Polish złoty) as at the transaction date, using the following exchange rates:

- the exchange rate actually applied on that date due to the nature of the transaction – in the case of sale or purchase of foreign currencies;
- the mid-exchange rate quoted for a given currency by the National Bank of Poland (the “NBP”) for the day immediately preceding the transaction date – in the case of payment of receivables or liabilities where there is no rationale for using the exchange rate referred to above, and in the case of other transactions.

The exchange rate applicable to purchase invoices is the mid-exchange rate quoted by the National Bank of Poland for the last business day immediately preceding the invoice date, and the exchange rate applicable to sales invoices is the mid-exchange rate quoted by the National Bank of Poland for the last business day immediately preceding the sale date.

Any foreign exchange gains or losses resulting from currency translation are posted to the statement of comprehensive income, except for foreign exchange gains and losses which are treated as a part of borrowing costs and are capitalised in property, plant and equipment (foreign exchange gains and losses on interest and fees and commissions). Non-monetary items measured at their historical cost in a foreign currency are translated at the exchange rate effective as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate effective as at the date of determining the fair value.

The Company calculates realised and unrealised foreign exchange gains (losses) separately and recognises the resulting total balance in the statement of comprehensive income under:

- operating profit or loss: in the case of foreign exchange gains and losses related to settlement of trade receivables and payables,
- financial profit or loss: in the case of borrowings, investment commitments, and cash and cash equivalents.

Exchange differences arising on valuation as at the end of the reporting period of short-term investments (e.g. loans advanced, cash and cash equivalents) and receivables and liabilities denominated in foreign currencies are charged to finance income or costs and operating income or expenses.

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

Mid-exchange rate quoted by the NBP for:	Dec 31 2013 (1)	Dec 31 2012 (2)
USD	3.0120	3.0996
EUR	4.1472	4.0882

(1) NBP's mid-exchange rates table, effective for December 31st 2013.
(2) NBP's mid-exchange rates table, effective for December 31st 2012.

7.6 Property, plant and equipment

Items of property, plant and equipment other than land are measured at cost less accumulated depreciation and impairment losses.

Land is measured at cost less impairment losses. In the case of perpetual usufruct rights to land, cost is understood to mean the amount paid for the right to a third party. Perpetual usufruct rights to land obtained free of charge are capitalised at fair value in the accounting books.

Initial value of an item of property, plant and equipment comprises its cost, which includes all costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred on an asset which is already in service, such as costs of repairs, overhauls or operating fees, are expensed in the reporting period in which they were incurred.

Upon acquisition, items of property, plant and equipment are divided into components of material value which can be assigned different economic useful lives. The cost of overhauls is also deemed a component.

Items of property, plant and equipment (including their components), other than land, are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings, structures	1 year–80 years
Plant and equipment	1 year–25 years
Vehicles, other	1 year–15 years

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on derecognition of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are disclosed in the statement of comprehensive income in the period of derecognition.

The residual values, useful economic lives and depreciation methods are reviewed on an annual basis and adjusted – if required – with effect from the beginning of the next financial year.

The cost of each overhaul is included in the carrying amount of property, plant and equipment, provided that the recognition criteria are met.

Items of property, plant and equipment under construction are measured at the amount of aggregate costs directly attributable to their acquisition or production, including finance costs, less impairment losses, if any. Items of property, plant and equipment under construction are not depreciated until they are ready for their intended use.

Property, plant and equipment under construction comprises property, plant and equipment which are under construction or assembly and are recognised at cost.

Finance costs capitalised on tangible assets under construction include cost of servicing the debt incurred to finance the assets, in line with the policies described in Note 7.18.

7.7 Intangible assets

Intangible assets are recognised if the Company is likely to obtain future economic benefits attributable directly to the assets. Intangible assets are initially recognised at cost, if they are acquired in separate transactions. Intangible assets acquired as part of a business combination are capitalised at their fair value as at the acquisition date. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets, other than goodwill, include licenses for computer software, patents, trademarks, and purchased CO_2 emission allowances.

Intangible assets are amortised using the straight-line method over their estimated useful lives. The expected useful lives of the Company's intangible assets range from 2 to 40 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated as changes in accounting estimates. The useful lives are reviewed on an annual basis and adjusted – if required – with effect from the beginning of the next financial year.

With the exception of capitalised development expenditure, expenditure on intangible assets produced by the Company is not capitalised and is charged to expenses in the period in which it was incurred.

7.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset onto the lessee. All other types of leases are treated by the Group as operating leases.

The Company as a lessee

Assets used under a finance lease are recognised as assets of the Group and are measured at fair value as at the acquisition date or, if lower, the present value of the minimum lease payments. The resultant obligation towards the lessor is presented in the statement of financial position under Finance lease liabilities. Lease payments are broken down into the interest component and the principal component so as to produce a constant rate of interest on the remaining balance of the liability. Finance costs are charged to the statement of comprehensive income.

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

7.9 Shares

Shares are carried at historical cost less impairment losses, if any.

7.10 Impairment losses on non-financial non-current assets

As at the end of the reporting period, the Company assesses whether there is an indication of impairment of any of its assets. If the Company identifies such indication, or if the Company is required to perform annual impairment tests, the Company estimates the recoverable amount of the given asset.

The recoverable amount of an asset is equal to the higher of the fair value of the asset or cash generating unit, less the transaction costs, or its value in use. The recoverable amount is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable amount.

In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment losses on non-financial assets used in the operations are recognised under other expenses.

As at the end of each reporting period, the Company assesses whether there is an indication that any impairment loss recognised in the previous periods with respect to a given asset is no longer necessary or should be reduced. If there is such indication, the Company estimates the recoverable amount of the asset. A recognised impairment loss is reversed only when following the recognition of the last impairment loss there has been a change in the estimates used to determine the recoverable amount of the asset. In such a case, the carrying amount of the asset is increased up to its recoverable amount.

The increased value may not exceed the carrying amount of the asset that would have been determined (net of accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of impairment of a non-financial non-current asset is immediately recognised as other income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge for the given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of that asset. The Company offsets corresponding items of other income and expenses in line with IAS 1 Presentation of Financial Statements (item 34), with the resultant net amount disclosed in the statement of comprehensive income.

7.11 Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in order to bring each inventory item to its present location and condition are accounted for in the following manner:

- merchandise and materials - at cost, established with the weighted average method,

- finished goods and work-in-progress – at the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity utilisation and with the weighted average method.

Decrease in inventories is established with the weighted average method.

Net realisable value is the selling price realisable as at the end of the reporting period, net of VAT, excise duty and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.
Mandatory stocks are disclosed as current assets given their short turnover cycle.

For more information on mandatory stocks, see Note 18.2.

7.12 Trade and other receivables, prepayments and accrued income

Trade receivables, which typically become due and payable in 7 to 60 days, are recognised and carried at amounts initially invoiced, less impairment losses on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of receivables is no longer probable. Uncollectible receivables are written off through the statement of comprehensive income when recognised as unrecoverable accounts.

If the effect of time value of money is material, the value of receivables is determined by discounting the projected future cash flows to their present value using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as finance income.

The Company recognises prepayments where costs relate to future reporting periods; prepayments are recognised under other non-financial assets.

7.13 Cash and cash equivalents

Cash in hand and at banks, as well as short-term deposits held to maturity are measured at face value.

Cash and cash equivalents as disclosed in the statement of cash flows comprise cash in hand, overdraft facilities as well as those bank deposits maturing within three months which are not treated as investment activity.

7.14 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is deemed to be met only if the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Classification of an asset as held for sale means that the management intends to complete the sale within one year from the change of its classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

7.15 Equity

Equity is recognised in the accounting books by categories, in accordance with the rules set forth in applicable laws and in the Articles of Association.

The share capital of Grupa LOTOS S.A. is the share capital of the Company and is recognised at its par value, in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register.

7.16 Bank borrowings

All bank borrowings are initially recognised at cost, equal to the fair value, less cost of obtaining the funds.

Following initial recognition, interest-bearing borrowings are measured at amortised cost, using the effective interest rate method. Amortised cost includes the cost of obtaining the funds as well as discounts or premiums obtained at settlement of the liability. Upon removal of the liability from the statement of financial position or recognition of impairment loss, gains or losses are charged to the statement of comprehensive income.

7.17 Employee benefit obligations

7.17.1 Retirement severance payments, length-of-service awards and other benefits

In accordance with the Collective Bargaining Agreement, the Company employees are entitled to length-of-service awards and severance payments upon retirement due to old age or disability, as well as death benefits.

Also, the employees, retired employees, and pensioners covered by the Company's social benefits are entitled to benefits from a separate social fund, which is established pursuant to applicable Polish regulations (Company Social Benefits Fund).

According to IAS 19 Employee Benefits, old-age and disability retirement severance payments, as well as contributions to the Company Social Benefits Fund to be used for payment of future benefits to retired employees are classified as defined post-employment benefit plans, while length-of-service awards, death benefits, and benefits paid to retired employees and pensioners are recognised under other employee benefits. Present value of future post-employment benefit obligations as at the end of the reporting period is calculated by an independent actuary using projected unit credit method and is a discounted value of future payments, which the employer has to make in order to fulfil its obligations under the work performed by employees in previous periods (until the end of the reporting period), defined individually for each employee, accounting for employee turnover (probability of employees resigning from work), without including future employees.

In prior years, the value of future employee benefit obligations included length-of-service awards, old-age and disability retirement severance payments, and social fund benefits payable to retired employees and pensioners. The value as at December 31st 2013 additionally includes the estimated value of death benefits, due to the increased importance of that item in the actuarial estimates.

Length-of-service awards are paid out after a specific period of employment. Old-age and disability retirement severance payments are one-off and paid upon retirement. Amounts of severance payments and length-of-service awards depend on the length of employment and the average remuneration of an employee. The amount of death benefit depends on the length of employment of the deceased employee, and the benefit is payable to the family, in accordance with the rules set forth in the Polish Labour Code.

Following the amendments to IAS 19 applicable for annual periods beginning after January 1st 2013, the Company changed the presentation of actuarial gains or losses under post-employment employee benefit in its statement of comprehensive income. For annual periods beginning after January 1st 2013, the actuarial gains or losses are recognised in other comprehensive income rather than in operating profit/loss as was the case earlier. Since these policy changes had no effect on the presentation of retained earnings in the statement of financial position or in the statement of changes in equity, and their impact on the statement of comprehensive income was immaterial (see Note 6), no adjustments were made to the comparative data.

Employees of the Company are entitled to holidays in accordance with the rules set forth in the Polish Labour Code. The Company calculates the cost of employee holidays on an accrual basis using the liability method. The value of compensation for unused holidays is recognised in the Company's accounting records based on the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time, and disclosed in the financial statements as, respectively, current or non-current liabilities under other employee benefits during employment.
Obligations under other employee benefits during employment also comprise bonuses and awards granted as part of the Company's incentive pay systems.

For detailed information on employee benefits, see Note 26, containing the individual items of employee benefit obligations and costs, actuarial assumptions, as well as an analysis of sensitivity of estimates to changes of these assumptions. The Company recognises the cost of discount on its employee benefit obligations in finance costs.

7.17.2 Profit distribution for employee benefits and special accounts

According to the business practice followed in Poland, company shareholders have the right to allocate a part of profit for employee benefits by making contributions to the Company's social benefits fund and to other special accounts. In the financial statements prepared in accordance with the IFRS such distributions are charged to operating expenses in the period in which the profit distribution was approved by the General Meeting.

7.18 Borrowing costs

Borrowing costs are expensed in the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed (including foreign exchange losses on interest and fees and commissions), which are capitalised as a part of the cost of such an asset. To the extent that funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of the borrowing costs which may be capitalised as part of such asset is determined as the difference between the actual borrowing costs incurred in connection with a given credit facility or loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that funds are borrowed without a specific purpose and are later allocated for the acquisition of an asset being completed, the amount of the borrowing costs which may be capitalised is determined by applying the capitalisation rate to the expenditure on that asset.

The accounting policies with respect to capitalisation of exchange differences are described in Note 7.5 (*Foreign currency transactions*).

7.19 Financial assets and liabilities

Financial assets are classified into the following categories:

- Financial assets held to maturity,
- Financial assets and liabilities at fair value through profit or loss,
- Loans and receivables,
- Financial assets available for sale,
- Financial liabilities at amortised cost.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which are quoted on an active market and which the Company has the positive intention and ability to hold to maturity, other than those:

- designated at fair value through profit or loss upon initial recognition,
- designated as available for sale,
- which qualify as loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest method. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

Financial assets and liabilities at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. Financial assets are classified as held for trading if they:
- have been acquired principally for the purpose of being sold in the near future,
- are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
- are derivatives (except for those which are part of hedge accounting or financial guarantee contracts),

b) it has been assigned to this category on initial recognition, in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the balance-sheet date, without reflecting sale transaction costs. Any changes in the value of such instruments are recognised in the statement of comprehensive income as finance income or costs. An entire contract can be designated as financial assets at fair value through profit or loss if it contains one or more embedded derivatives. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear without an analysis or following a short analysis that if a similar hybrid instrument was first considered, separation of the embedded derivative would be prohibited. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch); or (ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a well-documented risk management strategy; or (iii) the assets contain embedded derivatives which should be presented separately.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they were acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded instruments, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a well-documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting sale transaction costs. Changes in the fair value of such instruments are recognised in profit or loss as finance income or costs.

Based on the fair value measurement methods applied, the Company classifies its individual financial assets and liabilities into the following categories:

- Level 1: Financial assets and liabilities whose fair values are measured directly on the basis of quoted prices (used without adjustment) from active markets for identical assets or liabilities.
- Level 2: Financial assets and liabilities whose fair values are measured using measurement models in the case of which all significant input data is observable on the market either directly (as prices) or indirectly (based on prices).
- Level 3: Financial assets and liabilities whose fair values are measured using measurement models in the case of which the input data is not based on observable market data (unobservable input data).

The Company discloses derivative transactions with positive fair values under financial assets held for trading. Derivative transactions with negative fair values are disclosed under financial liabilities held for trading. Financial assets and liabilities held for trading include the following types of derivatives: swaps, futures, forwards, options, interest-rate swaps, forward rate agreements.

Fair value of commodity swaps is established by reference to future cash flows connected with the transactions, calculated on the basis of the difference between the average market price and the transaction price. The fair value has been established on the basis of prices quoted on active markets, as provided by an external consultancy (Level 2 in the fair value hierarchy).

Fair value of spots, forwards and currency swaps is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated on the basis of the fixing rate quotations of the National Bank of Poland and the interest rate curve implied in FX swaps (Level 2 in the fair value hierarchy).

Fair value of FRAs is established by reference to future discounted cash flows connected with the transactions, calculated on the basis of the difference between the forward rate and the transaction price. The forward rate is calculated using the zero-coupon interest rate curve based on 6M or 3M LIBOR, depending on the type of transaction (Level 2 in the fair value hierarchy).

As part of its risk management activities the Group evaluates the risk of deficit of free emission allowances allocated under carbon dioxide emission reducing programme (see Note 5) and manages the risk of emission allowances prices quoted in an active market.

To hedge against the risk associated with CO_2 emission allowances, the Company enters into EUA, CER and ERU futures contracts. The estimated fair value of these contracts is based on the difference between the market price of a contract as quoted at the valuation date by the Intercontinental Exchange (ICE) and the actual transaction price and is not reflected in the financial statements. In the fair value hierarchy, it is Level 1.

If required, futures contracts to purchase carbon (CO_2) allowances open as at the last day of the reporting period are settled by the Group through physical delivery, with the intention to potentially use the allowances to offset the Group's actual CO_2 emissions. Valuation of transactions to be settled through physical delivery is not disclosed under financial assets/liabilities in the financial statements. However, the Group internally monitors and performs the valuation of its open futures positions as part of an overall assessment of efficiency of its CO_2 risk management (off balance sheet).

Information on the Group's limits of free carbon dioxide emission allowances are disclosed in Note 31 and a description of risk management in Note 29.2.

The Company applies hedge accounting. Changes in the fair value of financial derivatives designated to hedge cash flows, to the extent representing an effective hedge, are posted directly to other comprehensive income.

In the statement of financial position, financial derivatives are recognised under a separate item or, if their value is immaterial, under other assets and liabilities.

For more information on recognition and measurement of financial derivatives and hedge accounting, see Notes 7.21 and 7.22.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments not classified as derivatives and not traded on any active market. They are disclosed under current assets if they mature within 12 months from the end of the reporting period. Loans and receivables with maturities exceeding 12 months from the end of the reporting period are classified as non-current assets.

The category includes: trade receivables, cash and cash equivalents, deposits, security deposits, loans advanced, investment receivables, cash pool receivables, and other. In the statement of financial position, these are recognised under: Trade receivables, Cash and cash equivalents, Other current and non-current assets. For information on their recognition and measurement, see Notes 7.12 and 7.13.

Financial assets available for sale

Financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to an acquisition or issue of a financial asset. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment. The positive or negative differences between the fair value of available-for-sale financial assets (if they have a market price derived from an active regulated market or their fair value can be established in any other reliable manner) and their costs are recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

Any purchase or sale of financial assets is recognised at the transaction date. On initial recognition, financial assets are recognised at fair value including – in the case of financial assets other than those at fair value through profit or loss – transaction costs directly attributable to the purchase.

Financial assets are derecognised when the Company loses control over the contractual rights comprising a particular financial instrument; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

This category includes shares in other entities; in the statement of financial position they are posted under *Shares*. For information on recognition and measurement, see Note 7.9.

Financial liabilities at amortised cost

Financial liabilities, not classified as financial liabilities at fair value through profit or loss, are carried at amortised cost using the effective interest rate method.

Financial liabilities at amortised cost include borrowings, trade payables, investment commitments, and other liabilities. These liabilities are recognised in the statement of financial position under: Borrowings, Trade payables, Other liabilities and provisions. For information on recognition and measurement of the above classes in this category of instruments, see Note 7.16 and 7.24.

7.20 Impairment of financial assets

As at the end of the reporting period the Company determines whether there is an objective indication of impairment of a financial asset or a group of financial assets.

Assets carried at amortised cost

If there is an objective indication that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of an asset is reduced directly or by recognising relevant provisions. The amount of loss is recognised in the statement of comprehensive income. The Company first determines whether there exists an objective indication of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there exists no objective indication of impairment of an individually tested asset, regardless of whether it is material or not, the Company includes the asset into the group of financial assets with similar credit risk profile and tests it for impairment together with the other assets from this group. Assets which are tested for impairment individually, and with respect to which an impairment loss has been recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.
If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial assets available for sale

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal payments and depreciation/amortisation charges) and its current fair value, reduced by any impairment losses previously recognised in the statement of comprehensive income, is derecognised from equity and charged to the statement of comprehensive income. Reversal of an impairment loss concerning equity instruments qualified as available for sale may not be recognised in the statement of comprehensive income. If the fair value of a debt instrument available for sale increases in the next period, and the increase may be objectively associated with an event that occurred subsequent to the impairment loss recognition in the statement of comprehensive income, the amount of the reversed impairment loss is recognised in the statement of comprehensive income.

Impairment losses on financial assets and their reversals are recognised on a net basis, either under *Finance costs or Finance income* in the statement of comprehensive income.

7.21 Derivative financial instruments

Derivatives used by the Company to hedge against currency risk include in particular FX forwards. In addition, the Company relies on full barrel swaps and commodity swaps to hedge its exposure to raw material and petroleum product prices. The Company uses futures contracts to manage its exposure to prices of carbon dioxide (CO_2) emission allowances, and enters into interest rate swaps (IRSs) and forward rate agreements (FRAs) to hedge its interest rate exposure. Derivative financial instruments of this type are measured at fair value. The fair value of FX forwards is established by reference to the forward rates of contracts with similar maturities prevailing at a given time. The fair value of interest rate swaps is established by reference to the market value of similar instruments. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative. Gains or losses resulting from changes in the fair value of a derivative which does not qualify for hedge accounting are charged directly to the net profit or loss for the financial year.

In the statement of financial position, financial instruments are presented as either current or non-current, depending on the expected time of realisation of assets and liabilities classified as held for trading.

7.22 Hedge accounting

Since January 1st 2011, Grupa LOTOS S.A. has applied cash flow hedge accounting with respect to foreign-currency denominated loans contracted to finance the 10+ Programme, designated as hedges of future USD-denominated petroleum product sales transactions.

The objective of cash flow hedge accounting is to guarantee a specified Polish złoty value of its revenue generated in USD. The hedged items comprise a number of highly probable and planned USD-denominated refining product sale transactions, in particular the first portion of revenue (up to the amount of the designated principal repayment) in USD generated in a given calendar month, or if the amount of revenue in a given month is lower than the amount of the designated principal payment – the first portion of revenue generated in three successive months. If a subsequent portion of revenue is designated in a given calendar month, the hedged item is the first portion of revenue generated after the previously designated portion of revenue in

USD in a given calendar month, or if the amount of revenue in a given month is lower than the amount of the designated principal repayment – a subsequent portion of revenue generated in three successive months. A hedged item is linked to relevant hedging instruments based on an individual document designating the hedging relationship.

The designated hedging instruments cover an obligation to repay a USD-denominated credit facility, whose settlement dates fall on business days of specified calendar months, as provided in the principal repayment schedule.

Changes in the fair value of financial derivatives designated to hedge cash flows, to the extent representing an effective hedge, are posted directly to other comprehensive income. Changes in the fair value of financial derivatives designated to hedge cash flows, to the extent not representing an effective hedge, are charged to other finance income or costs in the reporting period.

At the time when a hedge is undertaken, the Company formally designates and documents the hedging relationship, as well as its risk management objective and strategy for undertaking the hedge.
The relevant documentation specifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the Company will assess the hedging instrument's effectiveness in offsetting changes in the fair value of the hedged item or cash flows attributable to the hedged risk. The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. The hedge is assessed on an ongoing basis to determine whether it remains highly effective during all the reporting periods for which it was undertaken.

7.23 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the Company anticipates that the costs for which provisions have been recognised will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate asset, but only when such recovery is practically certain to occur. The cost related to a given provision is disclosed in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to their present value at a pre-tax discount rate reflecting the current market estimates of the time value of money and risks, if any, specific to a given obligation. If the discount method is applied, an increase in the provision as a result of lapse of time is recognised as finance costs. Provisions are charged against operating expenses, other expenses, or finance costs, depending on what circumstances the future obligation relates to.

7.24 Trade payables, other liabilities, accruals and deferred income

Current trade payables are reported at nominal amounts payable.

The Company derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. When a debt instrument between the same parties is replaced by another instrument whose terms are substantially different, the Company treats such replacement as if the former financial liability was extinguished and recognises a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented as extinguishment of the former and recognition of a new financial liability. Any differences in the respective carrying amounts arising in connection with the replacement are charged to profit or loss.

Other non-financial liabilities include in particular VAT, excise duty and fuel charge liabilities to the tax authorities and liabilities under received prepayments, which are to be settled by delivery of goods or property, plant and equipment, or performance of services. Other non-financial liabilities are measured at nominal amounts payable.

Accrued expenses are recognised at probable amounts of current-period liabilities. The Company discloses accruals and deferred income under other non-financial liabilities or, if they refer to employee benefits, under employee obligations.

7.25 Grants

If there is reasonable certainty that a grant will be received and that all related conditions will be fulfilled, grants are recognised at fair value.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. If it concerns an asset, its fair value is recognised as deferred income, and then it is written off annually in equal parts through the statement of comprehensive income over the estimated useful life of the asset.

7.26 Contingent liabilities and assets

In line with the policies applied by the Company, consistent with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability is understood as:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- a present obligation that arises from past events but is not recognised in the financial statements because:
  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of resources embodying economic benefits is negligible.

In compliance with the IFRS, the Company defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent receivables are not recognised in the statement of financial position, however information on them is disclosed if the inflow of resources embodying economic benefits is likely to occur.

Examples of contingent assets and liabilities include liabilities or receivables related to pending court disputes whose future outcomes are neither known not fully controlled by the entity. For more information on pending court proceedings and other contingent liabilities see Note 32.1 and Note 32.2, respectively.

7.27 Carbon dioxide (CO_2) emission allowances

CO_2 emission allowances are presented by the Company in its financial statements in accordance with the net liability approach, meaning that the Company recognises only those liabilities that result from exceeding the limit of emission allowances granted. The Company reviews the limits granted to it on an annual basis. The liability is recognised only after the Company actually exceeds the limit. Income from sale of unused emission allowances is recognised in the statement of comprehensive income at the time of sale.

Additionally purchased emission allowances are measured at acquisition cost less impairment, if any, taking into consideration the residual value of allowances, and presented as intangible assets.

If purchased allowances are used to cover the deficit as on the date of settling the annual limit of emission allowances, the allowances thus used are set off at carrying amount with the liability previously recognised for covering the deficit.

8. Business segments

The individual companies have been allocated to the identified business segments of the Group and the 2013 results of operating segments are presented in Note 8 to Consolidated Financial Statements for 2013. Grupa LOTOS S.A. is classified in the downstream segment. The results of operations are assessed based on operating profit or loss at the Company (unconsolidated) level.

9. Income and expenses

9.1 Revenue

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Revenue from sale of products	25,340,531	30,118,667
- including the effect of cash flow hedge accounting	*(12,452)*	*(17,091)*
Revenue from rendering of services	125,248	115,804
Total revenue from sale of products and rendering of services	**25,465,779**	**30,234,471**
Revenue from sale of merchandise	1,226,439	422,160
Revenue from sale of materials	4,961	415,265 [1]
Total revenue from sale of merchandise and materials	**1,231,400**	**837,425**
Total	**26,697,179**	**31,071,896**
- including to related entities	*12,906,993*	*14,800,023*

[1] Including revenue from sale of crude oil.

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Domestic sales	**19,264,209**	**23,242,552**
- products and services	18,033,031	22,405,127
- merchandise and materials	1,231,178	837,425
Export sales	**7,432,970**	**7,829,344**
- products and services	7,432,747	7,829,344
- merchandise and materials	223	-
Total	**26,697,179**	**31,071,896**
Gasolines	4,927,995	5,152,513
Naphtha	824,241	1,097,071
Reformate	-	458,827
Diesel oil	13,921,390	15,921,515
Light fuel oil	928,000	1,129,026
Heavy fuel oil	1,962,997	2,140,840
Aviation fuel	1,467,215	1,856,016
Bunker fuel	139,361	125,360
Bitumen production components	927,698	1,311,047
Base oils	610,817	698,124
Liquid gas	398,124	354,351
Other refinery products, merchandise and materials	466,844	720,326
Other merchandise and materials	9,701	8,167
Services	125,248	115,804
Effect of cash flow hedge accounting	*(12,452)*	*(17,091)*
Total	**26,697,179**	**31,071,896**

In 2013 and 2012, LOTOS Paliwa Sp. z o.o. (wholly-owned by Grupa LOTOS S.A.) and Shell group companies were Grupa LOTOS S.A.'s largest customers, whose shares in the Company's total revenue exceeded 10%. In 2013 and 2012, LOTOS

Paliwa Sp. z o.o.'s share in Grupa LOTOS S.A.'s total revenue was just above 40%, while the share of Shell group companies in the Company's total revenue was slightly above 10%.

9.2 Expenses by nature

PLN ’000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012 (restated)
Depreciation and amortisation		391,069	411,494
Raw materials and consumables used		24,514,794	28,411,595
- including exchange differences [(1)]	*28.3*	*(77,257)*	*24,995*
Services		919,451	834,428
Taxes and charges		103,169	106,445
Employee benefits expense	9.3	206,416	194,763
Other expenses by nature		76,676	89,985
Merchandise and materials sold		1,178,221	823,344
Total expenses by nature		**27,389,796**	**30,872,054**
Change in products and adjustments to cost of sales		(335,856)	(351,305)
Total		**27,053,940**	**30,520,749**
including:			
Cost of sales		26,214,651	29,706,948
Distribution costs		614,354	595,797
Administrative expenses		224,935	218,004

[(1)] Exchange differences related to operating activities are recognised in cost of sales.

9.3 Employee benefits expense

PLN ’000	Year ended Dec 31 2013	Year ended Dec 31 2012 (restated)
Current salaries and wages	155,675	147,231
Social security and other employee benefits	40,777	41,147
Length-of-service awards, retirement and other post-employment benefits	9,964	6,385
Total employee benefits expense	**206,416**	**194,763**
Change in products and adjustments to cost of sales	(1,090)	(977)
Total	**205,326**	**193,786**
including:		
Cost of sales	81,251	78,499
Distribution costs	9,939	11,420
Administrative expenses	114,136	103,867

9.4 Other income

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Gain on disposal of non-financial non-current assets		-	14,057 [2]
Grants	27.1	720	733
Compensation		3,034	2,434
Gain on sale of organised part of business	15	948	-
Reimbursed excise duty		6,143 [1]	-
Other		1,280	1,296
Total		**12,125**	**18,520**

[1] Including PLN 1,673 thousand under reimbursed excise duty on intra-Community supplies of heavy fuel oil and PLN 3,634 thousand of excise duty on consumption of electricity and fuel additives reimbursed due to exemption from excise duty under Art. 47.1.1 of the Excise Duty Act.
[2] Including PLN 14,469 thousand of revenue from sale of carbon dioxide (CO_2) emission allowances.

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35.

9.5 Other expenses

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Loss on disposal of non-financial non-current assets		1,365	-
Impairment losses on receivables	17.1; 28.3	161	65
Impairment losses on property, plant and equipment under construction	13	-	1,842
Fines and compensation		646	663
Charitable donations		2,099	2,058
Property damage incurred during ordinary course of business		885	1,308
Membership fees		949	710
Cost brought forward		262	2,920
Provision for deficit in CO_2 emission allowances	27; 31	1,527	910
Other		269	554
Total		**8,163**	**11,030**

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35.

9.6 Finance income

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Dividend received:		269,211	287,461
- from related entities	*33.1*	*268,371*	*286,761*
- from other entities		*840*	*700*
Interest:		15,905	13,264
- on trade receivables	*28.3*	*920*	*958*
- on cash	*28.3*	*94*	*378*
- on deposits	*28.3*	*6,062*	*8,084*
- on loans advanced	*28.3; 33.1*	*8,204*	*3,198*
- on cash pool	*28.3; 33.1*	*625*	*646*
Exchange differences:		25,516	129,549
- on foreign-currency denominated bank borrowings	*28.3*	*22,419*	*134,110*
- on foreign-currency denominated loans	*28.3*	*(1,865)*	*(4,518)*
- on realised foreign-currency transactions in bank accounts	*28.3*	*7,598*	*28,705*
- on cash	*28.3*	*(2,478)*	*(29,409)*
- on other financial assets and liabilities	*28.3*	*(158)*	*661*
Revaluation of financial assets:		101,508	92,954
- valuation of derivative financial instruments	*28.3*	*59,673*	*137,985*
- settlement of derivative financial instruments	*28.3*	*42,055*	*(44,931)*
- other	*28.3*	*(220)*	*(100)*
Other		-	31
Total		**412,140**	**523,259**

The Group offsets similar transaction items pursuant to IAS 1 – Presentation of Financial Statements, sections 34 and 35. The Group discloses material items of income and expense charged to profit or loss separately, as presented in the table above.

9.7 Finance costs

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012 (restated)
Interest:		126,443	150,321
- on borrowings	*28.3*	*119,692*	*136,731*
- on trade payables	*28.3*	*8*	*1,892*
- on factoring arrangements		*4,585*	*8,921*
- cost of discount on employee benefit obligations	*26.3*	*2,144*	*2,339*
- other		*14*	*438*
Bank fees		15,198	12,314
Bank guarantees		2,887	2,510
Total		**144,528**	**165,145**

10. Income tax

10.1 Tax expense

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Current tax		(433)	(868)
Deferred tax	10.3	(62,318)	133,245
Total income tax charged to net profit or loss		**(62,751)**	**132,377**
Tax expense recognised in other comprehensive income (net), including:		22,991	89,717
- cash flow hedging	*22*	*22,945*	*89,717*
- actuarial gain/(loss) relating to post-employment benefits		*46*	*-*

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

10.2 Corporate income tax calculated at effective tax rate and reconciliation of pre-tax profit to tax base

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Pre-tax profit	(77,525)	968,808
Income tax at 19%	**(14,730)**	**184,074**
Tax effect of dividends received	(51,150)	(54,618)
Tax effect of other permanent differences:	2,771	5,279
- abnormal waste	*503*	*1,920*
- representation and entertainment	*950*	*1,134*
- donations	*399*	*391*
- other permanent differences	*919*	*1,834*
Dividend tax	160	133
Adjustments disclosed in current year related to tax for previous years	198	(2,491)
Income tax expense	**(62,751)**	**132,377**
Effective tax rate	**80.9%**	**13.7%**

10.3 Deferred income tax

		Statement of financial position			Statement of comprehensive income for the year ended	
PLN '000	Note	Dec 31 2013	Dec 31 2012	Jan 1 2012	Dec 31 2013	Dec 31 2012
Deferred tax assets						
Employee benefit obligations		17,093	15,237	13,627	1,856	1,610
Impairment losses on receivables		8,877	8,847	8,834	30	13
Impairment losses on property, plant and equipment		4,266	3,037	3,037	1,229	-
Negative fair value of derivative financial instruments		13,730	28,905	35,671	(15,175)	(6,766)
Tax loss carried forward		292,159	136,994	153,419	155,165	(16,425)
Cash flow hedges		-	8,633	98,350	(8,633)	(89,717)
Other		685	1,620	5,532	(935)	(3,912)
Total		**336,810**	**203,273**	**318,470**	**133,537**	**(115,197)**
Deferred tax liabilities						
Difference between the current tax value and carrying amount of property, plant and equipment and intangible assets		526,300	446,148	334,570	80,152	111,578
Positive fair value of derivative financial instruments		140	2,159	6,088	(2,019)	(3,929)
Cash flow hedges		14,312	-	-	14,312	-
Other		2,875	1,110	994	1,765	116
Total		**543,627**	**449,417**	**341,652**	**94,210**	**107,765**
Deferred tax expense recognised in:					**39,327**	**(222,962)**
- net profit or loss	*10.1*				*62,318*	*(133,245)*
- other comprehensive income, net	*10.1*				*(22,991)*	*(89,717)*
Net deferred tax assets/(liabilities)		**(206,817)**	**(246,144)**	**(23,182)**		
including:						
Deferred tax assets		*336,810*	*203,273*	*318,470*		
Deferred tax liabilities		*(543,627)*	*(449,417)*	*(341,652)*		

Taxable temporary differences are expected to expire in 2014–2083.

11. Earnings/(loss) per share

	Year ended Dec 31 2013	Year ended Dec 31 2012
Net profit/(loss) (PLN '000) (A)	(14,774)	836,431
Weighted average number of shares ('000) (B)	129,873	129,873
Earnings/(loss) per share (PLN) (A/B)	**(0.11)**	**6.44**

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.

Diluted earnings/(loss) per share are equal to basic earnings/(loss) per share as the Company carries no instruments with a dilutive effect.

12. Dividends

On June 28th 2013, the General Meeting of Grupa LOTOS S.A. passed a resolution on distribution of the Company's net profit earned in 2012. The General Meeting resolved not to distribute the Company's net profit for 2012, totalling PLN 836,431 thousand, to the Company shareholders, and to allocate the profit as follows:

- PLN 834,931 thousand to the Company's statutory reserve funds,
- PLN 1,500 thousand to the Special Account designated for financing corporate social responsibility (CSR) projects.

In these financial statements the distributed 2012 net profit is presented under *Retained earnings*.

As at the date of publication of these financial statements, the Company's Management Board has not yet passed a resolution on coverage of the net loss for 2013.

As at December 31st 2013 and December 31st 2012, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends. The restrictions follow from the credit facility agreement executed on June 27th 2008 for the financing of the 10+ Programme, whereby dividend amounts are subject to certain conditions, including generation of sufficient free cash and achievement of certain levels of financial ratios.

13. Property, plant and equipment

PLN '000	Dec 31 2013	Dec 31 2012
Land	176,582	177,653
Buildings, structures	2,450,168	2,545,458
Plant and equipment	3,816,213	3,903,870
Vehicles, other	34,532	59,115
Property, plant and equipment under construction	95,210	113,896
Total	**6,572,705**	**6,799,992**

As at December 31st 2013, borrowing costs capitalised as cost of property, plant and equipment under construction were PLN 1,417 thousand (December 31st 2012: PLN 1,613 thousand).

In 2013, borrowing costs capitalised as cost of property, plant and equipment under construction were PLN 1,828 thousand (2012: PLN 1,610 thousand).

Change in property, plant and equipment

PLN '000	Land	Buildings, structures	Plant and equipment	Vehicles and other		Property, plant and equipment under construction	Total
Gross carrying amount Jan 1 2013	**178,191**	**3,220,343**	**4,936,587**	**285,735**		**136,346**	**8,757,202**
Purchase	-	-	-	*13,724*		*163,318*	*177,042*
Transfer from property, plant and equipment under construction	-	*40,395*	*131,400*	*1,779*		*(183,832)*	*(10,258)*
Reclassification to assets held for sale [(1)]	*(984)*	*(10,132)*	*(9,321)*	*(321)*		-	*(20,758)*
Borrowing costs	-	-	-	-		*1,828*	*1,828*
Sale	-	-	*(305)*	*(671)*		-	*(976)*
Liquidation	-	*(2,834)*	*(9,233)*	*(181,443)*	[(2)]	-	*(193,510)*
Other	-	-	*16,648*	*(16,648)*		-	-
Gross carrying amount Dec 31 2013	**177,207**	**3,247,772**	**5,065,776**	**102,155**		**117,660**	**8,710,570**
Accumulated depreciation Jan 1 2013	**538**	**674,885**	**1,032,717**	**226,620**		**-**	**1,934,760**
Depreciation	*103*	*129,472*	*228,785*	*23,263*		-	*381,623*
Reclassification to assets held for sale [(1)]	*(16)*	*(4,211)*	*(3,496)*	*(167)*		-	*(7,890)*
Sale	-	-	*(304)*	*(671)*		-	*(975)*
Liquidation	-	*(2,542)*	*(8,139)*	*(181,422)*	[(2)]	-	*(192,103)*
Accumulated depreciation Dec 31 2013	**625**	**797,604**	**1,249,563**	**67,623**		**-**	**2,115,415**
Impairment losses Jan 1 2013	**-**	**-**	**-**	**-**		**22,450**	**22,450**
Recognised	-	-	-	-		-	-
Used / Reversed	-	-	-	-		-	-
Impairment losses Dec 31 2013	**-**	**-**	**-**	**-**		**22,450**	**22,450**
Net carrying amount Dec 31 2013	**176,582**	**2,450,168**	**3,816,213**	**34,532**		**95,210**	**6,572,705**

[(1)] Liquid fuel handling facilities are described at greater length in Note 15,
[(2)] Including disposal of spent catalysts (PLN 180,429 thousand).

PLN '000	Land	Buildings, structures	Plant and equipment	Vehicles and other	Property, plant and equipment under construction	Total
Gross carrying amount Jan 1 2012	**178,191**	**3,194,540**	**4,905,954**	**279,211**	**76,871**	**8,634,767**
Purchase	-	-	-	6,449	133,576	140,025
Transfer from property, plant and equipment under construction	-	25,982	32,504	172	(73,865)	(15,207)
Borrowing costs	-	-	-	-	1,610	1,610
Sale	-	-	(641)	(31)	-	(672)
Liquidation	-	(174)	(2,027)	(263)	-	(2,464)
Other	-	(5)	797	197	(1,846)	(857)
Gross carrying amount Dec 31 2012	**178,191**	**3,220,343**	**4,936,587**	**285,735**	**136,346**	**8,757,202**
Accumulated depreciation Jan 1 2012	**436**	**540,485**	**825,811**	**166,594**	**-**	**1,533,326**
Depreciation	102	134,463	208,601	59,993	-	403,159
Sale	-	-	(595)	(24)	-	(619)
Liquidation	-	(63)	(1,765)	(240)	-	(2,068)
Other	-	-	665	297	-	962
Accumulated depreciation Dec 31 2012	**538**	**674,885**	**1,032,717**	**226,620**	**-**	**1,934,760**
Impairment losses Jan 1 2012	**-**	**-**	**-**	**-**	**22,450**	**22,450**
Recognised	-	-	-	-	1,842	1,842
Used / Reversed	-	-	-	-	(1,842)	(1,842)
Impairment losses Dec 31 2012	**-**	**-**	**-**	**-**	**22,450**	**22,450**
Net carrying amount Dec 31 2012	**177,653**	**2,545,458**	**3,903,870**	**59,115**	**113,896**	**6,799,992**

The table below presents items under which depreciation of property, plant and equipment was recognised:

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Cost of sales	354,530	367,078
Distribution costs	6,860	6,901
Administrative expenses	15,532	24,766
Change in products and adjustments to cost of sales	4,701	4,414
Total	**381,623**	**403,159**

As at December 31st 2013, the value of property, plant and equipment used as collateral for the Company's liabilities was PLN 6,409,835 thousand (December 31st 2012: PLN 6,575,050 thousand).

As at December 31st 2013, Grupa LOTOS S.A.'s future contractual commitments for expenditure on property, plant and equipment, which are not disclosed in the statement of financial position, totalled PLN 44,117 thousand (December 31st 2012: PLN 28,134 thousand).

14. Intangible assets

PLN '000	Dec 31 2013		Dec 31 2012
Goodwill	1,862		1,862
Licences, patents and trademarks	84,538		83,282
Other	28,048	(1)	5,052
Total	**114,448**		**90,196**

(1) Including purchased carbon dioxide (CO_2) emission allowances of PLN 23,911 thousand.

The table below presents items under which amortisation of intangible assets was recognised:

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Cost of sales	3,046	3,100
Distribution costs	102	116
Administrative expenses	6,202	5,028
Change in products and adjustments to cost of sales	96	91
Total	**9,446**	**8,335**

As at December 31st 2013, Grupa LOTOS S.A.'s future contractual commitments for expenditure on intangible assets, which are not disclosed in the statement of financial position, totalled PLN 9,033 thousand (December 31st 2012: PLN 7,797 thousand).

Change in intangible assets

PLN '000	Goodwill	Licences, patents and trademarks	Other	Total
Gross carrying amount Jan 1 2013	**1,862**	**144,583**	**11,491**	**157,936**
Purchase	-	-	*23,444* (1)	*23,444*
Transfer from property, plant and equipment under construction	-	*10,103*	*155*	*10,258*
Liquidation	-	*(132)*	*(4)*	*(136)*
Gross carrying amount Dec 31 2013	**1,862**	**154,554**	**35,086**	**191,502**
Accumulated amortisation Jan 1 2013	**-**	**61,301**	**6,439**	**67,740**
Amortisation	-	*8,845*	*601*	*9,446*
Liquidation	-	*(130)*	*(2)*	*(132)*
Accumulated amortisation Dec 31 2013	**-**	**70,016**	**7,038**	**77,054**
Net carrying amount Dec 31 2013	**1,862**	**84,538**	**28,048**	**114,448**
Gross carrying amount Jan 1 2012	**1,862**	**132,277**	**10,066**	**144,205**
Purchase	-	*180*	*98*	*278*
Transfer from property, plant and equipment under construction	-	*13,680*	*1,527*	*15,207*
Sale	-	*(180)*	-	*(180)*
Liquidation	-	*(582)*	*(200)*	*(782)*
Other	-	*(792)*	-	*(792)*
Gross carrying amount Dec 31 2012	**1,862**	**144,583**	**11,491**	**157,936**
Accumulated amortisation Jan 1 2012	**-**	**54,727**	**6,124**	**60,851**
Amortisation	-	*7,820*	*515*	*8,335*
Liquidation	-	*(582)*	*(200)*	*(782)*
Other	-	*(664)*	-	*(664)*
Accumulated amortisation Dec 31 2012	**-**	**61,301**	**6,439**	**67,740**
Net carrying amount Dec 31 2012	**1,862**	**83,282**	**5,052**	**90,196**

(1) Including purchased carbon dioxide (CO_2) emission allowances of PLN 23,430 thousand.

In 2012-2013, no impairment losses on intangible assets were recognised.

15. Assets held for sale

On December 20th 2013, Grupa LOTOS S.A. sold its liquid fuel depots in Piotrków Trybunalski and Rypin to LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.) for a total consideration of PLN 13,817 thousand. As at June 30th 2013, these assets were presented under assets held for sale. A PLN 948 thousand gain on the transaction was disclosed under other income in the statement of comprehensive income. As at December 31st 2013, the Company recognised amounts due under the transaction in the statement of financial position (see *Amounts due from related entities on sale of organised part of business* in Note 17).

On January 10th 2012, 100% of the shares in LOTOS Parafiny Sp. z o.o. were sold. A PLN 52,057 thousand gain on the transaction was recognised under *Gain on disposal of investments* in the 2012 statement of comprehensive income. Cash proceeds from the sale of LOTOS Parafiny Sp. z o.o., of PLN 78,000 thousand, were presented in the 2012 statement of cash flows, under *Sale of shares in related entities*.

16. Shares

PLN '000	Note	Dec 31 2013	Dec 31 2012
Shares in related entities	16.1	904,337	904,208
Shares in other entities	28.1; 29,6	6,312	6,312
Total		**910,649**	**910,520**

16.1 Shares in related entities

Name	Registered office	Business profile	Ownership interest (%)		Carrying amount of shares (PLN '000)	
			Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
LOTOS Petrobaltic S.A. (parent of the LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits and hydrocarbon production	99.98% (1)	99.96% (1)	741,653	741,224
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	100.00%	100.00%	114,706	114,706
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%	505	505
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%	78	78
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%	234	234
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%	4,020	4,020
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory analyses	100.00%	100.00%	50	50
LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%	3,906	3,906
LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%	353	353
LOTOS-Air BP Polska Sp. z o.o. (2)	Gdańsk	Sale of aviation fuel and logistics services	50.00% (2)	100.00%	6,945	7,245
LOTOS Terminale S.A. (3) (parent of the LOTOS Terminale Group)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%	26,044	26,044
LOTOS Infrastruktura S.A. (4)	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	100.00%	100.00%	5,786	5,786
LOTOS Park Technologiczny Sp. z o.o.	Jasło	Dormant	100.00%	100.00%	50	50
LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	-	-
AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group)	Gargždai, Lithuania	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	0.00137%	0.00137%	3	3
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	0.005%	0.005%	3	3
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	0.005%	0.005%	1	1
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil exploration and production	0.00000011%	0,00000013%	0	0
Total shares					**904,337**	**904,208**

(1) In 2013, Grupa LOTOS S.A. continued the squeeze-out of non-controlling interests in LOTOS Petrobaltic S.A. (excluding shares held by the State Treasury). From January 1st to December 31st 2013, the Company acquired 3,415 shares with a total value of PLN 429 thousand, representing 0.0344% of the share capital entered in the share register.

Following the acquisition of shares in LOTOS Petrobaltic S.A. as part of the squeeze-out process, as at December 31st 2013 Grupa LOTOS S.A. held a 99.98% interest in the share capital of LOTOS Petrobaltic S.A. (9,938,458 shares).

(2) On November 25th 2013, Grupa LOTOS S.A. sold 1,000 shares in LOTOS Tank Sp. z o.o., representing 50% of the company's share capital, to BP Europe SE. The transaction was concluded under the joint venture agreement of June 25th 2013 between Grupa LOTOS S.A. and BP Europa SE German Branch, concerning establishment of a new entity based on assets of LOTOS Tank Sp. z o.o., through which the two partners will pursue joint operations in the aviation fuel market. A PLN 7,662 thousand gain on the transaction was recognised under *Gain on disposal of investments* in the statement of comprehensive income. Cash proceeds from the sale of LOTOS Tank Sp. z o.o., of PLN 14,907 thousand, were presented in the 2013 statement of cash flows under *Sale of shares in related entities*. On December 17th 2013, a change of the company's name from LOTOS Tank Sp. z o.o. to LOTOS-Air BP Polska Sp. z o.o. was registered.

(3) On July 30th 2013, a change of the company's name from LOTOS Czechowice S.A. to LOTOS Terminale S.A was registered.

(4) On April 18th 2013, a change of the company's name from LOTOS Jasło S.A. to LOTOS Infrastruktura S.A. was registered.

Change in shares in related entities

PLN '000	**Shares in related entities**
Jan 1 2013	**904,208**
Acquisition of shares in LOTOS Petrobaltic S.A.	429
Share capital increase at LOTOS Tank Sp. z o.o. (1)	6,945
Sale of shares in LOTOS Tank Sp. z o.o.	(7,245)
Dec 31 2013	**904,337**
Jan 1 2012	**850,704**
Acquisition of shares in LOTOS Petrobaltic S.A.	54,011
Sale of shares in Technical Ship Management Sp. z o.o.	(507)
Dec 31 2012	**904,208**

(1) Grupa LOTOS S.A.'s acquisition of 1,000 new shares, with a par value of PLN 6,945 per share, following share capital increase at LOTOS Tank Sp. z o.o. (currently LOTOS – Air BP Polska Sp. z o.o.). The new shares, with a total value of PLN 6,945 thousand, were acquired for cash.

In 2012 and 2013, LOTOS Paliwa Sp. z o.o. was subject to restrictions on dividend payments, imposed under an agreement with banks Pekao S.A. and PKO BP S.A. of December 16th 2004, under which the amount of distributable financial surplus generated by LOTOS Paliwa Sp. z o.o. in a financial year was contingent on compliance with specified performance targets. The dividend restrictions applied as at December 31st 2013.

17. Trade receivables and other assets

PLN '000	Note	Dec 31 2013	Dec 31 2012 (restated)	Jan 1 2012 (restated)
Financial assets				
Non-current financial assets				
Other financial assets:		436,385	339,329	351,521
Additional contributions to LOTOS Paliwa Sp. z o.o.'s equity		*237,700*	*237,700*	*237,700*
Amounts due on acquisition of shares in LOTOS Petrobaltic S.A.		*54*	*483*	*53,980*
Loans advanced to LOTOS Petrobaltic S.A. (1)	28.1	*189,714*	*92,095*	-
Deposits		-	-	*38,106*
Security deposit (margin) (2)	28.1	*8,917*	*9,051*	*9,637*
Derivative financial instruments		-	-	*12,098*
Total		**436,385**	**339,329**	**351,521**
Current financial assets				
Trade receivables	28.1	1.584.750	1,668,427	2,175,302
- including from related entities	33.1	*976,882*	*1,150,079*	*1,730,282*
Other financial assets:		49,888	188,528	49,422
Additional contributions to LOTOS Kolej Sp. z o.o.'s equity		*4,281*	*4,281*	*4,281*
Loans advanced to LOTOS Petrobaltic S.A. (1)	28.1; 29.3.1	-	*61,281*	*750*
Deposits	28.1	*29.593*	*122,502*	*40,497*
Cash pool	28.1; 33.1	*97*	*41*	-
Amounts due from related entities on sale of organised part of business	15; 28.1; 33.1	*13,817*	-	-
Other receivables	28.1	*2.100*	*423*	*3,894*
Total		**1,634,638**	**1,856,955**	**2,224,724**
Total financial assets		**2,071,023**	**2,196,284**	**2,576,245**
Non-financial assets				
Non-current non-financial assets				
Other		3,152	3,619	3,900
Total		**3,152**	**3,619**	**3,900**
Current non-financial assets				
Value-added tax receivable		-	104,679	-
Property and other insurance		955	927	31
Excise duty on inter-warehouse transfers		26,758	29,151	33,194
Prepaid deliveries		2,784	2,082	1,936
Fees for access to specialist information sites		2,148	694	-
Other		2,047	1,104	10,693
Total		**34,692**	**138,637**	**45,854**
Total non-financial assets		**37,844**	**142,256**	**49,754**
Total		**2,108,867**	**2,338,540**	**2,625,999**
including:				
non-current		*439,537*	*342,948*	*355,421*
current:		*1,669,330*	*1,995,592*	*2,270,578*
- trade receivables		*1,584,750*	*1,668,427*	*2,175,302*
- other		*84,580*	*327,165*	*95,276*

(1) For terms and conditions of the loans, see Note 33.1.

(2) Security deposit (margin) transferred to Grupa LOTOS S.A.'s account with BNP Paribas Bank Polska to enable execution of trades via the ICE Futures web-based trading platform.

As at December 31st 2013 and December 31st 2012, *Deposits* comprised deposits securing payment of interest on credit facilities contracted to finance the 10+ Programme and to finance or refinance inventories (see Note 24). As at December 31st 2012, the item included cash of PLN 83,826 thousand earmarked for plant maintenance, as required under the 10+ Programme financing agreements. The cash was used in the first half of 2013.

The collection period for trade receivables in the ordinary course of business is 7 - 35 days.

As at December 31st 2013, the amount of trade receivables assigned by way of security for the facilities contracted to finance the 10+ Programme, discussed in Note 24, was PLN 957,749 thousand (December 31st 2012: PLN 1,145,388 thousand).

For a description of the financial instruments, see Note 7.19. For description of objectives and policies of financial risk management, see Note 29.

The maximum credit risk exposure of financial assets is presented in Note 29.6.

For currency risk sensitivity analysis of financial assets, see Note 29.3.1.

For interest rate risk sensitivity analysis of financial assets, see Note 29.4.1.

17.1 Change in impairment losses on receivables

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
At beginning of the period	**86,685**	**86,480**
Recognised	347	462
Used	(10,068) (1)	(68)
Reversed	(234)	(189)
At end of the period	**76,730**	**86,685**

(1) Including PLN 9,890 thousand on release from debt of LOTOS Gaz S.A. w likwidacji (in liquidation) (wholly-owned subsidiary of Grupa LOTOS S.A.).

The amounts resulting from recognition or reversal of impairment losses on receivables are presented under other income or expenses (the principal portion) and under finance income or costs (the default interest portion).

Recognised impairment losses include PLN 216 thousand on the principal portion (2012: PLN 67 thousand) and PLN 131 thousand on the interest portion (2012: PLN 395 thousand).

Reversed impairment losses include PLN 55 thousand on the principal portion (2012: PLN 2 thousand) and PLN 179 thousand on the interest portion (2012: PLN 187 thousand).

In 2013, recognised and reversed impairment losses on main receivables were posted by the Company under other expenses at PLN 161 thousand (2012: PLN 65 thousand).

The table below presents aging of past due receivables for which no impairment losses were recognised:

PLN '000	Dec 31 2013	Dec 31 2012
Up to 1 month	1,548	2,416
From 1 to 3 months	2,086	496
From 3 to 6 months	38	-
Over 1 year	13	269
Total	**3,685**	**3,181**

In 2013 and 2012, LOTOS Paliwa Sp. z o.o. (wholly-owned by Grupa LOTOS S.A.) and Shell group companies were Grupa LOTOS S.A.'s largest customers, whose respective shares in the Company's total revenue exceeded 10% and amounted to 57% and 11%, respectively (2012: 64% and 7%, respectively). In the Company's opinion, with the exception of receivables from the above-mentioned customers, there is no material concentration of credit risk. The Company's maximum exposure to credit risk as at the end of the reporting period is best represented by the carrying amounts of those instruments.

18. Inventories

PLN '000	Dec 31 2013	Dec 31 2012
Finished products	1,633,910	1,635,778
Semi-finished products and work in progress	596,311	734,131
Merchandise	255,106	228,398
Raw materials and consumables	3,059,133	3,107,410
Total	**5,544,460**	**5,705,717**

As at December 31st 2013 and December 31st 2012, the Company measured inventories at cost net of impairment losses.

As at December 31st 2013, the value of inventories serving as collateral for the liabilities of Grupa LOTOS S.A. under the inventory financing and refinancing facility discussed in Note 24 was PLN 5,071,234 thousand (December 31st 2012: PLN 4,992,180 thousand).

18.1 Change in impairment losses on inventories

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
At beginning of the period	**470**	**4,864**
Recognised	2,003	768
Used	(40)	(342)
Reversed	(430)	(4,820) [1]
At end of the period	**2,003**	**470**
- including raw materials and consumables	*2,003*	*470*

[1] Reversal of impairment loss on raw materials and consumables following use for own needs and reclassification in view of the 2013 overhaul shutdown.

Change in impairment losses on inventories in presented under cost of sales.

18.2 Mandatory stocks

The Company complies with the mandatory stocks regulations effective since April 7th 2007, which were introduced by virtue of the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on the Rules to be Followed in the Event of Threat to National Fuel Security or Disruptions on the Petroleum Market of February 16th 2007 (Dz.U. of 2007, No. 52, item 343, dated March 23rd 2007, as amended). The act defines the rules for creating, maintaining and financing reserves of crude oil and petroleum products. The mandatory stocks include crude oil, petroleum products (liquid fuels) and LPG. As at December 31st 2013, the gross value of mandatory stocks was PLN 4,247,822 thousand (December 31st 2012: PLN 4,350,326 thousand).

19. Cash and cash equivalents

PLN '000	Dec 31 2013	Dec 31 2012
Cash at bank	224,006	2,874
Cash in hand	25	12
Total cash and cash equivalents recognised in the statement of financial position	**224,031**	**2,886**
Overdraft facilities	(444,268)	(409,245)
Total cash and cash equivalents recognised in the statement of financial position	**(220,237)**	**(406,359)**

Cash at bank bears interest at variable rates linked to the overnight interest rate. Short-term deposits are placed for a range of maturities, from one day to three months, depending on the Company's current cash needs, and bear interest at interest rates set for them.

As at December 31st 2013, the amount of undrawn funds available to the Company from working capital facilities in respect of which all conditions precedent had been fulfilled (including the working capital facility provided by Bank Syndicate (4); (see Note 24) was PLN 212,066 thousand (December 31st 2012: PLN 237,684 thousand).

As at December 31st 2013, cash in bank accounts over which registered pledges were created to secure Grupa LOTOS S.A.'s liabilities under credit facilities was PLN 2,629 thousand (December 31st 2012: PLN 1,484 thousand).

20. Share capital

As at December 31st 2013 and December 31st 2012, the share capital comprised 129,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share confers the right to one vote at the General Meeting and carries the right to dividend.

21. Share premium

Share premium as at December 31st 2013 and December 31st 2012 amounted to PLN 1,320,773 thousand and comprised the excess of the issue price over the par value of shares, net of costs directly attributable to the share issue, adjusted for income tax in the amount of PLN 9,425 thousand.

22. Cash flow hedging reserve

Cash flow hedging reserve comprises changes in the valuation of foreign-currency denominated bank borrowings used as hedging instruments designated to hedge cash flows, less the effect of income tax.

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
At beginning of the period		**(36,801)**	**(419,281)**
Valuation of cash flow hedging instruments		120,765	472,197
Income tax on valuation of cash flow hedging instruments	10.1	(22,945)	(89,717)
At end of the period		**61,019**	**(36,801)**

23. Retained earnings

Retained earnings comprise capital reserves created and used in accordance with the rules stipulated by the applicable laws and provisions of the Articles of Association, as well as current period's profit.

As at December 31st 2013 and December 31st 2012, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends, as described in detail in Note 12.

Furthermore, retained earnings include actuarial gains/losses relating to post-employment benefits, recognised inclusive of tax effect, which are posted under *Other comprehensive income* in the statement of comprehensive income.

24. Bank borrowings

PLN '000	Dec 31 2013	Dec 31 2012
Inventory financing and refinancing facility	753,296	930,574
Bank Syndicate (1)	*753,296*	*930,574*
Investment facilities	3,914,267	4,359,785
Bank Syndicate (2)	*2,868,182*	*3,195,711*
Bank Syndicate (3)	*1,046,085*	*1,164,074*
Working-capital facilities	444,268	432,955
Bank Syndicate (4)	*444,268*	*409,245*
Pekao S.A.	*-*	*23,710*
Funds in bank deposits securing payment of interest and principal*	(245,516)	(191,196)
Total	**4,866,315**	**5,532,118**
including:		
non-current	*3,538,779*	*4,069,561*
current	*1,327,536*	*1,462,557*

Bank Syndicate (1):
Pekao S.A., BRE Bank S.A., ING Bank Śląski S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Zachodni WBK S.A.; on December 20th 2013, there was a change in the composition of the syndicate, which is described in more detail below.

Bank Syndicate (2):
Banco Bilbao Vizcaya Argentaria S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., Pekao S.A., BNP Paribas S.A., Caja de Ahorros y Monte de Piedad de Madrid, Credit Agricole CIB (formerly Calyon), DnB Nor Bank ASA, DnB Nord Polska S.A., ING Bank Śląski S.A., KBC Finance Ireland, Kredyt Bank S.A., Nordea Bank AB, PKO BP S.A., The Royal Bank of Scotland plc, Société Générale S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A., Bank Gospodarki Żywnościowej S.A. and Sumitomo Mitsui Banking Corporation Europe Ltd.

Bank Syndicate (3):
Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas S.A.

Bank Syndicate (4):
Pekao S.A., PKO BP S.A., BNP Paribas S.A., ING Bank Śląski S.A., Nordea Bank Polska S.A., Rabobank Polska S.A., Bank Gospodarki Żywnościowej S.A.

* The Company offsets a financial asset (cash reserved for repayment of the facilities) against financial liabilities under the facilities in accordance with IAS 32 as it holds a valid legal title to set off the amounts and intends to realise the asset and settle the liability simultaneously. The purpose of adopting the net-basis presentation approach in the statement of financial position is to reflect the expected future cash flows from settlement of two or more financial instruments.

Inventory financing and refinancing facility

As at December 31st 2013, the nominal amount drawn under the credit facility for the refinancing and financing of inventories, advanced by Bank Syndicate (1), amounted to PLN 753m *(USD 250m)*.

In connection with the credit facility incurred to finance and refinance inventories, Grupa LOTOS S.A. is required to maintain the Tangible Consolidated Net Worth ratio of no less than specified in the facility agreement. The Company is also required to meet a financial covenant of maintaining the Loan to Pledged Inventory Value Ratio at a level not higher than specified in the facility agreement. As at December 31st 2013 and December 31st 2012, the Company complied with the covenants.

Amendments to the inventory financing and refinancing facility

On November 7th 2013, Grupa LOTOS S.A. and a syndicate of five banks (Bank Syndicate (1)), comprising:

- Pekao S.A. of Warsaw,
- BRE Bank S.A. of Warsaw,
- ING Bank Śląski S.A. of Katowice,
- Nordea Bank AB of Stockholm,
- Société Générale S.A of Paris,

signed an amendment extending by 12 months, i.e. until December 20th 2014, the term of the credit facility agreement for refinancing and financing of Grupa LOTOS S.A.'s inventories, of October 10th 2012, providing for a revolving credit facility of up to USD 400m *(i.e. PLN 1,268m, as translated at the mid rate quoted by the National Bank of Poland for October 10th 2012)*.

Under the amended agreement, as of December 20th 2013 Nordea Bank AB of Stockholm was no longer a party to the credit facility agreement, and its entire credit commitment had been taken over by Bank Handlowy w Warszawie S.A. and Bank Zachodni WBK S.A. of Wrocław.

The other legal terms of the credit facility agreement of October 10th 2012, as well as its provisions concerning penalties, did not change, and they did not differ from those commonly applied in agreements of such type. The financial covenants have been adjusted to current market conditions.

Investment facilities

As at December 31st 2013, the Company had drawn (in nominal terms) PLN 3,960.9m *(USD 1,315.0m)* under investment facilities advanced by Bank Syndicates (2) and (3). As at December 31st 2012, PLN 4,412.8m *(USD 1,423.7m) had been drawn*.

In connection with the credit facilities incurred to finance the 10+ Programme, Grupa LOTOS S.A. is required to maintain the Tangible Consolidated Net Worth ratio of no less than specified in the facility agreements. As at December 31st 2013 and December 31st 2012, the Company complied with the covenants.

Working-capital facilities

The working capital facility was made available to Grupa LOTOS S.A. by Bank Syndicate (4) in the form of overdraft facilities which are used by the Company on an as-needed basis.

The Company may also finance its working capital requirements of up to PLN 600m with funds available under credit facilities contracted from PKO BP S.A. (a PLN 300m credit facility of June 26th 2009) and Pekao S.A. (a PLN 300m credit facility of May 16th 2012). As at December 31st 2013, the Company carried no liabilities under these facilities (December 31st 2012: PLN 23,710 thousand).

Proceeds from and repayment of bank borrowings

In 2013, cash provided by credit facilities contracted by the Company totalled PLN 189,965 thousand (2012: PLN 262,803 thousand), and it pertained entirely to a working-capital facility with Pekao S.A. In 2013, the Company used PLN 708,975 thousand in cash (2012: PLN 840,400 thousand) to repay its bank borrowings, including PLN 213,675 thousand of borrowings under a working-capital facility with Pekao S.A. and PLN 495,300 thousand of borrowings under investment facilities. These amounts were presented in the statement of cash flows from financing activities under *Proceeds from borrowings* and *Repayment of borrowings*, respectively.

Borrowings as at December 31st 2013, by currency and by maturity

PLN '000	Borrowings in EUR	Borrowings in USD	Borrowings in PLN	Total
2014	3	999,028	328,505	1,327,536
2015	-	371,047	-	371,047
2016	-	404,569	-	404,569
2017	-	398,140	-	398,140
2018	-	470,697	-	470,697
after 2018	-	1,894,326	-	1,894,326
Total	**3**	**4,537,807**	**328,505**	**4,866,315**

Borrowings as at December 31st 2012, by currency and by maturity

PLN '000	Borrowings in EUR	Borrowings in USD	Borrowings in PLN	Total
2013	1,221	1,380,905	80,431	1,462,557
2014	-	367,512	-	367,512
2015	-	381,684	-	381,684
2016	-	416,167	-	416,167
2017	-	409,554	-	409,554
after 2017	-	2,494,644	-	2,494,644
Total	**1,221**	**5,450,466**	**80,431**	**5,532,118**

The credit facilities bear interest based on:

- 1M, 3M or 6M LIBOR (USD), depending on the interest period selected at a given time - in the case of USD-denominated facilities,
- 3M EURIBOR - in the case of EUR-denominated facilities,
- 1M or 3M WIBOR - in the case of PLN-denominated facilities.

The bank margins on the contracted facilities are within the range of 0.65pp. – 1.35pp.

As at December 31st 2013, the average effective interest rate for the credit facilities denominated in USD and EUR was approximately 2.28% (2.30% as at December 31st 2012).

Repayment of the above facilities is secured with:

- power of attorney over bank accounts
- registered pledge over bank accounts
- registered pledge over inventories
- registered pledge over existing and future movables
- mortgage
- assignment of rights under inventory insurance agreement
- assignment of rights under inventory storage agreements
- assignment of rights to compensation from the State Treasury due in the event of the requirement to sell mandatory stocks below market price
- assignment of rights under insurance agreements relating to the Gdańsk refinery
- assignment of licence agreements
- assignment of agreements for sale of products to related entities (where sales exceeded PLN 10,000 thousand per year)
- representation on voluntary submission to enforcement

For currency risk sensitivity analysis of liabilities under bank borrowings, see Note 29.3.1.

For interest rate sensitivity analysis of liabilities under bank borrowings, see Note 29.4.1.

For information on maturities of liabilities under bank borrowings, see Note 29.5.

25. Derivative financial instruments

PLN '000	Note	Dec 31 2013	Dec 31 2012
Financial assets			
Current financial assets			
Commodity swaps (commodities and petroleum products)		736	45
Currency forward and spot contracts		34,924	73,452
Interest rate swap (IRS)		-	11,318
Currency swap		38,296	36,519
- including from related entities	*33.1*	*21*	-
Total financial assets		**73,956**	**121,334**
Financial liabilities			
Non-current financial liabilities			
Futures (CO_2 emissions)		-	1,293
Interest rate swap (IRS)		52,876	87,032
Total		**52,876**	**88,325**
Current financial liabilities			
Commodity swaps (commodities and petroleum products)		-	337
Futures (CO_2 emissions)		-	2,494
Currency forward and spot contracts		1,686	20,685
- including to related entities	*33.1*	*668*	*11,523*
Interest rate swap (IRS)		19,387	60,975
Currency swap		*7,224*	18,033
- including to related entities	*33.1*	*6,352*	-
Total		**28,297**	**102,524**
Total financial liabilities		**81,173**	**190,849**

Derivative financial instruments are described in Note 7.21. For description of objectives and policies of financial risk management, see Note 29.

For a sensitivity analysis showing the sensitivity of derivative financial instruments to market risk related to changes in prices of petroleum commodities and products, see Note 29.1.1.

For a sensitivity analysis showing the sensitivity of derivative financial instruments to market risk related to fluctuations in prices of carbon dioxide (CO_2) emission allowances, see Note 29.2.1.

For currency risk sensitivity analysis of derivative financial instruments, see Note 29.3.1.

For interest rate sensitivity analysis of derivative financial instruments, see Note 29.4.1.

For information on maturities of derivative financial instruments, see Note 29.5.

For information on maximum credit risk exposures of derivative financial instruments (financial assets), see Note 29.6.

26. Employee benefit obligations

PLN '000	Dec 31 2013	Dec 31 2012
Non-current liabilities		
Post-employment benefits	11,444	9,504
Length-of-service awards and other benefits	41,856	35,758
Total	**53,300**	**45,262**
Current liabilities		
Post-employment benefits	1,679	3,589
Length-of-service awards and other benefits	3,954	2,889
Bonuses, awards and unused holidays	25,307	26,339
Salaries and wages payable	2,642	3,040
Total	**33,582**	**35,857**
Total liabilities	**86,882**	**81,119**

26.1 Future employee benefit obligations

In accordance with Grupa LOTOS S.A.'s remuneration systems, employees of the Company are entitled to post-employment benefits upon retirement. Length-of-service awards are paid out after a specific period of employment. Therefore, based on a valuation prepared by a professional actuary firm or based on own estimates, the Company recognises the present value of obligations under length-of-service awards and post-employment benefits. The table below provides information on the amount of the obligations and a reconciliation presenting changes in the value of the obligations during the reporting period.

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2013		**13,093**	**38,647**	**51,740**
Current service cost		538	5,588	6,126
Cost of discount	*9.7*	428	1,716	2,144
Benefits paid		(694)	(3,979)	(4,673)
Actuarial (gain)/loss under profit or loss		-	3,838	3,838
Actuarial (gain)/loss under other comprehensive income		(242)	-	(242)
Dec 31 2013		**13,123**	**45,810**	**58,933**
including:				
non-current		*11,444*	*41,856*	*53,300*
current		*1,679*	*3,954*	*5,633*

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2012		**14,120**	**34,080**	**48,200**
Current service cost		572	2,380	2,952
Cost of discount	*9.7*	591	1,748	2,339
Past service cost		(1,410)	4,548	3,138
Benefits paid		(908)	(4,276)	(5,184)
Actuarial (gain)/loss under profit or loss		128	167	295
Dec 31 2012		**13,093**	**38,647**	**51,740**
including:				
non-current		*9,504*	*35,758*	*45,262*
current		*3,589*	*2,889*	*6,478*

26.2 Present value of future employee benefit obligations

PLN '000	Present value of future employee benefit obligations
Dec 31 2013	58,933
Dec 31 2012	51,740
Dec 31 2011	48,200
Dec 31 2010	36,393
Dec 31 2009	33,168

Present value of future employee benefit obligations is equal to their carrying amount.

26.3 Total cost of future employee benefit payments disclosed in the statement of comprehensive income

PLN '000	Note	for the year ended Dec 31 2013	for the year ended Dec 31 2012
Items recognised in profit or loss:			
Current service cost		6,126	2,952
Cost of discount	*9.7*	2,144	2,339
Past service cost		-	3,138
Actuarial (gain)/loss		3,838	295
Total		**12,108**	**8,724**
Items recognised in other comprehensive income:			
Actuarial (gain)/loss		(242)	-
Total		**11,866**	**8,724**

26.4 Actuarial assumptions

The table below presents the key assumptions adopted by the actuary as at the balance-sheet date to calculate the amount of the obligation.

	Dec 31 2013	Dec 31 2012
Discount rate (%)	4.30%	4.50%
Expected inflation rate (%)	2.50%	2.50%
Employee turnover ratio (%)	2.49%	2.60%
Expected growth rate of salaries and wages (%) in the following year	0.00%	2.70%
Expected growth rate of salaries and wages (%) in the following years	2.76%	2.70%

- The employee attrition probability is based on the historical data on employee turnover at the Group and statistical data on employee attrition in the industry. The employee turnover ratios applied by the actuary were determined separately for men and women and broken down into nine age categories in five-year intervals. The employee turnover ratio is now calculated on an average basis.
- The mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2012, published by the Polish Central Statistics Office (GUS), and assume that the Company's employee population is representative of the average Polish population in terms of mortality (December 31st 2012: Life Expectancy Tables of Poland for 2011).
- The changes resulting from amendments to the Act on Pensions and Disability Pensions from Social Security Fund (Pensions Act) were accounted for, in particular changes relating to the retirement age of women and men, including its extension over a defined period to 67 years for both women and men. The amendments to the Pensions Act resulted in a change in the operation of individual benefit plans, giving rise to additional past service costs.
- It was assumed that employees would retire in accordance with the standard procedure, as prescribed by the Pensions Act, with the exception of employees who, according to the information provided by the Company, meet the conditions for early retirement entitlement.
- Based on the historical data, it was assumed that in 60% of cases half of the full amount of death benefits is paid.
- The data used in the assumptions does not include cases related to organisational changes.
- Additionally, the provision for death benefits as at December 31st 2012 was revaluated. The effect of this revaluation is presented in Note 26.1 under Current service cost.

26.5 Termination benefits

In 2013, termination benefits and compensation payable in respect of non-compete obligation totalled PLN 1,079 thousand (2012: PLN 363 thousand).

26.6 Sensitivity analysis of changes in actuarial assumptions on employee benefits

The table below presents results of calculations for changed key actuarial assumptions: salaries and wages growth rate and discount rate.

Initial obligation balance

PLN '000 Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payment	Death benefits	Social benefits fund	Total
base	base	41,586	12,102	2,876	2,369	58,933
base + 1%	base	45,103	13,337	3,151	2,722	64,313
base - 1%	base	38,544	11,066	2,638	2,083	54,331
base	base + 0.5%	39,850	11,523	2,743	2,215	56,331
base	base - 0.5%	43,463	12,740	3,020	2,541	61,764

The table below presents results of calculations for changed key actuarial assumptions: salaries and wages growth rate, medical care contributions, and discount rate.

Current service cost projected for 2014

PLN '000 Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payment	Death benefits	Social benefits fund	Total
base	base	3,005	558	195	56	3,814
base + 1%	base	3,369	656	223	74	4,322
base - 1%	base	2,696	479	172	43	3,390
base	base + 0.5%	2,845	517	183	49	3,594
base	base - 0.5%	3,179	604	208	64	4,055

Cost of discount projected for 2014

PLN '000 Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payment	Death benefits	Social benefits fund	Total
base	base	1,633	448	113	97	2,291
base + 1%	base	1,785	501	125	112	2,523
base - 1%	base	1,503	404	103	84	2,094
base	base + 0.5%	1,740	473	120	101	2,434
base	base - 0.5%	1,515	420	106	92	2,133

Total current service cost and cost of discount projected for 2014

PLN '000 Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payment	Death benefits	Social benefits fund	Total
base	base	4,638	1,006	308	153	6,105
base + 1%	base	5,154	1,157	348	186	6,845
base - 1%	base	4,199	883	275	127	5,484
base	base + 0.5%	4,585	990	303	150	6,028
base	base - 0.5%	4,694	1,024	314	156	6,188

27. Trade payables, other liabilities and provisions

PLN '000	Note	Dec 31 2013	Dec 31 2012 (restated)	Jan 1 2012 (restated)
Current financial liabilities				
Trade payables	28.1	2,436,614	2,161,910	2,801,979
- including to related entities	*33.1*	*229,615*	*179,297*	*173,228*
Other financial liabilities:		45,527	45,489	17,421
Investment commitments	*28.1*	*39,637*	*43,674*	*14,679*
- including to related entities	*33,1*	*493*	*5,682*	*1,556*
Liabilities to insurers	*28.1*	*2,439*	*1,392*	*2,401*
Other liabilities	*28.1*	*3,451*	*423*	*341*
- including to related entities	*33.1*	*-*	*7*	*-*
Total financial liabilities		**2,482,141**	**2,207,399**	**2,819,400**
Current non-financial liabilities				
Other provisions		954	1,417	1,357
Liabilities to the state budget other than corporate income tax[(1)]		663,723	635,564	923,043
Grants	27.1	29,509	25,033	23,580
Environmental charges		1,737	-	-
Provision for deficit in CO_2 emission allowances	9.5; 31	1,527	910	-
Other		3,039	5,708	846
Total non-financial liabilities		**700,489**	**668,632**	**948,826**
Total		**3,182,630**	**2,876,031**	**3,768,226**
including:				
- trade payables		*2,436,614*	*2,161,910*	*2,801,979*
- other		*746,016*	*714,121*	*966,247*

[(1)] Including PLN 540,582 thousand in liabilities related to excise duty and fuel charge (December 31st 2012: PLN 627,748 thousand).

Trade payables do not bear interest and are, as a rule, paid in 14–30 days. Other liabilities do not bear interest, and their average payment period is one month. Amounts resulting from the difference between VAT receivable and VAT payable are paid to the relevant tax authorities on a monthly basis. Interest payable is typically settled within 14 days from the date of issue of an interest payment notice by the trading partner.

For currency risk sensitivity analysis of financial liabilities, see Note 29.3.1.

For information on maturities of financial liabilities, see Note 29.5.

27.1 Grants

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
At beginning of the period		**25,033**	**23,580**
Received during the year		5,196	2,186
Recognised in profit or loss	9.4	(720)	(733)
At end of the period		**29,509**	**25,033**

Grants comprise licences received free of charge.

The Company uses a tax credit available to entities introducing new technologies pursuant to Art. 18b of the Corporate Income Tax Act of February 15th 1992 (consolidated text: Dz.U. of 2011, No. 74, item 397). The credit enables the Group to deduct up to 50% of expenditure incurred on new technologies from the tax base. The effect of the credit on these financial statements was immaterial.

28. Financial instruments

28.1 Carrying amount

Dec 31 2013		Categories of financial instruments				
PLN '000	Note	Financial assets/liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale[(1)]	Financial liabilities at amortised cost	Total
Classes of financial instruments						
Financial assets						
Shares	16	-	-	6,312	-	6,312
Derivative financial instruments	25	73,956	-	-	-	73,956
Trade receivables	17	-	1,584,750	-	-	1,584,750
Cash and cash equivalents	19	-	224,031	-	-	224,031
Other financial assets:		-	244,238	-	-	244,238
Loans advanced to related entities	*17*	-	*189,714*	-	-	*189,714*
Deposits	*17*	-	*29,593*	-	-	*29,593*
Security deposit (margin)	*17*	-	*8,917*	-	-	*8,917*
Cash pool	*17*	-	*97*	-	-	*97*
Receivables from related entities on sale of organised part of business	*17*	-	*13,817*	-	-	*13,817*
Other receivables	*17*	-	*2,100*	-	-	*2,100*
Total		**73,956**	**2,053,019**	**6,312**	**-**	**2,133,287**
Financial liabilities						
Bank borrowings	24	-	-	-	4,866,315	4,866,315
Derivative financial instruments	25	81,173	-	-	-	81,173
Trade payables	27	-	-	-	2,436,614	2,436,614
Other financial liabilities	27	-	-	-	45,527	45,527
Total		**81,173**	**-**	**-**	**7,348,456**	**7,429,629**

(1) As at December 31st 2013, the Company held shares in other undertakings, measured at historical cost less impairment.

Dec 31 2012 (restated) PLN '000	Note	Categories of financial instruments: Financial assets/liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale[(1)]	Financial liabilities at amortised cost	Total
Classes of financial instruments						
Financial assets						
Shares	16	-	-	6,312	-	6,312
Derivative financial instruments	25	121,334	-	-	-	121,334
Trade receivables	17	-	1,668,427	-	-	1,668,427
Cash and cash equivalents	19	-	2,886	-	-	2,886
Other financial assets:		-	285,393	-	-	285,393
Loans advanced to related entities	*17*	-	*153,376*	-	-	*153,376*
Deposits	*17*	-	*122,502*	-	-	*122,502*
Security deposit (margin)	*17*	-	*9,051*	-	-	*9,051*
Cash pool	*17*	-	*41*	-	-	*41*
Other receivables	*17*	-	*423*	-	-	*423*
Total		**121,334**	**1,956,706**	**6,312**	**-**	**2,084,352**
Financial liabilities						
Bank borrowings	24	-	-	-	5,532,118	5,532,118
Derivative financial instruments	25	190,849	-	-	-	190,849
Trade payables	27	-	-	-	2,161,910	2,161,910
Other financial liabilities	27	-	-	-	45,489	45,489
Total		**190,849**	**-**	**-**	**7,739,517**	**7,930,366**

[(1)] As at December 31st 2012, the Company held shares in other undertakings, measured at historical cost less impairment.

As at December 31st 2013 and December 31st 2012, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

28.2 Fair value hierarchy

PLN '000	Dec 31 2013 Level 1	Dec 31 2013 Level 2	Dec 31 2012 Level 1	Dec 31 2012 Level 2
Financial assets				
Commodity swap	-	736	-	45
Currency forward and spot contracts	-	34,924	-	73,452
Interest rate swap (IRS)	-	-	-	11,318
Currency swap	-	38,296	-	36,519
Total	**-**	**73,956**	**-**	**121,334**
Financial liabilities				
Commodity swap	-	-	-	337
Futures (CO_2 emissions)	-	-	3,787	-
Currency forward and spot contracts	-	1,686	-	20,685
Interest rate swap (IRS)	-	72,263	-	148,007
Currency swap	-	7,224	-	18,033
Total	**-**	**81,173**	**3,787**	**187,062**

28.3 Items of income, expenses, gains and losses disclosed in the statements of comprehensive income by category of financial instrument

Year ended Dec 31 2013 PLN '000	Note	Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
		Categories of financial instruments				
Classes of financial instruments						
Trade receivables:		**-**	**1,862**	**-**	**-**	**1,862**
Interest income	9.6	-	*920*	-	-	*920*
Foreign exchange gains/(losses)	9.2	-	*1,103*	-	-	*1,103*
Impairment losses	9.5	-	*(161)*	-	-	*(161)*
Cash and cash equivalents:		**-**	**(2,384)**	**-**	**-**	**(2,384)**
Interest income	9.6	-	*94*	-	-	*94*
Foreign exchange gains/(losses)	9.6	-	*(2,478)*	-	-	*(2,478)*
Other financial assets:		**-**	**12,859**	**-**	**-**	**12,859**
Interest income	9.6	-	*14,891*	-	-	*14,891*
Foreign exchange gains/(losses)	9.6	-	*(1,812)*	-	-	*(1,812)*
Revaluation	9.6	-	*(220)*	-	-	*(220)*
Derivative financial instruments (financial assets/liabilities):		**101,728**	**-**	**-**	**-**	**101,728**
Gains/(losses) on fair value measurement of derivative financial instruments	9.6	*59,673*	-	-	-	*59,673*
Gains/(losses) on realisation of derivative financial instruments	9.6	*42,055*	-	-	-	*42,055*

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Year ended Dec 31 2013 PLN '000	Note	Categories of financial instruments				
		Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
Classes of financial instruments *- continued*						
Bank borrowings:		**-**	**-**	**-**	**31,090**	**31,090**
Interest expenses	*9.7*	-	-	-	*(119,692)*	*(119,692)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*30,017*	*30,017*
Gains/(losses) on measurement of cash flow hedges	*22*	-	-	-	*120,765*	*120,765*
Trade payables:		**-**	**-**	**-**	**76,146**	**76,146**
Interest expenses	*9.7*	-	-	-	*(8)*	*(8)*
Foreign exchange gains/(losses)	*9.2*	-	-	-	*76,154*	*76,154*
Other financial liabilities:		**-**	**-**	**-**	**(211)**	**(211)**
Foreign exchange gains/(losses)	*9.6*	-	-	-	*(211)*	*(211)*
Total		**101,728**	**12,337**	**-**	**107,025**	**221,090**

Year ended Dec 31 2012 PLN '000	Note	Categories of financial instruments				
		Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
Classes of financial instruments						
Trade receivables:		**-**	**(51,098)**	**-**	**-**	**(51,098)**
Interest income	9.6	-	958	-	-	958
Foreign exchange gains/(losses)	9.2	-	(51,991)	-	-	(51,991)
Impairment losses	9.5	-	65	-	-	65
Cash and cash equivalents:		**-**	**(29,031)**	**-**	**-**	**(29,031)**
Interest income	9.6	-	378	-	-	378
Foreign exchange gains/(losses)	9.6	-	(29,409)	-	-	(29,409)
Other financial assets:		**-**	**7,310**	**-**	**-**	**7,310**
Interest income	9.6	-	11,928	-	-	11,928
Foreign exchange gains/(losses)	9.6	-	(4,518)	-	-	(4,518)
Revaluation	9.6	-	(100)	-	-	(100)
Derivative financial instruments (financial assets/liabilities):		**93,054**	**-**	**-**	**-**	**93,054**
Gains/(losses) on fair value measurement of derivative financial instruments	9.6	137,985	-	-	-	137,985
Gains/(losses) on realisation of derivative financial instruments	9.6	(44,931)	-	-	-	(44,931)

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Year ended Dec 31 2012 PLN '000	Note	Categories of financial instruments				
		Financial assets/ liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale	Financial liabilities at amortised cost	Total
Classes of financial instruments *- continued*						
Bank borrowings:		**-**	**-**	**-**	**498,281**	**498,281**
Interest expenses	*9.7*	-	-	-	*(136,731)*	*(136,731)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*162,815*	*162,815*
Gains/(losses) on measurement of cash flow	*22*	-	-	-	*472,197*	*472,197*
Trade payables:		**-**	**-**	**-**	**25,104**	**25,104**
Interest expenses	*9.7*	-	-	-	*(1,892)*	*(1,892)*
Foreign exchange gains/(losses)	*9.2*	-	-	-	*26,996*	*26,996*
Other financial liabilities:		**-**	**-**	**-**	**661**	**661**
Foreign exchange gains/(losses)	*9.6*	-	-	-	*661*	*661*
Total		**93,054**	**(72,819)**	**-**	**524,046**	**544,281**

29. Objectives and policies of financial risk management

Grupa LOTOS S.A is exposed to financial risks, including:

- market risk (risk related to prices of raw materials and petroleum products, risk related to prices of CO_2 allowances, currency risk, interest rate risk),
- liquidity risk,
- credit risk related to financial and trade transactions.

The Financial Risk Management Office, which operates within the Company's corporate structure, coordinates and exercises ongoing supervision over the Group 's financial risk management processes.

Furthermore, the Price Risk and Trading Committee, appointed by the Management Board, supervises the work on development of the financial risk management policies and procedures, and monitors implementation of the Group's strategy in this area. Specifically, the Committee provides opinions on or initiates key price and trading risk management initiatives, makes recommendations, and submits proposals for actions that require the Management Board's approval.

In addition, to ensure effective management of liquidity, debt structure and external finance raising by companies of the LOTOS Group, the Management Board has appointed the Liquidity Optimisation and Financing Coordination Team.

Financial risk management seeks to achieve the following key objectives:

- increase the probability that budget and strategic objectives will be met,
- limit volatility of cash flows,
- ensure short-term financial liquidity,
- maximise the result on market risk management within the assumed risk level limits,
- building the company's value in the long term.

With a view to implementing the above objectives, Grupa LOTOS S.A. has put in place relevant tools and developed a number of formal rules and documents, which were then approved at the relevant decision-making levels and which define the framework for ensuring effectiveness and safety of the Company's financial activities, including:

- the methodology for quantifying exposures to particular risks,
- acceptable financial instruments,
- the method of assessing financial risk management,
- limits within risk management,
- the reporting method,
- credit limits,
- documentation and operating standards,
- division of responsibilities for execution of transactions, risk analysis and control, as well as documentation of and accounting for transactions, among various corporate units.

Grupa LOTOS S.A. monitors and reports all managed market risks on an ongoing basis. The Company uses liquid derivatives which can be measured by applying commonly used valuation models. The valuation of the underlying position and derivatives is performed based on market inputs provided by reliable sources. Opening positions with respect to which risks do not arise as part of the Company’s core business is prohibited.

Since January 1st 2011, the Company has applied hedge accounting with respect to cash flows (i.e. foreign-currency facilities used to finance the 10+ Programme, designated as hedges of future USD-denominated petroleum product sale transactions). In the second half of 2012, the scope of cash flow hedge accounting was extended to include newly established hedging relationships of the same nature.

29.1 Risk related to prices of raw materials and petroleum products

The Company considers risk related to prices of raw materials and petroleum products to be particularly important.

Grupa LOTOS S.A. identifies the following risk factors:

- volatility of the refining margin, understood as the difference between liquid index of a reference petroleum product baskets (crude oil, components, gasolines, diesel oils, aviation fuels) and a liquid raw material reference index (Ural crude oil),
- volatility of prices with respect to the raw material and product inventory volumes deviating from the required levels of mandatory and operational stocks,
- volatility of differentials between the reference indices and indices used in commercial contracts (e.g. Brent/Urals differentials which is a difference between different fuel types),
- use of non-standard pricing formulae in commercial contracts.

In order to secure fixed petroleum product prices for future deliveries to customers, the Company has implemented a system whereby the risk can be transferred from the customers onto the Company; by entering into appropriate hedging transactions and observing relevant procedures, the Company is still able to maintain its credit and operational security and safety at reasonable levels.

As part of the activities described above, in 2012 and 2013, in connection with its sale of bitumen components at fixed prices, the Company entered into commodity swap contracts which enabled it to keep its price risk profile unchanged from its original level. The swap contracts concluded in that period were partially settled in the year when they were entered into, and partly in the following year.

Open commodity swaps as at December 31st 2013:

Type of contract	Underlying index	Contract execution period	Valuation period	Amount in tonnes in the valuation period	Average weighted price (USD/tonne)	Fair value (PLN '000)	
						Financial assets	Financial liabilities
Commodity swap	3.5 PCT Barges FOB Rotterdam	Sep–Nov 2013	Mar–Oct 2014	20,989	572.90	736	-
					Total	**736**	**-**

As at December 31st 2013, the Company was a party to commodity swaps entered into to reverse the risk profile relating to the prices of raw materials and petroleum products and arising in connection with the sale of a total of 20,989 tonnes of bitumen components at fixed prices based on the 3.5 PCT Barges FOB Rotterdam liquid index in the period from March to October 2014.

Open commodity swaps as at December 31st 2012:

Type of contract	Underlying index	Contract execution period	Valuation period	Amount in tonnes in the valuation period	Average weighted price (USD/t)	Fair value (PLN '000)	
						Financial assets	Financial liabilities
Commodity swap	3.5 PCT Barges FOB Rotterdam	Dec 2012	Jun–Nov 2013	14,092	591.25	-	(335)
Commodity swap	Gasoil .1 Cargoes CIF NWE / Basis ARA	Dec 2012	Jun–Nov 2013	(3,000)	915.00	45	(2)
					Total	**45**	**(337)**

The above swap transactions based on the 3.5 PCT Barges FOB Rotterdam liquid index and the Gasoil .1 Cargoes CIF NWE / Basis ARA index were also entered into to reverse the risk profile relating to the prices of raw materials and petroleum products and arising in connection with the sale of bitumen components at fixed prices.

The Management Board points out that the importance of price risk management and of trading activities within the Group has been steadily growing. In connection with the need to manage new processes and to enhance the efficiency of ongoing operations in this area, and in order to improve the operational safety, the Group is implementing an ERTM IT system (Energy Trading and Risk Management).

29.1.1 Market risk sensitivity analysis: fluctuations in prices of raw materials and petroleum products

Below is presented an analysis of the sensitivity of the Group's financial transactions to the risk of fluctuations in prices of raw materials and petroleum products as at December 31st 2013 and December 31st 2012, assuming a 10% price change:

PLN '000	Dec 31 2013			Dec 31 2012		
	Carrying amount	Change 10%	Change -10%	Carrying amount	Change 10%	Change -10%
Financial assets [(1)]	736	3,695	(3,695)	45	(778)	778
Financial liabilities [(1)]	-	-	-	(337)	2,481	(2,481)
Total	**736**	**3,695**	**(3,695)**	**(292)**	**1,703**	**(1,703)**

[(1)] Commodity swaps.

The above deviations of underlying index prices have been calculated based on a hypothetical +/- 10% price change. This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2013 and December 31st 2012. The effect of the underlying index price changes on the fair value has been examined assuming that the currency exchange rates remain unchanged.

29.2 Risk related to prices of carbon (CO_2) allowances

The risk related to prices of carbon dioxide allowances is managed within the Company in line with the assumptions set forth in The Strategy for Managing the Risk Related to Prices of Carbon Dioxide (CO_2) Allowances by Grupa LOTOS S.A.

The Company determines its underlying CO_2 allowances position, which represents the difference between the number of CO_2 allowances (held or estimated) and CO_2 emissions (released or estimated) for each individual trading period (phase), for which emission allowances are granted.

As part of risk management procedures, the Company sets a volume limit for the total position in CO_2 allowances (the underlying position adjusted for the position resulting from executed contracts, i.e. transactions involving purchase/sale of emission allowances) based on the number of allowances granted for a given phase. The Company monitors the total position for a given phase, representing the aggregate of total positions for individual years within the phase.

Depending on the market situation and within the set limits, the Company maintains an appropriate total position in carbon allowances by entering into financial transactions on an on-going basis. The limit reflecting the risk of loss on the transactions (maximum loss limit) is defined by reference to the Company's equity.

Below are presented underlying, contract and total position as at December 31st 2013 and December 31st 2012.

<u>Underlying CO2 allowances position as at December 31st 2013 (tonnes):</u>

Period	EUA*	CER*	ERU*	TOTAL
Phase III (2013-2020)	(1,238,485)	383	29,000	(1,209,102)

*Under the European Union Emissions Trading System/Scheme (EU ETS):
1 EUA (Emission Unit Allowance) represents an allowance for emission of one tonne of CO_2,
1 CER (Certified Emission Reduction Unit) represents one tonne of CO_2 equivalent (tCO_2e) effectively reduced. Certified emission reduction units are obtained in connection with investment projects implemented in developing countries where no CO_2 emission limits have been defined.
1 ERU (Emission Reduction Unit) represents one tonne of CO_2 equivalent (tCO_2e) effectively reduced. This is a certified emissions unit obtained in connection with investment projects implemented in countries where costs of CO_2 emissions reduction are lower.

The underlying position above is based on the following assumptions as to the allowances and carbon dioxide emission volumes, and the fact that 993 thousand tonnes EUA, 383 tonnes CER and 29 thousand ERU were registered in the Company's account as at December 31st 2013:

Phase III (2013-2020), tonnes	2013	2014	2015	2016	2017	2018	2019	Total
Allowances allocated under the National Allocation Plan [(1)]	1,521,342	1,492,657	1,462,140	1,428,944	1,396,948	1,366,559	1,335,827	10,004,417
Carbon dioxide (CO_2) emissions [(2)]	(1,676,529)	(1,779,653)	(1,779,653)	(1,779,653)	(1,661,606)	(1,779,653)	(1,779,653)	(12,236,400)
Surplus/shortage	(155,187)	(286,996)	(317,513)	(350,709)	(264,658)	(413,094)	(443,826)	(2,231,983)

[(1)] Projected volume of free CO_2 emission allowances to be allocated to Grupa LOTOS in 2013–2019 under the National Allocation Plan (NAP).
[(2)] Projected carbon dioxide (CO_2) emissions, calculated based on the production data for the installations covered by the emission trading scheme, and used to determine the underlying position as at December 31st 2013.

In 2013, given the lack of liquidity on the futures market and the instability of the underlying position in the period until 2020 (the last year – phase III), the end of the risk management period for the risk related to the prices of CO_2 emission allowances was set at the end of 2019, however, with the lapse of time, year 2020 will probably also be included in the risk management horizon.

As at December 31st 2013, Grupa LOTOS S.A. did not receive its free allocation of CO_2 emission allowances for 2013, which it should have received by the end of February 2013. However, the Company assumes that there is little probability that these allowances will not be received before the final offsetting date, i.e. April 30th 2014, as by the by the date of publication of these financial statements, i.e. February 26th 2014, the European Commission announced its approval of the allowance limits planned for the last group of member states, including Poland. The Management Board would also like to note that the Company holds around 60% of the allowances it is required to surrender, and that the balance could be purchased without any material effect on the liquidity until free credits are received.

Underlying CO_2 allowances position as at December 31st 2012 (tonnes):

Period	EUA	CER	TOTAL
Phase II (2008-2012)	(520,169)	-	(520,169)
Phase III (2013-2020)	(363,376)	-	(363,376)

In 2012, the management of Phase II, which was nearing its end, continued, and management of Phase III, covering years 2013-2020 commenced, however due to limited liquidity of the market, the management was actually limited to 2013 and 2014. Phase II covered the period to the end of 2012, and its settlement took place by the end of April 2013. Therefore, the two-phase division was retained in the tables containing information on the underlying position and financial instruments.

As at December 31st 2012, the underlying position was based on the following assumptions as to the volume of allowances and carbon dioxide emissions in phase II and phase III:

Phase II (2008-2012), tonnes	2012	Total
Allowances in the account	1,458,144	1,458,144
Carbon dioxide (CO_2) emissions (1)	(1,978,313)	(1,978,313)
Surplus/shortage	(520,169)	(520,169)

(1) Projected carbon dioxide (CO_2) emissions, calculated based on the production data for the installations covered by the emission trading scheme.

Phase III (2013-2020), tonnes	2013	2014	Total
Allowances allocated under the National Allocation Plan (1)	1,610,712	1,607,843	3,218,555
Carbon dioxide (CO_2) emissions (2)	(1,737,054)	(1,844,877)	(3,581,931)
Surplus/shortage	(126,342)	(237,034)	(363,376)

(1) Projected volume of free CO_2 emission allowances to be allocated to the Company in 2013–2014.
(2) Projected carbon dioxide (CO_2) emissions, calculated based on the production data for the installations covered by the emission trading scheme.

As part of its risk management activities related to CO_2 emissions, the Company each time monitors risk of shortages of projected volume of free CO_2 emission allowances allocated under the National Allocation Plan (NAP).

Given the fact that Grupa LOTOS S.A. entered mainly into transactions hedging price risk for the allowances which will be offset in the future against its CO2 emissions, valuation of these transactions was not disclosed in financial assets/liabilities in the financial statements as at December 31st 2013. Transactions which are planned to be settled by way of physical delivery are not disclosed in financial assets/liabilities in the financial statements. However, the Company internally monitors and performs the valuation of its open futures positions as part of an overall assessment of efficiency of its CO_2 risk management (off balance sheet).

The EUA futures transactions open as at December 31st 2013 as well as open CER futures contracts as at December 31st 2012 that the Company deemed probable to settle through physical delivery for its own neeeds were not disclosed in the financial statements as at the last day of the reporting period, and their fair values were recorded only as an off-balance sheet item.

Further, in 2012 the Group entered into EUA/CER swaps, as that was justified by the spread between those two types of emission allowances.

Open CO_2 allowances contracts as at December 31st 2013 – off-balance-sheet valuation:

Type of contract	Contract execution period	Contract settlement period	Number of allowances in the period	Average weighted price (EUR/t)	Phase	Fair value (PLN '000)*	
						Financial assets	Financial liabilities
EUA Futures	Aug 2012–Dec 2013	Dec 2014–Dec 2017	1,696,000	5.58	Phase III	1,182	(5,230)
					Total	1,182	(5,230)

*Off-balance-sheet values, used exclusively for statistical purposes and as part of monitoring in risk management.

Open CO_2 allowances contracts as at December 31st 2012:

Type of contract	Contract execution period	Contract settlement period	Number of allowances in the period	Average weighted price (EUR/t)	Phase	Fair value (PLN '000)**	
						Financial assets	Financial liabilities
Futures CER	XII '2012	III '2013	620.000	0,42	II faza	-	(641)
					Total	-	(641)

*Off-balance-sheet values, used exclusively for statistical purposes and as part of monitoring in risk management.

Type of contract	Contract execution period	Contract settlement period	Number of allowances in the period	Average weighted price (EUR/t)	Phase	Fair value (PLN '000)**	
						Financial assets	Financial liabilities
EUA Futures	Aug–Nov 2012	Dec 2013-Dec 2014	523,000	8.53	Phase III	-	(3,787)
					Total	-	(3,787)

** On-balance-sheet valuation.

Given the underlying position described above and the effected transactions, the Company's aggregate position (in tonnes) in emission allowances as at December 31st 2013 was as follows:

Period	EUA position			CER position			ERU position		
	Underlying	Contracts	Total	Underlying	Contracts	Total	Underlying	Contracts	Total
Phase III (2013-2020)	(1,238,485)	1,696,000	457,515	383	-	383	29,000	-	29,000

Given the underlying position described above and the effected transactions, the Company's aggregate position (in tonnes) in emission allowances as at December 31st 2012 was as follows:

	EUA position			CER position		
Period	Underlying	Contracts	Total	Underlying	Contracts	Total
Phase II (2008-2012)	(520,169)	-	(520,169)	-	620,000	620,000
Phase III (2013-2020)	(363,376)	523,000	159,624	-	-	-

For information on the average annual limits on CO_2 emission allowances allocated for each year under the NAP, see note 31.

29.2.1 Market risk sensitivity analysis: fluctuations in prices of carbon dioxide (CO_2) emission allowances

As at December 31st 2013 and December 31st 2012, the Company held futures for the purchase of carbon dioxide (CO_2) emission allowances.

Below is presented an analysis of the sensitivity to risk of changes in prices of carbon dioxide (CO_2) emission allowances as at December 31st 2013 and December 31st 2012 for the estimated fair value of the financial instruments disclosed in the statement of financial position.

PLN '000	Dec 31 2013			Dec 31 2012		
	Carrying amount	Change		Carrying amount	Change	
		+10%	-10%		+10%	-10%
Financial liabilities [1]	-	-	-	(3,787)	1,446	(1,446)
Total	**-**	**-**	**-**	**(3,787)**	**1,446**	**(1,446)**

[1] Futures EUA.

The above deviations of CO_2 emission allowance prices have been calculated based on a hypothetical +/- 10% price change. This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2012. The effect of the allowance price changes on the fair value has been examined assuming that the currency exchange rates remain unchanged.

The Company does not perform a sensitivity analysis for the fair value of futures contracts to purchase CO_2 emission allowances held by it as at the end of the reporting period if it intends to settle the contracts through physical delivery and use them to cover allowance deficits, and therefore the table above does not present a sensitivity analysis as at December 31st 2013.

29.3 Currency risk

Currency risk is managed in line with the assumptions stipulated in The Strategy of Currency Risk Management at Grupa LOTOS S.A. The exposure management horizon is linked with the budget horizon, which varies from three to five consecutive quarters depending on the time of the year. The four-quarter period is treated as the basis for determining the exposure management horizon. The base map of currency positions takes into account principally the volumes and price formulae for purchases of raw materials and sales of products, investments, deposits, credit facilities denominated in foreign currencies, as well as valuation of derivatives, and may be adjusted for a ratio reflecting the volatility in the prices of raw materials and petroleum products. The strategy provides for the calculation of the following limits:

- position limit (open currency contracts must not increase the Company's underlying position and must not exceed the volume of the underlying position);
- maximum loss and liquidity limits are expressed as a percentage of the Company's equity (the liquidity limit is calculated in order to reduce the risk of excessive accumulation of financial transactions over a limited period of time, the settlement of which could result in liquidity and operating problems);
- gross total and global currency position limits for the entire management period as well as for sub-periods.

For the purpose of the limits calculation, equity is remeasured on a quarterly basis. Moreover, when loss on risk management exceeds a pre-defined threshold, limits are immediately revised in order to prevent any significant exceeding of the maximum loss limit set by the Management Board of Grupa LOTOS S.A.

In order to optimise execution of foreign exchange transactions at the Group, the Company offers to its subsidiaries direct quotations of such transactions based on framework agreements and applicable operational procedures.

As USD is used in market price quotations for crude oil and petroleum products, it was decided that USD is the most appropriate currency for contracting and repaying long-term credit facilities to finance the 10+ Programme, as this would reduce the structurally long position, and consequently also the strategic currency risk.

The underlying currency position represents all material cash flows (identified during currency risk identification process) whose value, expressed in Grupa LOTOS S.A.'s functional currency, over the risk management period depends on exchange rates, adjusted for a ratio reflecting the decreasing probability of generating such cash flows.

Underlying currency position as at December 31st 2013:

Period	USD '000	EUR '000
2014	445,543	2,008

Grupa LOTOS S.A. has a structural long position in USD (it benefits from a rise in the USD/PLN exchange rate) as its cash inflows dependent on the USD exchange rate (mainly revenue from sale of petroleum products) are higher than the corresponding cash outflows (e.g. on purchase of crude oil, credit facility repayment). Based on the Company's projections, in 2014 it will also have a long position in EUR, driven by a change of the price formulae under biocomponent purchase agreements, which were based on EUR in the previous reporting period and now are based mainly on USD.

Underlying currency position as at December 31st 2012:

Period	USD '000	EUR '000

2013	654,698	(173,187)

Grupa LOTOS S.A. actively manages its currency position within the set limits, taking into account expected market developments.

Open currency contracts as at December 31st 2013:

Type of contract	Purchase/sale	Contract execution period	Contract settlement period	Currency pair (base/quote)	Amount in base currency ('000)	Weighted average exchange rate	Amount in quote currency ('000)	Fair value (PLN '000)	
								Financial assets	Financial liabilities
Currency spot	Purchase	Dec 2013	Jan 2014	USD/PLN	21,000	3,0178	(63,374)	-	(125)
Currency spot	Purchase	Dec 2013	Jan 2014	EUR/PLN	2,050	4,1492	(8,506)	-	(4)
Currency forward	Purchase	Nov–Dec 2013	Jan–Nov 2014	USD/PLN	26,149	3,0845	(80,657)	-	(1,452)
Currency forward	Purchase	Dec 2013	Jan 2014	EUR/PLN	4,700	4,1720	(19,608)	-	(105)
Currency forward	Sale	Aug–Nov 2013	Mar–Oct 2014	USD/PLN	(169,000)	3,2487	549,030	34,924	-
Currency swap	Purchase	Nov–Dec 2013	Jan–Nov 2014	USD/PLN	84,623	3,1522	(266,749)	1	(7,196)
Currency swap	Purchase	Dec 2013	Jan 2014	EUR/USD	1,850	1,3800	(2,553)	-	(18)
Currency swap	Sale	Sep–Dec 2013	Jan–Dec 2014	USD/PLN	(393,450)	3,1371	1,234,292	38,275	-
Currency swap	Sale	Dec 2013	Feb 2014	EUR/PLN	(800)	4,1831	3,346	20	-
Currency swap	Sale	Dec 2013	Jan 2014	EUR/USD	(7,500)	1,3764	10,323	-	(10)
							Total	**73,220**	**(8,910)**

Open currency contracts as at December 31st 2012:

Type of contract	Purchase/sale	Contract execution period	Contract settlement period	Currency pair (base/quote)	Amount in base currency ('000)	Weighted average exchange rate	Amount in quote currency ('000)	Fair value (PLN '000)	
								Financial assets	Financial liabilities
Currency spot	Purchase	Dec 2012	Jan 2013	USD/PLN	54,000	3,0951	(167,135)	234	-
Currency spot	Purchase	Dec 2012	Jan 2013	EUR/PLN	1,891	4,0925	(7,739)	-	(10)
Currency forward	Purchase	Aug–Dec 2012	Jan–Nov 2013	USD/PLN	168,948	3,2465	(548,490)	57	(18,959)
Currency forward	Purchase	Aug–Dec 2012	Jan–Jul 2013	EUR/USD	146,000	1,2828	(187,289)	17,029	-
Currency forward	Sale	Aug–Dec 2012	Jan–Nov 2013	USD/PLN	(324,000)	3,3091	1,072,148	56,132	(1,381)
Currency forward	Sale	Dec 2012	Jan 2013	EUR/PLN	(15,000)	4,0717	61,076	-	(335)
Currency swap	Purchase	Aug–Dec 2012	Jan–Jul 2013	USD/PLN	74,000	3,2998	(244,185)	-	(12,672)
Currency swap	Purchase	Dec 2012	Jan 2013	EUR/PLN	15,500	4,1474	(64,285)	-	(832)
Currency swap	Purchase	Oct–Dec 2012	Jan–Jul 2013	EUR/USD	31,610	1,2948	(40,929)	2,478	-
Currency swap	Sale	Aug–Dec 2012	Jan–Jul 2013	USD/PLN	(399,500)	3,1968	1,277,122	34,041	(4,529)
							Total	**109,971**	**(38,718)**

A currency swap comprises two transactions which in this document are assigned to purchase or sale, as applicable, under "currency swap".

Total currency position as at December 31st 2013:

Period	USD/PLN position			EUR/PLN position		
	Underlying (USD '000)	Contracts (USD '000)	Total (USD '000)	Underlying (EUR '000)	Contracts (EUR '000)	Total (EUR '000)
2014	445,543	(422,907)	22,636	2,008	300	2,308

Total currency position as at December 31st 2012:

Period	USD/PLN position			EUR/PLN position		
	Underlying (USD '000)	Contracts (USD '000)	Total (USD '000)	Underlying (EUR '000)	Contracts (EUR '000)	Total (EUR '000)
2013	654,698	(654,766)	(68)	(173,187)	180,001	6,814

29.3.1 Sensitivity analysis with respect to market risk related to fluctuations in currency exchange rates

Currency structure of selected financial instruments as at December 31st 2013:

Dec 31 2013 (PLN '000)	Note	USD	USD translated into PLN	EUR	EUR translated into PLN	Carrying amount in foreign currency translated into PLN as at the balance-sheet date
Classes of financial instruments						
Financial assets						
Trade receivables		110,374	332,447	217	901	333,348
Cash and cash equivalents		2,421	7,291	1,176	4,877	12,168
Other financial assets:		30,465	91,762	2,150	8,917	100,679
Loans advanced to related entities		*20,640*	*62,169*	*-*	*-*	*62,169*
Deposits	*17*	*9,825*	*29,593*	*-*	*-*	*29,593*
Security deposit (margin)	*17*	*-*	*-*	*2,150*	*8,917*	*8,917*
Total		**143,260**	**431,500**	**3,543**	**14,695**	**446,195**
Financial liabilities						
Bank borrowings	24	1,504,086	4,537,807	1	3	4,537,810
Trade payables		636,616	1,917,487	8,812	36,544	1,954,031
Other financial liabilities		2,229	6,715	1,177	4,881	11,596
Total		**2,142,931**	**6,462,009**	**9,990**	**41,428**	**6,503,437**

Currency structure of selected financial instruments as at December 31st 2012:

Dec 31 2012 (PLN '000)	Note	USD	USD translated into PLN	EUR	EUR translated into PLN	Carrying amount in foreign currency translated into PLN as at the balance-sheet date
Classes of financial instruments						
Financial assets						
Trade receivables		78,791	244,220	399	1,629	245,849
Cash and cash equivalents		18	55	243	994	1,049
Other financial assets:		32,249	99,957	2,214	9,051	109,008
Loans advanced to related entities		*19,771*	*61,281*	-	-	*61,281*
Deposits	*17*	*12,478*	*38,676*	-	-	*38,676*
Security deposit (margin)	*17*	-	-	*2,214*	*9,051*	*9,051*
Total		**111,058**	**344,232**	**2,856**	**11,674**	**355,906**
Financial liabilities						
Bank borrowings	24	1,754,905	5,450,466	299	1,221	5,451,687
Trade payables		563,376	1,746,239	3,791	15,499	1,761,738
Other financial liabilities		5,762	17,861	9,571	39,128	56,989
Total		**2,324,043**	**7,214,566**	**13,661**	**55,848**	**7,270,414**

The Company held foreign-currency derivatives, including commodity swaps, interest-rate swaps, futures, as well as spot contracts, forwards and currency swaps. Depending on the type of derivative, the Company applies appropriate methods of measuring fair value, which also affect the method of determining the effect of changes of foreign exchange rates on the value of individual derivatives (see Note 7.21). Below is presented an analysis of the Company's sensitivity to currency risk as at December 31st 2013 and December 31st 2012, along with the effect on net profit or loss, assuming a 4% change (increase or decrease) in the USD/PLN and EUR/PLN exchange rates.

Sensitivity analysis to currency risk as at December 31st 2013, along with the effect on the net profit or loss, assuming a 4% increase or decrease in the USD/PLN and EUR/PLN exchange rates is presented below:

Dec 31 2013	**4% increase in exchange rate effect on net profit/loss for the year**		**4% decrease in exchange rate effect on net profit/loss for the year**	
PLN '000	**USD**	**EUR**	**USD**	**EUR**
Classes of financial instruments				
Financial assets				
Trade receivables	13,298	36	(13,298)	(36)
Derivative financial instruments	(67,479)	(41)	67,479	41
Cash and cash equivalents	292	195	(292)	(195)
Other financial assets:	3,671	357	(3,671)	(357)
Loans advanced to related entities	*2,487*	-	*(2,487)*	-
Deposits	*1,184*	-	*(1,184)*	-
Security deposit (margin)	-	*357*	-	*(357)*
Total financial assets	**(50,218)**	**547**	**50,218**	**(547)**
Financial liabilities				
Bank borrowings	25,669 [1]	-	(25,669) [1]	-
Trade payables	76,699	1,462	(76,699)	(1,462)
Derivative financial instruments	(13,733)	(91)	13,733	91
Other financial liabilities	269	195	(269)	(195)
Total financial liabilities	**88,904**	**1,566**	**(88,904)**	**(1,566)**
Total	**(139,122)**	**(1,019)**	**139,122**	**1,019**

[1] Calculation of the effect of an exchange rate change on the balance-sheet item takes into account the effect of cash flow hedge accounting. Assuming a 4% change of the USD/PLN exchange rate, the effect of cash flow hedge accounting would potentially lead to a change of PLN (158,436) thousand / PLN 158,436 thousand in the fair value of borrowings. Furthermore, the calculation takes into account the effect of paid front-end arrangement fees (measured at the exchange rate effective on the payment date), reducing financial liabilities under borrowings, which would potentially result in a change of PLN 2,593 thousand/PLN (2,593) thousand in the fair value of borrowings, assuming a 4% change of the USD/PLN exchange rate.

The above deviations of carrying amounts in PLN which are dependent on currency exchange rates were calculated on the basis of a hypothetical 4% change of the exchange rates. This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2013.

Sensitivity analysis to currency risk as at December 31st 2012, along with the effect on the net profit or loss, assuming a 4% increase or decrease in the USD/PLN and EUR/PLN exchange rates is presented below:

Dec 31 2012	**4% increase in exchange rate effect on net profit/loss for the year**		**4% decrease in exchange rate effect on net profit/loss for the year**	
PLN '000	**USD**	**EUR**	**USD**	**EUR**
Classes of financial instruments				
Financial assets				
Trade receivables	9,769	65	(9,769)	(65)
Derivative financial instruments	(84,720)	29,022	84,720	(29,022)
Cash and cash equivalents	2	40	(2)	(40)
Other financial assets:	3,998	362	(3,998)	(362)
Loans advanced to related entities	*2,451*	-	*(2,451)*	-
Deposits	*1,547*	-	*(1,547)*	-
Security deposit (margin)	-	*362*	-	*(362)*
Total financial assets	**(70,951)**	**29,489**	**70,951**	**(29,489)**
Financial liabilities				
Bank borrowings	44,465 (1)	49	(44,465) (1)	(49)
Trade payables	69,850	620	(69,850)	(620)
Derivative financial instruments	1,816	(240)	(1,816)	240
Other financial liabilities	714	1,565	(714)	(1,565)
Total financial liabilities	**116,845**	**1,994**	**(116,845)**	**(1,994)**
Total	**(187,796)**	**27,495**	**187,796**	**(27,495)**

(1) Calculation of the effect of an exchange rate change on the balance-sheet item takes into account the effect of cash flow hedge accounting. Assuming a 4% change of the USD/PLN exchange rate, the effect of cash flow hedge accounting would potentially lead to a change of PLN (176,513) thousand / PLN 176,513 thousand in the fair value of borrowings. Furthermore, the calculation takes into account the effect of paid front-end arrangement fees (measured at the exchange rate effective on the payment date), reducing financial liabilities under borrowings, which would potentially result in a change of PLN 2,960 thousand/PLN (2,960) thousand in the fair value of borrowings, assuming a 4% change of the USD/PLN exchange rate.

The above deviations of carrying amounts in PLN which are dependent on currency exchange rates were calculated on the basis of a hypothetical 4% change of the exchange rates. This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2012.

29.4 Interest rate risk

The underlying interest rate position is attributable to cash flows whose amounts depend on the future interest rate levels. This position is driven primarily by the expected repayment schedules under the credit facilities contracted to finance and refinance stocks and to finance the 10+ Programme, as well as the amount of interest computed by reference to the floating LIBOR USD rate. The structure of limits is based on the underlying position's nominal value hedge ratio. In a long-term perspective, a partial risk mitigation effect was achieved through the choice of a fixed interest rate for a tranche of the term facility contracted to finance the 10+ Programme (credit facility designated in the table as 'Bank Syndicate 3'; see Note 24).

Underlying interest rate position as at December 31st 2013 and December 31st 2012:

Period	Underlying position (USD '000)	
	2013	2012
2013	-	(1,757,021)
2014	(1,497,343)	(1,267,629)
2015	(1,123,111)	(1,143,396)
2016	(991,787)	(1,012,073)
2017	(856,356)	(876,641)
2018	(708,447)	(728,733)
2019	(542,210)	(562,495)
2020	(374,926)	(395,211)

Open interest rate contracts as at December 31st 2013:

Type of contract	Contract execution period	Period	Notional amount (USD '000)	Company pays	Company receives	Financial assets (PLN '000)	Financial liabilities (PLN '000)
Interest rate swap (IRS)	Mar 2009–May 2009	Jul 2011–Jan 2018	200,000	3.33% - 4.045%	6M LIBOR	-	(70,543)
Interest rate swap (IRS)	Mar 2012	Jan 2015–Jan 2019	50,000	2.476%	3M LIBOR	-	(1,720)
					Total	**-**	**(72,263)**

Open interest rate contracts as at December 31st 2012:

Type of contract	Contract execution period	Period	Notional amount (USD '000)	Company pays	Company receives	Financial assets (PLN '000)	Financial liabilities (PLN '000)
Interest rate swap (IRS)	Sep 2008–May 2009	Oct 2008–Jan 2018	600,000	3.33% - 4.22%	6M LIBOR	-	(141,756)
Interest rate swap (IRS)	Mar 2012	Jan 2015–Jan 2019	50,000	2.476%	3M LIBOR	-	(6,251)
Interest rate swap (IRS)	Sep 2008	Jan 2009–Jan 2013	(100,000)	6M LIBOR	4.0%	11,318	-
					Total	**11,318**	**(148,007)**

Total interest rate position as at December 31st 2013:

Period	Underlying position (USD '000)	Fixed interest rate facilities (USD '000)	Contract position (USD '000)	Variable interest rate deposits (USD '000)	Total position (USD '000)	Hedge ratio
2014	(1,497,343)	342,014	200,000	88,926	(866,403)	42%
2015	(1,123,111)	307,950	250,000	91,598	(473,563)	58%
2016	(991,787)	271,942	250,000	99,822	(370,023)	63%
2017	(856,356)	234,807	250,000	102,094	(269,455)	69%
2018	(708,447)	194,252	50,000	114,982	(349,213)	51%
2019	(542,210)	148,670	-	117,133	(276,407)	49%
2020	(374,926)	102,802	-	109,312	(162,812)	57%

Total interest rate position as at December 31st 2012:

Period	Underlying position (USD '000)	Fixed interest rate facilities (USD '000)	Contract position (USD '000)	Variable interest rate deposits (USD '000)	Total position (USD '000)	Hedge ratio
2013	(1,757,021)	376,656	200,000	72,300	(1,108,065)	37%
2014	(1,267,629)	347,576	200,000	89,935	(630,118)	50%
2015	(1,143,396)	313,512	250,000	90,750	(489,134)	57%
2016	(1,012,073)	277,504	250,000	97,926	(386,643)	62%
2017	(876,641)	240,369	250,000	98,837	(287,435)	67%
2018	(728,733)	199,814	50,000	111,556	(367,363)	50%
2019	(562,495)	154,233	-	114,608	(293,654)	48%
2020	(395,211)	108,364	-	111,076	(175,771)	56%

29.4.1 Market risk sensitivity analysis: fluctuations in interest rates

Below is presented an analysis of the Group's sensitivity to interest rate risk as at December 31st 2013, assuming a 0.2% change in interest rates:

Dec 31 2013		Carrying amount	Change	
PLN '000	Note		+0.2%	-0.2%
Classes of financial instruments				
Financial assets				
Cash and cash equivalents	19	224,031	448	(448)
Other financial assets:		228,321	456	(456)
Loans advanced to related entities	*17*	*189,714*	*379*	*(379)*
Deposits	*17*	*29,593*	*59*	*(59)*
Security deposit (margin)	*17*	*8,917*	*18*	*(18)*
Cash pool	*17*	*97*	*0*	*(0)*
Total		**452,352**	**904**	**(904)**
Financial liabilities				
Bank borrowings	24	4,866,315	7,669 (1)	(7,669) (1)
Derivative financial instruments (2)	25	72,263	(6,017)	6,081
Total		**4,938,578**	**1,652**	**(1,588)**

(1) Net of fixed interest borrowings and paid front-end fees reducing liabilities under borrowings.
(2) Interest rate swap (IRS). The difference between the change in the valuation amount, when the interest rate curve moves up or down 0.2%, arises at the time of discounting future cash flows (relating to the contract settlement) as at the valuation date. Discounting takes place at different interest rates (in the first case the interest rate curve is moved up 0.2%, in the second case the curve is moved down 0.2%).

Below is presented an analysis of the Group's sensitivity to interest rate risk as at December 31st 2013, assuming a 0.2% change in interest rates:

Dec 31 2012 PLN '000	Note	Carrying amount	Change +0.2%	Change -0.2%
Classes of financial instruments				
Financial assets				
Derivative financial instruments	25	11,318	(1)	1
Cash and cash equivalents	19	2,886	6	(6)
Other financial assets:		284,970	570	(570)
Loans advanced to related entities	*17*	*153,376*	*307*	*(307)*
Deposits	*17*	*122,502*	*245*	*(245)*
Security deposit (margin)	*17*	*9,051*	*18*	*(18)*
Cash pool	*17*	*41*	*0*	*(0)*
Total		**299,174**	**575**	**(575)**
Financial liabilities				
Bank borrowings	24	5,532,118	8,769 [1]	(8,769) [1]
Derivative financial instruments [2]	25	148,007	(7,693)	7,792
Total		**5,680,125**	**1,076**	**(977)**

[1] Net of fixed interest borrowings and paid front-end fees reducing liabilities under borrowings.
[2] Interest rate swap (IRS). The difference between the change in the valuation amount, when the interest rate curve moves up or down 0.2%, arises at the time of discounting future cash flows (relating to the contract settlement) as at the valuation date. Discounting takes place at different interest rates (in the first case the interest rate curve is moved up 0.2%, in the second case the curve is moved down 0.2%).

In the case of derivative financial instruments, for the purpose of interest rate sensitivity analysis the interest rate curve is moved up or down by a hypothetical change in reference interest rates (3M LIBOR, 6M LIBOR). This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2013 and December 31st 2012. The effect of the interest rate changes on the fair value has been examined assuming that the currency exchange rates remain unchanged.

29.5 Liquidity risk

The liquidity risk management process at Grupa LOTOS S.A. consists in monitoring projected cash flows and the portfolio of financial assets and liabilities, matching maturities of those instruments, analysing working capital, optimising cash flows, and close cooperation in activities undertaken in all business areas in order to ensure safe and effective allocation of the liquidity.

In 2012, the Group implemented real cash-pooling services for most of its Polish subsidiaries, whereby Grupa LOTOS S.A. manages the debt structure on an on-going basis to optimise liquidity and interest balances.

In the period covered by the budget, liquidity is monitored on an ongoing basis across the Group as part of the financial risk management. In the mid- and long term, it is monitored as part of the planning process, which helps to develop a long-term financial strategy.

In the area of financial risk, in addition to active management of market risk, the Company applies the following liquidity management rules:

- no margins in derivatives trading on the OTC market,
- limited possibility of early termination of financial transactions,
- limits for low-liquidity spot financial instruments,
- credit limits for counterparties in financial and trade transactions,
- ensuring adequate quality and diversification of available financing sources,
- internal control processes and organisational efficiency facilitating prompt contingency response.

Below is presented an analysis of contractual maturities of financial liabilities as at December 31st 2013 and December 31st 2012 and December 31st 2012.

Contractual maturities of financial liabilities as at December 31st 2013:

Dec 31 2013 PLN '000	Note	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Borrowings (other than overdraft facilities)	24	4,422,047	4,732,413	909,704	225,026	377,223	1,294,603	1,925,857
Overdraft facilities	24	444,268	444,268	444,268	-	-	-	-
Trade payables	27	2,436,614	2,436,614	2,436,614	-	-	-	-
Other financial liabilities	27	45,527	45,527	45,527	-	-	-	-
Total		**7,348,456**	**7,658,822**	**3,836,113**	**225,026**	**377,223**	**1,294,603**	**1,925,857**

Contractual maturities of financial liabilities as at December 31st 2012:

Dec 31 2012 (restated) PLN '000	Note	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Borrowings (other than overdraft facilities)	24	5,099,163	5,364,364	1,059,159	166,232	373,780	1,228,000	2,537,193
Overdraft facilities	24	432,955	432,955	432,955	-	-	-	-
Trade payables	27	2,161,910	2,161,910	2,161,910	-	-	-	-
Other financial liabilities	27	45,489	45,489	45,489	-	-	-	-
Total		**7,739,517**	**8,004,718**	**3,699,513**	**166,232**	**373,780**	**1,228,000**	**2,537,193**

Maturity structure of derivative financial instruments as at December 31st 2013:

Dec 31 2013 PLN '000	Note	Carrying amount*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Commodity swap	25	736	736	409	327	-	-	-
Currency forward and spot contracts		33,238	37,864	21,948	15,916	-	-	-
Currency swap		31,072	37,373	32,763	4,610	-	-	-
Interest rate swap (IRS)		(72,263)	(73,301)	(20,446)	1,055	(17,772)	(33,866)	(2,272)
Total		**(7,217)**	**2,672**	**34,674**	**21,908**	**(17,772)**	**(33,866)**	**(2,272)**

Maturity structure of derivative financial instruments as at December 31st 2012:

Dec 31 2012 PLN '000	Note	Carrying amount*	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Commodity swap	25	(292)	(291)	(24)	(267)	-	-	-
Futures (CO2 emissions)**		(3,787)	(3,787)	-	(2,494)	(1,293)	-	-
Currency forward and spot contracts		52,767	59,422	68,656	(9,234)	-	-	-
Currency swap		18,486	25,463	23,790	1,673	-	-	-
Interest rate swap (IRS)		(136,689)	(138,662)	(51,223)	1,543	(19,147)	(50,271)	(19,564)
Total		**(69,515)**	**(57,855)**	**41,199**	**(8,779)**	**(20,440)**	**(50,271)**	**(19,564)**

* Carrying amount (positive fair value of derivative financial instruments less negative fair value of derivative financial instruments) represents the fair value of derivative financial instruments disclosed in the statement of financial position ** Carrying amount of futures (CO^2 emissions) as at December 31st 2012 excludes open CER futures purchased to be used for the settlement through physical delivery.

29.6 Credit risk

Management of credit risk related to counterparties in financial transactions consists in the verification of creditworthiness of the current and potential counterparties and monitoring of credit exposure against the granted limits.
Credit exposure includes bank deposits and derivatives measurement.

The counterparties must have an appropriate credit rating assigned by leading rating agencies, or hold guarantees from institutions meeting the minimum rating requirement. The Company enters into financial transactions with reputable firms with sound credit standing, and diversifies the group of institutions with which it maintains relationship.

As at December 31st 2013 and December 31st 2012, the concentration of credit risk exposure to any single counterparty in financial transactions of Grupa LOTOS S.A. did not exceed PLN 249,010 thousand and PLN 153,189 thousand, respectively (i.e. 3.49% and 2.17% of the Company's equity). For information on the structure of Grupa LOTOS S.A.'s borrowings by lender see Note 24.

As regards management of counterparty risk in non-financial transactions, all customers who request trading on credit terms are subject to credit assessment, whose results determine the level of possible credit limits. The Company defines guidelines for managing counterparty risk in non-financial transactions to ensure that appropriate standards of credit analysis and operational security are observed across the entire Group.

As at December 31st 2013, concentration of risk with any single business partner of Grupa LOTOS S.A. did not exceed PLN 161,066 thousand (2.26% of the Company's equity).

Credit risk is measured by the maximum exposure to risk of individual classes of financial assets. Carrying amounts of financial assets represent the maximum credit risk exposure.

Maximum financial assets credit risk exposures as at the end of the reporting period:

PLN '000	Note	Dec 31 2013	Dec 31 2012 (restated)
Shares	16	6,312	6,312
Derivative financial instruments	25	73,956	121,334
Trade receivables	17	1,584,750	1,668,427
Cash and cash equivalents	19	224,031	2,886
Other financial assets:		244,238	285,393
Loans advanced to related entities	*17*	*189,714*	*153,376*
Deposits	*17*	*29,593*	*122,502*
Security deposit (margin)	*17*	*8,917*	*9,051*
Cash pool	*17*	*97*	*41*
Amounts due from related entities on sale of organised part of business	*17*	*13,817*	*-*
Other receivables	*17*	*2,100*	*423*
Total		**2,133,287**	**2,084,352**

In the Management Board's opinion, the risk related to non-performing financial assets is reflected in the recognised impairment losses. For more information on impairment of financial assets, see Notes 9.5 and 17.1.

For discussion of concentrations of trade receivables credit risk, see Note 17.1.

For aging analysis of receivables past due but not impaired, see Note 17.1.

30. Capital management

The objective of the financial policy of Grupa LOTOS S.A. is to maintain long-term liquidity while using an appropriate level of financial leverage to support the achievement of the principal goal of maximising the return on equity for shareholders.

This is achieved by constant effort to develop the desired capital structure. Grupa LOTOS S.A. monitors its financing structure using the debt to equity ratio, calculated as net debt to equity.

Net debt comprises bank borrowings less cash and cash equivalents.

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Non-current borrowings	24	3,538,779	4,069,561
Current borrowings	24	1,327,536	1,462,557
Cash and cash equivalents	19	(224,031)	(2,886)
Net debt		**4,642,284**	**5,529,232**
Total equity		**7,135,595**	**7,052,353**
Net debt to equity		**0.65**	**0.78**

The Company monitors its financing structure in order to achieve the goal set in the Strategy for the LOTOS Group for the years 2011–2015, i.e. to reduce debt in order to achieve a debt to equity ratio of no more than 0.4 at the end of the Strategy term.

31. Carbon dioxide (CO_2) emission allowances

The below presented amounts of CO_2 emission allowances for the years 2013-2020 are based on the draft regulations prepared by the Ministry of the Environment, pending approval by the European Commission. On February 26th 2014, the European Commission approved the limits of free allocations of carbon dioxide emission allowances for 2013-2020.

Number of free CO_2 emission allowances for 2013-2020 and actual CO_2 emissions:

in thousand tonnes	2013	2014	2015	2016	2017	2018	2019	2020	Total
Allowances allocated under the National Allocation Plan [1]	1,521	1,493	1,462	1,429	1,397	1,366	1,336	1,299	11,303
Actual CO_2 emissions[2]	1,689	-	-	-	-	-	-	-	1,689

[1] Forecast of free CO_2 emission allowances allocated to Grupa LOTOS S.A for 2013–2020 under the National Allocation Plan prepared by the National Centre for Emissions Balancing and Management, taking into account the cross-sectoral correction factor referred to in the Commission Decision 2013/448/EU. The European Commission approved drafts of installation specifications prepared by Poland and including the initial allocation volumes for free CO_2emission allowances, thus providing the basis for further legislation work at the national level, aimed at efficiently passing the allowances over to Polish enterprises.

[2] CO_2 emissions calculated on the basis of production data for installations included in the emissions trading system, in accordance with the report of January 10th 2014 presenting data as at December 31st 2013. The data will be subject to verification in accordance with Art. 59 of the Act on Trading in Greenhouse Gas Emission Allowances of April 28th 2011.

As at December 31st 2013, based on the limit of allowances for 2013 to be allocated under the European Union Emissions Trading Scheme for 2013 and the actual volume of emissions, the Company reported a deficit of allocated CO_2 emission allowances, and therefore recognised a PLN 1,527 thousand provision. Furthermore, in order to cover the deficit for 2013, the Company purchased CO_2 emission allowances for PLN 23,430 thousand, which are disclosed in the statement of financial position under *Intangible assets* (see Note 14).

As at December 31st 2012, the Company recognised a liability of PLN 910 thousand related to the purchase cost. The 2012 emission limit was 1,899 thousand tonnes (1,138 thousand tonnes under the National Allocation Plan and 761 thousand tonnes allocated by the Marshal of the Gdańsk Province), whereas the actual emissions totalled 1,979 thousand tonnes.

In total, Grupa LOTOS S.A. was granted 7,345 thousand tonnes of CO_2 emission allowances for 2008–2012 (5,690 thousand tonnes under the National Allocation Plan and 1,655 thousand tonnes allocated by the Marshal of the Gdańsk Province), while the Company's actual CO_2 emissions in the period was 7,270 thousand tonnes.

For information on the risk related to prices of CO_2emission allowances, see note 29.2.

32. Contingent liabilities and assets

32.1 Material court, arbitration or administrative proceedings and other risks

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

On February 22nd 2013, the court dismissed in its entirety an action brought by PETROECCO JV Sp. z o.o. against the Company whereby it sought a court decision on the awarding off PLN 6,975 thousand, plus statutory interest from May 1st 1999, as compensation for losses incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring customers whose orders were filled to a disproportionately larger extent than the orders of PETROECCO JV Sp. z o.o. On June 26th 2013, PETROECCO JV Sp. z o.o. filed an appeal against the judgement. As at the date of approval of these financial statements, the case was pending.

Given that there was little risk of an unfavourable outcome of the case, Grupa LOTOS S.A. did not recognise any provisions for potential liabilities related to the case. By virtue of its ruling of February 22nd 2013, the Court awarded PLN 57.6 thousand to Grupa LOTOS S.A. as reimbursement of the costs of proceedings.

Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within governmental authorities and between those authorities and businesses, leading to uncertainty and conflicts.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company.

32.2 Other contingent liabilities

As at December 31st 2013, Grupa LOTOS S.A. had a PLN 240,000 thousand blank promissory note deposited at the Customs Office in Gdańsk as lump-sum excise duty security for the amount of PLN 800,000 thousand. The security is valid until August 19th 2014.

33. Related parties

33.1 Transactions with related entities in which Grupa LOTOS S.A. holds shares

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Sale		12,907,119	14,800,923
Purchases		1,565,759	1,529,602
Sale of property, plant and equipment and intangible assets	15	13,817 [1]	192
Purchase of property, plant and equipment and intangible assets		14,681	13,914
Dividend received	9.6	268,371	286,761
Interest income on loans advanced	9.6	8,204	3,198
Interest income on cash pool	9.6	625	646
Other interest income		810	611
Other interest expenses		-	1,883

PLN '000	Note	Dec 31 2013	Dec 31 2012
Receivables	17	990,699	1,150,079
Cash pool	17	97	41
Currency swaps (financial assets)	25	21	-
Liabilities	27	230,108	184,986
Currency forwards and swaps (financial liabilities)	25	7,020	11,523

[1] Sale of an organised part of a business.

As at June 31st 2013, assigned trade receivables from related entities amounted to PLN 957,749 thousand (December 31st 2012: PLN 1,145,388 thousand).

In 2012 and 2013, the Company did not provide any sureties for the benefit of related entities.

As at December 31st 2013 and December 31st 2012, the Company carried no sureties issued for the benefit of its related entities.

In 2013, loans advanced by the Company to related entities totalled PLN 30,220 thousand (2012: PLN 218,579 thousand, total nominal value of the loans was USD 39,500). Cash outflows related to these loans are presented in the statement of cash flows from investing activities under *Loans advanced to related entities*.

Loans advanced to related entities in 2013:

Related entity	Agreement date	Principal as per loan agreement		Loan repayment date	Security	Financing terms (interest)
		PLN '000	Currency			
LOTOS Petrobaltic S.A.	Jan 30 2013	23,000	-	Dec 31 2015	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a variable rate based on 6M WIBOR plus margin.
	Mar 5 2013	7,000	-	Dec 31 2015		
LOTOS Gaz S.A. w likwidacji (in liquidation)	Dec 17 2013	150	-	October 31 2014	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a variable rate based on 3M WIBOR plus margin.
	Dec 23 2013	70	-	Aug 31 2014		

In 2013, no repayments of the principal amounts under the loans were made by the related entities (2012: PLN 62,282 thousand, total nominal value of the repaid loans was USD 20,000 thousand, cash inflows related to the loan repayment are presented in the statement of cash flows from investing activities under *Repayment of loans advanced to related entities*).

Furthermore, in 2013 annexes were signed whereby the final repayment dates of the loans granted to LOTOS Petrobaltic S.A. and LOTOS Gas S.A. w likwidacji (in liquidation) were extended.

Loans advanced to LOTOS Petrobaltic S.A.

For the USD 10,000 thousand loan agreement of August 29th 2012 and the USD 9,500 thousand loan agreement of September 27th 2012 the repayment date was extended until December 31st 2015. The loans bear interest at a floating interest rate based on 6M WIBOR for USD plus margin.

Loans advanced to LOTOS Gaz S.A. w likwidacji (in liquidation)

For the following loan agreements:

- Loan agreement of March 8th 2011 (for PLN 247 thousand), loan agreement of March 29th 2011 (for PLN 352 thousand), and loan agreement of August 5th 2011 (for PLN 160 thousand) - the repayment date was extended until April 30th 2014,
- Loan agreement of June 29th 2010 (for PLN 2,000 thousand), loan agreement of May 26th 2011 (for PLN 123 thousand) - the repayment date was extended until September 30th 2014.

The loans bear interest at a fixed interest rate based on 3M WIBOR plus margin.

33.2 Entity exercising control over the Company

As at December 31st 2013 and December 31st 2012, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In 2012 and 2013, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

33.2.1 Transactions with related entities over which the State Treasury has control, joint control or significant influence

In 2013, Grupa LOTOS S.A. executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded at arm's length in the course of the Company's day-to-day business and involved mainly sale of fuels, sale and purchase of storage services, purchase of transport services, energy, natural gas and other fuels. In 2013, the value of sales generated under the transactions totalled PLN 63,117 thousand (2012: PLN 414,171 thousand), with the value of purchases standing at PLN 1,467,052 thousand (2012: PLN 1,225,161 thousand).

33.3 Remuneration of the Management and Supervisory Board members and information on loans and other similar benefits granted to members of the management and supervisory staff

The remuneration paid to members of the Company's Management and Supervisory Boards was as follows:

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Management Board		
Short-term employee benefits (salaries), including:	1,580	1,404
- annual bonus paid	*249* [1]	*249* [2]
- length-of-service awards (jubilee benefits)	*41*	-
Management Board – subsidiaries [3]		
Short-term employee benefits (salaries)	3,562	*3,104*
Supervisory Board		
Short-term employee benefits (salaries)	246	242
Total [4]	**5,388**	**4,750**

[1] Remuneration paid in 2013 on account of annual bonus for 2012.
[2] Remuneration paid in 2012 on account of annual bonus for 2011.
[3] Remuneration paid to members of the Company's Management Board for serving in corporate bodies of direct and indirect subsidiaries.
[4] The amount reflects changes in the composition of the Management Board (increased number of members) and Supervisory Board of Grupa LOTOS S.A.

Other employee benefits

PLN '000	Dec 31 2013	Dec 31 2012
Management Board		
Post-employment benefits, length-of-service awards and other benefits	522	570
Current liabilities under annual bonus [1]	311	249
Total	**833**	**819**

[1] Pursuant to the Act on Remunerating Persons Who Manage Certain Legal Entities (the Public Sector Salary Cap Act). Taking into account changes in the composition of the Company's Management Board (increased number of members).

In 2013 and 2012, the Company did not grant any loans or similar benefits to members of its management and supervisory staff. No other material transactions were concluded with members of the Company's Management and Supervisory Boards. 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 by blood or marriage in the direct line up to the second degree, of 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.

33.4 Remuneration paid or payable to other members of key management staff

Remuneration paid to members of key management staff (other than members of the Management Board of Grupa LOTOS S.A.)

PLN '000	Year ended Dec 31 2013	Year ended Dec 31 2012
Short-term employee benefits (salaries), including:	19,598	18,281
- annual bonus paid	*3,982* [1]	*4,565* [2]

[1] Remuneration paid in 2013 on account of annual bonus for 2012.
[2] Remuneration paid in 2012 on account of annual bonus for 2011.

Other employee benefits:

PLN '000	Dec 31 2013	Dec 31 2012
Post-employment benefits, length-of-service awards and other benefits	6,595	5,197
Current liabilities under annual bonus	5,103	4,731
Loans and other similar benefits	5	12
Total	**11,703**	**9,940**

In 2013 and 2012, the Company did not provide any loans or similar benefits to members of its key management staff.

34. Material events after the reporting period

There were no material events occurring after the end of the reporting period and not reflected in the financial statements for the reporting period.

35. Approval of the financial statements

These financial statements were approved for publication by the Management Board on March 3rd 2014.

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

President of the Management Board,
Chief Executive Officer

Paweł Olechnowicz

Vice-President of the Management Board,
Chief Financial Officer

Mariusz Machajewski

Vice-President of the Management Board, Chief Exploration and Production Officer

Zbigniew Paszkowicz

Vice-President of the Management Board,
Chief Operation Officer

Marek Sokołowski

Vice-President of the Management Board,
Chief Commercial Officer

Maciej Szozda

Chief Accountant

Tomasz Południewski